

Hotel Specialist Buys Anaheim, Calif., Hotel; Thorofare, Taconic Provide Financing

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Dynamic City Capital has completed its purchase of the 190-room Portofino Inn & Suites across from Disneyland Park in Anaheim, Calif., the last asset in the collateral pool of Wachovia Bank Commercial Mortgage Trust, 2007-C32.

The Provo, Utah, hotel specialist, founded in 1991 and now led by Joel Sybrowsky, Cory Turner and Ryan Phelps, paid \$57.5 million, or \$302,632/room.

To fund its purchase, Dynamic City turned to Thorofare Capital Inc. for \$40 million of senior financing - \$37.4 million was funded up front, while the remainder is to be funded as needed - and \$12.5 million of mezzanine financing provided by an affiliate of Taconic Capital Advisors.

The thinking is that given the amount of capital Dynamic City plans to invest in the 44-year-old property, it has more than \$10 million of equity committed to it.

Meanwhile, Dynamic City has leased the property to Sonder Hospitality USA Inc. under a five-year agreement that could be extended by up to two additional five-year terms. Sonder, of San Francisco, also is leasing 147 parking spaces at the property. The company provides short-term rentals of apartments and suites. It operates in 35 markets in 10 countries.

The Portofino property had backed what had been a \$36.75 million loan. When that loan was originated in 2007, the property was appraised at a value of \$46 million. From 2007 through 2017, the property consistently operated at a better than 75 percent occupancy level. In 2017, it operated at an 84 percent occupancy and generated \$2.81 million of net cash flow, according to servicer data compiled by Trepp Inc. It was 82 percent occupied in 2019.

But the CMBS loan was unable to be refinanced, largely because of the pesky ground-lease to which the hotel was tied. The property sits on land owned by T2 Hospitality of Newport Beach, Calif. Its lease had been set to mature in 2063 and payment terms were said to have become challenging.

The CMBS trust took over the property through foreclosure in late 2017.

The property's performance took a beating in 2020 as a result of the coronavirus pandemic, which resulted in a nearly year-long closure and, ultimately, a 20 percent occupancy level. It reopened its doors in May 2021.

The thinking is that special servicer Greystone Servicing Co. was able to renegotiate terms of the lease, making the property far more attractive to prospective investors. Paramount Lodging Advisors arranged the hotel's sale.

The Portofino, at 1831 South Harbor Blvd., at the corner of South Harbor and Katella Avenue, provides shuttle-bus service to Disneyland's main entrance. It's also a short walk from the Anaheim Gardenwalk, a 430,000-square-foot retail/entertainment center at 400 Disney Way, whose tenants include the House of Blues Anaheim and a Cheesecake Factory. It's also less than a mile from the 174-room Element Anaheim Resort/Convention Center that Dynamic City had acquired last year, soon after it was developed.

The hotel's sale is good news for the WBCMT 2007-C32 deal in that proceeds were far greater than what was owed against it and enough to cover all outstanding advances and fees. Before the transaction, the CMBS deal had absorbed \$467.49 million of losses, or 12.23 percent of its original \$3.82 billion balance. Those ate into the deal's class C, which originally carried an Aa2 rating from Moody's and AA rating from S&P.

The deal also has accumulated \$57.65 million of interest shortfalls.

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