

SIMS HELPS CLIENT OF OVER 30 YEARS SECURE NEW CONSTRUCTION AND HEALTH CENTER RESTRUCTURING FINANCING – POSITIONING THEM WELL TO NAVIGATE FUTURE PROJECTS

BROOKHAVEN AT LEXINGTON



PARTNERED RIGHT

Brookhaven at Lexington is a type-A life plan community located on a 32-acre site in Lexington, MA, about 11 miles northwest of Boston. The facility opened in 1989 and, in 2006, completed a major expansion and renovation of its campus and now has 240 independent living units, 20 assisted care units, and 49 skilled nursing beds. Brookhaven has maintained a Fitch ‘A+’ rating since 2014. The rating of ‘A+’ reflects Brookhaven’s excellent financial profile and solid demand for services with most metrics well exceeding the ‘A’ category medians.

Over the past few years, as part of an extensive master planning process, Brookhaven considered undertaking major renovations, reconfigurations and new development. Brookhaven ultimately decided to pursue a reconfiguration of their existing Health Care Units, make extensive additions and modifications to common areas, and build 49 new independent living apartments on undeveloped contiguous property.

HJ Sims was engaged by Brookhaven to undertake an expedited assessment of financing options for the various new money projects, as well as analyze the potential benefit of refinancing Brookhaven’s outstanding Series 2005 debt.

Brookhaven at Lexington At A Glance

Partnered Right	Structured Right	Executed Right	Financed Right®
<ul style="list-style-type: none"> » Brookhaven at Lexington is a type-A life plan community located on a 32-acre site in Lexington, MA. » After opening in 1989, Brookhaven completed a major expansion and renovation of its campus in 2006 and now has 240 ILUs, 20 ACUs, and 49 SNFs. » Brookhaven has maintained a Fitch ‘A+’ rating since 2014. » Recent master planning process identified a need for significant renovations and reconfigurations, as well as an independent living unit expansion. 	<ul style="list-style-type: none"> » Brookhaven elected to use all entrance fee proceeds in order to pay down the short-term debt. » Brookhaven provided approximately \$12 million in equity for the additional reconfiguration and renovation projects. » By parallel processing the 2005 refinancing, Brookhaven could realize interest rate saving and advantageous covenant adjustments on their outstanding 2005 debt. 	<ul style="list-style-type: none"> » Total financing included: <ul style="list-style-type: none"> ■ \$36 million of short-term taxable construction financing; ■ \$16.123 million taxable term bond that will be due 2030. » The short-term loan was structured to pay interest at a floating rate that could be callable on any interest payment date. » The long-term debt was structured to be callable by the borrower at any time with a calculated prepayment penalty. 	<ul style="list-style-type: none"> » Brookhaven secured committed, long-term fixed rate bank financing for 12 years for its new capital needs. » Brookhaven successfully refinanced at an attractive average interest rate of 3.89%.

STRUCTURED RIGHT

Sims considered multiple financing and structuring options for Brookhaven's financing including: (i) variable/fixed-rate bank financing (and related interest rate hedging options); (ii) fixed-rate public bond financing; and (iii) taxable and tax-exempt financing options for all outlined financing scenarios.

Sims' assessment of financing options included consideration for Brookhaven's operating and financial metrics, including the management's desire to keep the long-term debt as minimal as possible. Key metrics included days cash on hand, debt service coverage ratio, debt to capitalization and loan-to-value. While loan-to-value was not a limiting factor, an abbreviated timeline and the desire to reduce long-term debt became critical components in deciding the plan of financing.

Brookhaven elected to use all entrance fee proceeds from the newly constructed units, approximately \$36 million, to pay down the short-term debt. Additionally, Brookhaven provided approximately \$12 million in equity for the additional reconfiguration and renovation projects. This left approximately \$14 million outstanding in long-term debt for the proposed projects.

Given the need for the significant amount of construction financing and knowing that we would be working under an abbreviated timeline, Brookhaven and Sims decided that a combination of short-term and long-term taxable bank debt was the most economic and efficient source of financing.

EXECUTED RIGHT

Once the source of financing was determined, Sims and Brookhaven worked together to provide various different banks with a Request for Proposal, host site visits and ultimately chose one bank to provide all the necessary financing. During this process it was also determined that Brookhaven could realize interest rate saving and advantageous covenant adjustments on their outstanding 2005 debt. Brookhaven decided to parallel process the refinancing with the new project financings.

Total financing ultimately included \$36 million of short-term taxable construction financing, and a \$16.123 million taxable term bond (due 2030). The term bond due in 2030 was comprised of \$14 million for new construction and \$2.124 for the refinancing of the outstanding Series 2005 debt. Cost of issuance and other closing fees were paid from Brookhaven's equity contribution.

Due to the relatively short timeline for repaying the construction financing debt, the short-term loan was issued at a floating rate that is callable on any interest payment date. Sims strategically structured the long-term debt with a fixed interest rate through its 2030 maturity, which matches the current final maturity for the outstanding 2005 debt. This allowed Brookhaven to receive favorable rates and avoid any potential interest rate risk on the debt. In order to provide Brookhaven the ability to prepay the term loan early, the bank debt was structured to be callable by the borrower at any time with a calculated prepayment penalty.

FINANCED RIGHT®

With the assistance of Sims and the financing working group, Brookhaven successfully completed the financing in April 2018 allowing it to begin construction prior to the summer months. Brookhaven secured committed long-term fixed rate bank financing (12 years), for its new capital needs and refinancing, at an attractive average interest rate of 3.89%.

“Andrew Nesi and his team provided great service to Brookhaven in our financing of our expansion and repositioning. Andrew worked very closely with our CFO Erin Finn to get Brookhaven the best rates and terms and to get the deal closed on time. We continue to be impressed with the knowledge that Andrew and his team have of all aspects of financing a major project like this. They worked alongside of our staff and made this process seem smooth. Brookhaven is so pleased to have had a 30-year relationship with what I consider to be the premier Investment Banking firm in the country. We look forward to continuing this relationship.”

*— James Freehling, Chief Executive Officer,
Brookhaven at Lexington*

**For more detailed information
on how Brookhaven at Lexington
was Financed Right® by HJ Sims,
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