



# AVANA Capital Leverages Expertise and Mitigates Risk to Enable Entrepreneur to Capitalize on Strategically Located Real Estate

## LOAN DETAILS

**Project Type:**  
Hospitality

**Loan Type:**  
SBA 504 program

**Project Description:**  
Staybridge Suites  
extended-stay property

**Location:** Houston, TX

### Key Takeaways:

- Assisted borrower with selecting appropriate CDC
- Served as close advisor throughout process
- Created 30 jobs and increased tourism

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## Challenge

A young and successful Texas-based small business owner approached AVANA Capital with what inevitably became an incredibly complex yet opportunistic financing opportunity in the Houston market.

The Borrower had previously been very successful in building a gas station portfolio and was looking to leverage his business expertise through a new venture in the hospitality industry. The borrower had some experience in the space however had not previously owned nor operated a hotel by himself. Despite his greenness as a hotelier, the borrower had obtained a strategically located land parcel in Houston market and obtained the entitlements and franchise to develop a Staybridge Suites extended-stay property to serve the thriving medical community in the area.



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Throughout this project, AVANA demonstrated commitment to the borrower's vision through consistent problem-solving, and helped our borrower, as well as the GC and CDC, through each phase of financing and development.

## Solution

Upon initial review, AVANA's origination team identified this as a prime opportunity for the SBA 504 program. The SBA 504 program provides small businesses with long term fixed rate financing to acquire, expand, or construct commercial real estate with the inherent goal of facilitating community economic development.

Despite the seemingly ideal fit with the SBA's programs, finding the right Certified Development Corporation (CDC) to underwrite the deal for the SBA was not easy, as many Texas CDCs had turned away from hotel construction due to their high-risk nature and new supply saturation in the Houston market. The options were limited and it became apparent it was going to be a challenge to get the right stakeholders in place for the project. Furthermore, the General Contractor selected for the project did not have experience in building hotels. The General Contractor had worked extensively with the borrower on previous projects and also had a streamlined supply chain; thus, he was able to build this project at an extremely competitive cost basis. Because of this advantage, AVANA also had to mitigate the risk of the GC's inexperience without changing the GC. As the challenges systematically surfaced, AVANA's team knew that we would serve as close advisor throughout the entire process and impose

proper risk mitigation to keep the project on budget and on schedule in order to protect the sponsors, project and investors alike.

In many instances, AVANA was able to leverage its own expertise to ensure necessary approvals were obtained. In one instance, when submitting the project for SBA approval, our Business Development Officer and Lead Underwriter presented to the board alongside the CDC representatives — enabling the project to be approved by garnering a majority. Additionally AVANA helped financially engineer the deal to create liquidity to meet SBA requirements, seeking out a firm to assist with the elevated construction monitoring and re-negotiating the land repurchase clause with the seller.

## The WHY Behind the Deal

AVANA Capital is focused on both stimulating the U.S. economy through job creation as well as developing clean energy sources across the country. Through projects like this one, AVANA Capital helps create jobs in communities in the United States.

As a result of this particular project, approximately 30 jobs have been added in the Houston area, additional tax revenue will be generated, and more visitors will be attracted to the Houston metropolitan area and its medical facilities.

### Meet our Hospitality Team

To learn more about our hospitality practice and our financing capabilities, please contact:

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