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# Purchase Loan Request

By [REDACTED]  
[REDACTED]

Request for a \$1,256,500 loan for the current tenant to acquire a leased behavioral healthcare facility in North Providence, RI

**March 20, 2025**

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[REDACTED]  
[REDACTED]  
[REDACTED]  
[REDACTED]

[REDACTED]  
[REDACTED]  
[REDACTED]

## Table of Contents

<b>1. Executive Summary</b> .....	<b>3</b>
<b>2. Deal Overview</b> .....	<b>4</b>
2.1. Subject Property.....	4
2.2. Sponsor & Guarantor Profile.....	5
2.3. Asset Valuation .....	5
<b>3. Operator Profile: [REDACTED]</b> .....	<b>6</b>
3.1. Background on [REDACTED].....	6
3.2. Background on the VSL Membership Organization.....	6
3.3. Tenant Financials .....	6
3.4. VC’s Leaders and the Foundation’s Board .....	7
3.5. VSL Key Affiliations .....	7
<b>4. Asset Classification &amp; Social Impact</b> .....	<b>8</b>
4.1. Recovery Housing Overview .....	8
4.2. Community Support & Amenities.....	9
4.3. Housing Affordability & Resident Pricing .....	9
4.4. Home Leadership and Accountability .....	10
4.5. Recovery Homes and Zoning .....	10
<b>5. Owner (Buyer/Borrower) Financials</b> .....	<b>11</b>
<b>6. Operator (Tenant) Financials</b> .....	<b>12</b>

## Attachments

- 1. Corporate Guarantor Global Financials:** Years 2024, 2023, 2022
- 2. Unit-Level Financials:** Available since the date of opening
- 3. Sponsor & Guarantor Personal Financial Statement:** Current as of January 31, 2025
- 4. Comparable Appraisals:** Completed appraisals on similar assets to assist in preliminary valuation.

**Note:** To ensure confidentiality and the efficient use of time and resources, we kindly ask that these materials only be requested after this Memorandum has been reviewed and there is interest in further discussion.

# 1. Executive Summary

[REDACTED] with a mission to strengthen communities by developing housing for individuals in recovery from substance use disorders (addiction). The Foundation is seeking financing to acquire a stabilized behavioral healthcare property currently leased by its subsidiary, [REDACTED]. This property is an established NARR Level II Recovery Residence, providing critical housing and support for men in recovery.

**Purpose of the financing:** This loan will facilitate the transition from triple-net leasing to charitable ownership, ensuring long-term operational stability, reducing operating costs through real estate tax exemptions, and preserving the mission-critical use of the property for recovery housing.

### Key strengths of the loan request:

- **Stabilized asset** with multi-year operational history
- Secure financial profile seeking **70% LTV** and **1.37 DSCR**
- **First mortgage** secured by the property
- **Clear exit strategy** for long-term refinancing

**The right lender for this loan:** The ideal lender for this transaction is a mission-driven financial institution, private lender, or fund specializing in community development or impact investing. The Foundation's nonprofit status and mission create a compelling opportunity for lenders focused on making a positive social impact while benefiting from a secure, well-collateralized loan.

## Loan Request

<b>Loan Type:</b>	Loan to purchase real estate
<b>Loan Amount:</b>	\$1,256,500
<b>Term:</b>	25-year amortization & 10-year term requested
<b>Collateral:</b>	First mortgage on the property
<b>Borrower:</b>	[REDACTED]
<b>Corp. Guarantee:</b>	[REDACTED] [REDACTED]
<b>Personal Guarantor:</b>	[REDACTED] [REDACTED]

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<sup>1</sup> The Foundation will acquire the property through a to-be-created special-purpose charitable real estate holding trust.

[REDACTED] is a wholly owned subsidiary of [REDACTED] and is the current tenant under a NNN lease with the seller; this entity will continue operations as currently in place and lease from the to-be-created trust.

<sup>3</sup> [REDACTED]  
[REDACTED]

## 2. Deal Overview

To finance the acquisition of the subject property, the Foundation has secured donor commitments for a portion of the purchase price. This proposed financing is structured as a permanent loan to complete the purchase and facilitate the transition to ownership.

Over a 24-month period following acquisition, the Foundation will secure a charitable real estate tax waiver and perform out-of-pocket capital improvements.



### Purchase terms:

Subject property:	1373 Smith Street, North Providence, Rhode Island		
Closing date:	May 30, 2025 (some flexibility can be provided)		
Seller:	[REDACTED]		
Buyer:	[REDACTED] (through a special-purpose trust)		
Purchase price:	\$1,795,000		
Donor funding secured:	\$550,000 <sup>4</sup>		
Loan amount requested:	\$1,256,500	Loan to value: 70%	DSCR: 1.37

### 2.1. Subject Property

The subject property is a certified NARR Level II Recovery Residence dedicated to serving men in recovery from substance use disorder, meeting the standards set forth by NARR. This property has a stable long-term operating history under [REDACTED]. The Foundation has secured donor funding to cover the down payment, minimizing loan-to-value risk and ensuring a well-capitalized acquisition.

### Current Lease Structure in Place

Lease start date:	August 1, 2023
Lease terms:	20 years   Absolute NNN Lease
Annual lease payment:	\$145,800

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<sup>4</sup> The Foundation has secured commitments of donation funding through a capital campaign for this transaction.



### 3. Operator Profile: [REDACTED]

#### 3.1. Background on [REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

#### 3.2. Background on the VSL Membership Organization

**Vanderburgh Sober Living™** (VSL): VSL is a network of independently operated recovery residences organized by The Vanderburgh Foundation, Inc. These operators, called Chartered Operators, work in partnership with VSL to independently operate recovery residences in collaboration with VSL as Chartered Homes.

##### *For the cause*

**Our mission** relies upon the success and growth of our real estate partners to provide homes to expand our impact.

##### *For the bottom line*

**Our model** for operations delivers stable financial returns in an established behavioral healthcare sector.

**Highlights:** The Vanderburgh Sober Living™ network is a cornerstone in the national recovery community:

- Operating **38 locations** serving over 600 guests every day
- Presence in **8 states** serving local communities
- **8 years** of experience refining our model
- **\$14MM** of direct capital investment to date

#### 3.3. Tenant Financials

VC has grown steadily since its founding in 2016, demonstrated through strong top-line growth and stable EBITDA<sup>6</sup>. Since its founding, VC's founders and partners have contributed more than \$14MM towards the development of VC's operations and the development of The Vanderburgh Foundation's support platform, including technology, resources, and real estate portfolio.

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[REDACTED]

### 3.4. VC's Leaders and the Foundation's Board

**Hunter Foote: Executive Director | M.L.M. (Strategic Management, Harvard University), B.B.A. (Business, UMass Amherst)**

As Executive Director, Hunter casts the vision for our organization and leads our growth and development, building the systems and relationships needed to accelerate growth and improve impact. Personal investment to date: \$6MM.

**Russell Bartlett: Director of Real Estate Portfolio Finance**

As a seasoned finance strategist, Russ brings expertise in underwriting, deal structuring, credit analysis, and portfolio-level financial modeling and risk management—helping VSL grow its scale while controlling capital costs and portfolio risk.

**Dawna Thomas-Foote: Regulatory Compliance | B.A. (Law, UMass Boston)**

As Director of Compliance, Dawna manages operational risk including credit, systems, and legal to ensure operations adhere to exacting standards. Personal investment to date: \$1MM.

**Katherine Saad: Director of Operations**

Kate joins the VSL team with extensive experience leading addiction recovery organizations in New England. She leads the development of our training, guest care, and operator support systems, assuring stable and effective operations.

**Troy Escarpeta: Director of Community Development**

Leading our Development Department, Troy brings a wealth of experience in sales management, community building, and customer discovery. His leadership expands our network of Chartered Operators and drives community impact.

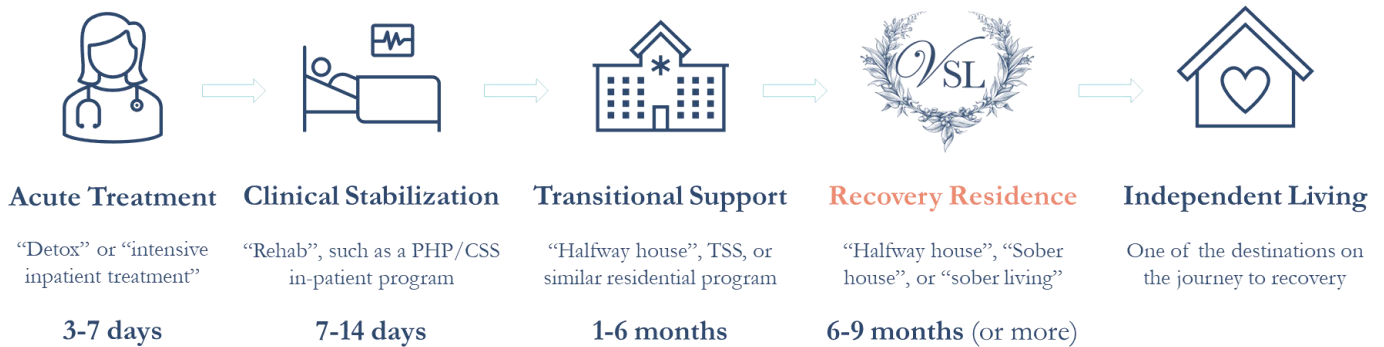
### 3.5. VSL Key Affiliations



## 4. Asset Classification & Social Impact

### 4.1. Recovery Housing Overview

**Recovery housing** is a type of congregate living facility serving individuals in recovery from substance use disorder. Often termed “halfway houses” or “sober living”, these facilities serve those who have completed clinical treatment and are re-integrating into society. Without recovery housing, many leaving treatment or incarceration face limited housing options, significantly increasing the risk of relapse. Compared to alternatives, recovery housing dramatically boosts the chances of success in early recovery<sup>7</sup>.



**Residents** are typically referred to recovery housing facilities from either a clinical or criminal justice setting, such as a detox facility, 30-day treatment program, or correctional institution. They are screened by a member of VSL's screening staff to ensure a good fit within the community. Residents live semi-autonomously, following house rules, attending regular meetings, and participating in recovery activities while having the freedom to work and engage in the community outside of the residence. This balance provides structure while promoting personal responsibility and independence.

**Program fees** are billed either weekly or monthly, depending on room type and payment source and preference. These all-inclusive fees cover utilities, support services, and amenities, designed to foster stability and support recovery. Funding sources include:

- State-funded grants: RAP, RAFT, RCAP, etc.
- Private scholarship foundations: Catholic Charities, Power Forward, The Salvation Army, etc.
- Recovery housing grant funding: Access to Recovery, S.T.O.P., The Gavin Foundation, etc.
- Private pay

<sup>7</sup> Polcin, Douglas L., Rachael A. Korcha, Jason Bond, and Gantt Galloway. "Sober living houses for alcohol and drug dependence: 18-month outcomes." *Journal of substance abuse treatment* 38, no. 4 (2010): 356-365.

## 4.2. Community Support & Amenities

To reduce barriers to housing, simplify requirements, and minimize anxiety for our guests, each VSL home charges an all-inclusive program fee, payable weekly or monthly. This fee covers all home operating expenses, with only a few exceptions noted below. Unlike many other sober living environments that include hidden fees for services like drug screening or electronic payments, we are committed to transparency and ensuring our guests are not burdened by unexpected costs.

### Community Support

- Access to a trained live-in House Mentor for support, coaching, and guidance
- Drug and alcohol screening as outlined in the Guest Handbook
- Access to guest resources and community message board via the Guest Center mobile app
- Guides, literature, recovery resources, and workbooks to support recovery
- Directories of local services and agencies

### Home Amenities

- All utilities: heat, hot water, electricity, cooking fuel, etc.
- High-speed internet and computer workstation
- Premium television service, often through streaming platforms
- Storage for food and personal items; secure storage for valuables and medication
- Parking (limited on-site parking at certain homes)
- Electronic payment options (credit card, debit card, e-check, wire transfer, ACH)

## 4.3. Housing Affordability & Resident Pricing

**Pricing Model:** Our pricing is based on a percentage of the local market rate for a studio apartment or similar shared living arrangement, using 50% of the market rate as a guideline. For example, the average rent for a studio apartment in Worcester, MA is \$1,560 as of November, 2024, not including utilities, telecom, furnishings, and other amenities. Our 2024 rates in Worcester are \$820 per month, or \$190 per week, which is just over 50% of the average cost of a studio apartment in the area. Including amenities, this equates to 30-40% of typical living costs in the area. Beds in shared rooms cost less than private rooms. Guests typically move in to a shared rooms and transition to private rooms if they become available.

**Payment Subsidies and Grants:** We accept a wide range of housing vouchers, including Section 8, RCAP, RAFT, HUD/VASH, scholarships, grants, and other funding assistance. While we appreciate the support these programs offer, our mission is to encourage independence by helping our guests develop skills for gainful employment, equipping them to transition away from temporary assistance programs.

**Laundry Service (additional charge) :** Coin-operated laundry machines are available for guest use. A small charge helps cover the cost of washing and drying and encourages responsible use of resources.

**Appliance Surcharge:** Guests may use personal air conditioners or space heaters, subject to safety inspection and approval. A small charge offsets the additional energy costs and promotes energy conservation.

#### 4.4. Home Leadership and Accountability

Recovery residences are designed to allow guests in recovery to live together as a family, developing the tools and strengthening their character to live free from substance abuse. While promoting independence, these homes are guided by recovery-focused house rules, standards, and expectations. The foundation of the recovery residence structure is abstinence from drugs and alcohol. Guests are engaged in their recovery journey by attending meetings, working with a sponsor, and receiving support from House Mentors. Guests also adhere to curfews, undergo drug and alcohol screenings, and participate in home and community events.

**Chartered Operators:** VSL is committed to community empowerment by partnering with local facility operators in a unique way. In addition to managing some locations with traditional staff, VSL offers opportunities for independent Owner/Operators to collaborate to establish homes. This approach empowers operators and aligns incentives towards the shared goal of creating successful, impactful, and enduring homes in their communities.

**House Mentors:** Each home is managed by a live-in House Mentor who works part-time to ensure the environment is conducive to guest success. House Mentors are compensated with free accommodations and focus on providing daily support, encouragement, and accountability. They manage only the home in which they reside and follow the guidelines outlined in the House Mentor Handbook, which is available upon request.

#### 4.5. Recovery Homes and Zoning

VSL homes operate under the Federal Fair Housing Act (FHA) and the Americans with Disabilities Act (ADA), which recognize residents of recovery homes as a protected class. The legal foundation for structured recovery housing is supported by *City of Edmonds v. Oxford House Inc.* (1995), which affirmed that zoning laws must make reasonable accommodations for recovery residences, treating them similarly to family units. Any zoning regulation that restricts the operation of recovery residences may constitute discrimination under the FHA.

Recovery homes do not require zoning variances or special permissions. The FHA mandates that municipalities must make reasonable accommodations for recovery residences, allowing them to be treated as family units within residential zones or in buildings that are permitted to be used for residential purposes. This legal framework ensures that recovery homes can integrate into residential communities without facing zoning-related barriers.

The residents of VSL homes are protected by these federal statutes, which prevent municipalities from imposing discriminatory land-use restrictions. VSL ensures compliance with community standards while maintaining the rights afforded under the FHA and ADA, allowing recovery residences to provide stable, supportive environments for individuals in recovery.

## 5. Owner (Buyer/Borrower) Financials

Facility Financials		1373 Smith Street, North Providence RI	
<b>Facility Information</b>			
Size of facility	<b>4,559</b>	Sq. Ft.	
Service capacity	<b>28</b>	Bed count	
<b>Lease Revenue</b>			
Lease Payments	\$ 145,800	Lease payments from tenant; see lease	
<b>Total Revenue</b>	<b>\$ 145,800</b>		
<b>Operating Expenses</b>			
Real estate tax	\$ -	NNN lease: tenant pays real estate tax; see lease	
Insurance	\$ -	NNN lease: tenant pays insurance; see lease	
Capital reserve	\$ -	NNN lease: tenant pays capital items; see lease	
Legal tax <sup>1</sup>	\$ 2,200	Owner allocates for legal and tax professionals	
<b>Total Expenses</b>	<b>\$ 2,200</b>		
<b>Facility NOI</b>			
	<b>\$ 143,600</b>	Facility Net Operating Income	
Less: debt service	<u>\$ 104,652</u>	See detail below	
<b>Facility Net Income</b>	<b>\$ 38,948</b>	DSCR:	<b>1.37</b>

### Loan Request

Requested Loan			
Loan Amount	\$ 1,256,500		
LTV	70.00%	This is our target LTV	
Assumed rate	6.80%	This is our assumed rate of interest	
Assumed term	<u>25.00</u>	This is our assumed loan amortization	
Imputed payment	<b>\$ 104,652</b>	This is the imputed payment using assumptions	

### Valuation Detail (expected)

Facility NOI	\$ 143,600
Capitalization Rate	8.00%
<b>Imputed Value</b> <sup>2</sup>	<b>\$ 1,795,000</b>

<sup>1</sup> *Legal and tax* represents the only cost of managing this NNN-leased asset: the cost of the owner's legal and tax advisor(s), to the extent these services are used.

<sup>2</sup> This *Imputed Value* figure is based on comparable sales of similar NNN-leased assets.

## 6. Operator (Tenant) Financials

<b>Operator Financials</b>		<b>1373 Smith Street, North Providence RI</b>		
<b>Facility Information</b>		<b>Monthly</b>	<b>Weekly</b>	
Private Beds	1	Private Bed Rate	\$ 953	\$ 220
Shared Beds	27	Shared Bed Rate	\$ 867	\$ 200
<b>Operating Revenue</b>		<b>Annual</b>	<b>Monthly</b>	<b>Ratios</b>
<b>Total potential rent income</b>		\$ 263,120	\$ 21,927	
Less: House Mentor	1.0	\$ (10,400)	\$ (867)	
Less: vacancy factor	16%	\$ (42,099)	\$ (3,508)	
<b>Potential rent income</b>		<b>\$ 210,621</b>	<b>\$ 17,552</b>	89.1%
<b>Additional revenue</b>				
Intake fee income		\$ 9,408	\$ 784	4.0%
Laundry service income		\$ 3,494	\$ 291	1.5%
Appliance surcharge income		\$ 2,016	\$ 168	0.9%
Support & sponsorship income		\$ 10,800	\$ 900	4.6%
<b>Total Projected Revenue</b>		<b>\$ 236,339</b>	<b>\$ 19,695</b>	<b>100%</b>
<b>Real Estate Cost</b>		<b>Annual</b>	<b>Monthly</b>	<b>Ratios</b>
NNN lease payment		\$ 145,800	\$ 12,150	61.7%
Real estate tax: waived: 501(c)3		\$ -	\$ -	0.0%
Property insurance		\$ 3,805	\$ 317	1.6%
Capital reserve		\$ 4,559	\$ 380	1.9%
<b>Operating Expenses</b>				
Heat		\$ 6,428	\$ 536	2.7%
Electricity		\$ 6,804	\$ 567	2.9%
Water & sewer		\$ 5,232	\$ 436	2.2%
Urine drug screens		\$ 3,276	\$ 273	1.4%
Repairs		\$ 2,280	\$ 190	1.0%
House supplies		\$ 2,520	\$ 210	1.1%
Internet & TV		\$ 1,620	\$ 135	0.7%
Trash disposal		\$ 2,880	\$ 240	1.2%
General/prof. liability insurance		\$ 2,950	\$ 246	1.2%
Marketing and advertising		\$ 300	\$ 25	0.1%
<b>Total Projected Expenses</b>		<b>\$ 188,453</b>	<b>\$ 15,704</b>	<b>79.7%</b>
<b>Income to Operator</b>		<b>\$ 47,886</b>	<b>\$ 3,991</b>	<b>20.3%</b>