

C-PACE, Tax Credits Drive Hotel Refi

X-Caliber has crafted a novel debt package, totaling \$122.2 million, to refinance a nearly century-old hotel in Southern California as the owner wraps up major renovations.

The former Breakers Hotel, in Long Beach, is on track to reopen this spring as the 185-room Fairmont Breakers Long Beach. Local developer **Pacific6 Enterprises**, which acquired the property in 2017, has lined up new and modified debt from X-Caliber comprising \$57.8 million of commercial Property Assessed Clean Energy financing and \$64.5 million of bridge loans.

The fixed-rate debt package closed in mid-January. It accounts for about 60% of the project cost, estimated at just over \$200 million.

Industry insiders said the Breakers refinancing likely represents the first time one lender has funded a deal involving a C-PACE mortgage, a traditional bridge loan and a bridge loan backed by anticipated payments from an investor that purchased income-tax credits tied to the rehabilitation of a historic property.

“Partnering historic tax credits and C-PACE financing is a double win,” said **Sal Tarsia**, managing partner of X-Caliber’s **CastleGreen Finance** unit. “It breathes new life into aging structures while promoting energy savings and environmental responsibility.”

X-Caliber chief executive **Chris Callahan** added that his shop intends to pursue more originations of such “integrated financings” of U.S. commercial properties. The Irvington, N.Y.-based shop “is one of the few firms in the nation to provide this highly efficient product pairing under one umbrella,” he said.

As part of the deal, an existing \$45.5 million C-PACE mortgage on the hotel was paid off and a \$48.5 million senior bridge

loan was recast with modifications to accommodate the new package. CastleGreen provided the now-retired C-PACE loan in September 2021, when affiliate X-Caliber Funding also originated the bridge loan.

The new C-PACE loan from CastleGreen runs 30 years. The size and term of the preserved bridge loan have not changed, so its initial three-year term still expires in eight months. But the borrower has two six-month extension options.

Meanwhile, X-Caliber Funding originated a second bridge loan tied to the historic tax credits. That \$16 million note, which comes due in five years, is backed by anticipated payments on federal income-tax credits that were created under a program administered by the **National Park Service**. Commercial real estate developers can sell that 20% tax credit to offset the cost of rehabilitating historic properties.

The tax credits tied to the Breakers were purchased at a discount by **Sherwin-Williams**, which contributed \$8.2 million in cash at the closing of the hotel refinancing. The Cleveland-based paint company is obligated to pay the rest over a four-year period that starts when the hotel reopens.

The 15-story hotel, at 210 East Ocean Boulevard, was built in 1926 by local banker and developer Fred Dunn. It was known for hosting movie stars including Clark Gable, Cary Grant, Elizabeth Taylor and John Wayne. The hotel closed in 1998, and the property operated as an assisted-living facility until 2015.

The renovations by Pacific6 were designed to preserve the exterior facade and other historical components of the building. The project includes a complete overhaul of the interior and rooftop area, including the iconic Sky Room restaurant at the top. ❖

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