

Case Study American Gold Star Manor



Realizing a Dream for Gold Star Mothers and Vets



American Gold Star Manor, a retirement community in Long Beach, California, was in need of renovation. They put together financing with the assistance of HUD, a local nonprofit developer and private lenders.

Ruiz Brothers Construction Company Inc. of Commerce, California, was the contractor. Ruiz Brothers has extensive experience in remodeling and rehabilitation work. It also is a leader in LEED-certified construction and built the first LEED-certified multi-family project in the U.S. Due to HUD involvement, Ruiz Brothers needed to secure \$38 million in bonding for the project.

But the job was three times larger than any project Ruiz Brothers had completed before, and the incumbent surety was hesitant to bond it.

The Challenge

Underwriting a project three times larger than any project the contractor had completed before.

Old Republic Surety's Approach

Pull the project apart to look at it differently, and see if there is way to write it.



Created as a nonprofit in 1975 by American Gold Star Mothers, American Gold Star Manor provides affordable housing for seniors who have lost sons or daughters in the service of their country, as well as for eligible veterans.

The property was originally acquired from the U.S. Navy, and with the help of the Department of Housing and Urban Development (HUD) turned into 348 apartments. But over time, the property's 10 buildings needed improvements, including replacement of sewer, HVAC and fire systems, and upgrades in every unit.

Looking at the Project from a Different Angle

Ruiz Brothers turned to Phil Vega with Contractors & Developers Bonding for help. Vega's company is the largest independently owned surety brokerage in California. Vega contacted Rick Rehrer, an Old Republic Surety bond manager he had worked with before.

"Old Republic takes a different approach to underwriting," says Vega in explaining his choice. "They think outside the box and are willing to go beyond your typical credit risk analysis. They will take the time to pull the project apart to see if there is way to write the business."

Rehrer set up a meeting with Ruiz Brothers and discovered that the renovation would occur one building at a time. In essence, the project could be divided into 10 smaller projects.

Another key point: Ruiz Brothers negotiated with the owner to release the retention after each building was completed, allowing the contractor to maintain its cash flow throughout the project.

"Our ability to respond quickly to the underwriting request, the fact that it wasn't new construction — it was tenant improvements that could be completed one building at a time and that retention would be released: All these things helped us to make a decision to support Ruiz Brothers," says Rehrer.

Other key factors that made Old Republic decide to bond the project:

- The contract was negotiated and didn't require a hard bid.
- The project was backed by HUD, which guaranteed part of the funding and provided an added level of contract oversight.
- The project did not rely heavily on subcontractors.
- Ruiz Brothers had experience with HUD construction.
- The job would be profitable.

Providing Comfort and Security to Gold Star Families

The bonded project increased to \$44 million before successfully closing in the spring of 2019. The entire project was finished in three years, with Ruiz Brothers completing each building in just three to five months. The company also had a separate contract to renovate a small administration building.

Who Are Gold Star Mothers?

Gold Star Mothers Inc. was founded in 1928 by mothers who had lost a son or daughter to World War I. Membership has since been opened to mothers who have lost children to WWII, the wars in Korea and Vietnam, and more recent conflicts. The gold star was first used in WWI to honor those who sacrificed their lives for their country.

Residents moved into vacant apartments elsewhere in the complex during their building's renovation. The units were completely remodeled down to the studs. Improvements included new windows and sliding-glass doors, solar-powered water heaters, LED lights, energy-efficient appliances and modern fire safety systems.

Vega remembers walking through one of the buildings after the residents had moved back in. "We met a man who was just tickled by all that was done to improve his unit," Vega says. "He was so proud of his apartment. It was fantastic to experience that excitement and know we helped make this project possible."

Adds Rehrer, "The residents couldn't say enough good things about Ruiz Brothers. I feel this project was a win-win for everyone — the owner, the residents and the contractor."

Today, American Gold Star Manor is a beautiful, gated property set on 23 acres of well-maintained lawns and gardens. Thanks to the renovation, senior Gold Star family members and veterans can live independently in safe, attractive and affordable homes.

Vega represents many sureties but considers Old Republic Surety one of his top go-to markets.

"Everyone at Old Republic is so responsive and willing to work with you to make a project possible," he says. "They take the time to develop personal relationships with their agents. Alan Pavlic, the president, visited this project several times, and that's not something you see at most sureties. I consider Old Republic a valuable partner."



Rick Rehrer

Bond Manger, California
Old Republic Surety

American Gold Star Manor at a Glance

Surety bond amount:
\$44 million

Number of units and buildings:
348 units in 10 buildings