

TECH CU CASE STUDY: Commercial Real Estate Loan

\$10 Million Commercial Real Estate Loan Breathes New Life into Los Gatos Landmark

“Our projects succeed because they’re grounded in detailed, strategic planning and strong relationships that support us along the way,” said Jon Shank, a partner at Pelio & Associates and part of the team overseeing redevelopment for the Inn. “Our firm has worked with Joe Anzalone for more than 25 years and we appreciate the expertise he and his colleagues offer. Their knowledge of financing in the Bay Area market is invaluable to us. It makes for a win-win on both sides.”



Pelio & Associates is commercial real estate development firm that has served the San Francisco Bay Area for more than three decades. They are best known for their projects in the technology sector, having successfully developed, owned and sold 11 data centers throughout Silicon Valley. The firm has also successfully developed numerous retail and commercial projects in the San Francisco Bay Area.

In 2010, Pelio & Associates recognized an opportunity to purchase and redevelop The Los Gatos Motor Inn, an historic but aging hotel property in the affluent Silicon Valley town of Los Gatos, California.

To learn more, call a Commercial Banker at: (800) 448-1467



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THE NEED

The principals invested more than \$12 million cash upfront to purchase The Los Gatos Motor Inn and facilitate the first phase of a multi-year renovation project that included: refurbishing most of the hotel's rooms and interior; upgrading the hotel's amenities; constructing a new commercial building at the front of the property.

With phase one of the renovation complete, Pelio & Associates wanted to secure commercial real estate financing that would allow them to finish the remaining improvements to the hotel, provide ongoing working capital for possible contingencies, and recapture some of their original investment.

THE CHALLENGES

- **Not a Typical Loan Request.** The nature of the project was unusual, because Pelio & Associates planned to make the property mixed-use, with a medical center at the front of the hotel.
- **Economy Still in Recovery.** Much of the country was still recovering from the economic downturn, which had impacted hotels particularly hard. This made most lenders hesitant to loan on a large renovation project in the hospitality industry.

WHY TECH CU?

- **Local Market Knowledge.** With a strong understanding of the Bay Area's market dynamics, Tech CU's commercial banking team appreciated the business opportunity afforded to Pelio & Associates, given the hotel's unique location, limits on competition from other providers, and its proximity to Silicon Valley.

- **A Regional Lender.** Tech CU makes its lending decisions locally, which gave the team more flexibility to support this non-traditional commercial loan request.
- **Relationships.** Tech CU's commercial team knew the principals through their relationships within the Bay Area development community, and they knew their reputation as respected developers with many successes over a 30-year history.
- **Customized Financing.** Tech CU worked very closely with Pelio & Associates to ensure the long-term financing met their business needs while still providing a competitive market interest rate.

BENEFITS TO THE BORROWER

- **Addressing Members Business Needs.** Tech CU provided Pelio & Associates with a \$10 million commercial real estate loan for the hotel and property, freeing up their initial cash investment for future development projects.
- **Favorable Lending Terms.** Pelio & Associates was able to complete all of the hotel's renovations, upgrading to premium rooms with state-of-the-art technology. These interior refurbishments and exterior renovations have transformed the Los Gatos landmark into a higher-end property that delivers the kind of experience guests who stay in the small, affluent town expect from their accommodations. The hotel has rebranded under the name Inn of Los Gatos.
- **Ready for Future Expansion.** The property is now mixed-used and benefitting from a diversified revenue stream that comes from the 9,000 square-feet of commercial space which can be used for retail or other purposes.

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