

# CASE STUDY

## FIRST COMMUNITY VILLAGE

\$55,000,000 | Upper Arlington, OH | November 25, 2020



FINANCED RIGHT®

### FIRST COMMUNITY VILLAGE PARTNERS WITH HJ SIMS TO AMEND EXISTING BOND COVENANTS, AND FINANCE INDEPENDENT LIVING EXPANSION PROJECT WITH MULTI-SERIES DRAW-DOWN BONDS

## FIRST COMMUNITY VILLAGE



National Church Residences

### PARTNERED RIGHT®

First Community Village (“FCV”) is a life plan community located in Upper Arlington, Ohio. The 32-acre campus presently includes a 138-bed skilled nursing center (the “Skilled Nursing Center”), a 38-unit assisted living center (the “Burkhart”), 36 memory care assisted living suites (the “Roxbury Cottages” or the “Memory Care Units” and together with the Burkhart, the “Assisted Living Units”), 86 luxury independent living apartments (the “Chelsea”), 28 independent living Gardens apartments (the “Gardens”), and 38 ranch-style manor homes (the “Manor Homes”), together with a variety of related common and support areas.

FCV is an affiliate of, and managed by, National Church Residences. National Church Residences is also headquartered in Upper Arlington, Ohio with its offices located approximately seven miles from FCV. National Church Residences was organized in 1961 and owns or operates over 342 facilities in 25 states and Puerto Rico including:

- 311 senior housing communities which contain 20,517 units,
- Six family housing communities containing 600 units,
- Eleven permanent supportive housing communities containing 853 units,
- Seven assisted living facilities located in Ohio and Florida,
- Six home and community based service agencies in Ohio serving approximately 450 clients with hospice, home health or homemaking service needs,

- Two adult care centers serving approximately 250 clients,
- Four independent and assisted living communities located in Ohio and Florida, and
- Three continuing care retirement communities all located in Ohio.

### First Community Village At A Glance

Partnered Right®	Structured Right®	Executed Right®	Financed Right®
<ul style="list-style-type: none"><li>» FCV is a life plan community located on a 32-acre campus in Upper Arlington, Ohio.</li><li>» FCV is an affiliate of and managed by National Church Residences, a nationwide owner and operator of senior living and affordable housing communities in 25 states and Puerto Rico.</li><li>» HJ Sims has provided investment banking and financial advisory services to FCV since 2003.</li></ul>	<ul style="list-style-type: none"><li>» FCV sought to replace 30 aging rental independent living units built in the 1960s.</li><li>» The replacement project, to be known as the Fairfax Project, will include 70 entrance-fee independent living units.</li></ul>	<ul style="list-style-type: none"><li>» Existing bond covenants restricted FCV’s ability to finance the Fairfax Project.</li><li>» HJ Sims and FCV worked with existing bondholders to amend the existing Master Trust Indenture through a supplemental Indenture.</li></ul>	<ul style="list-style-type: none"><li>» A tax-exempt bond offering up to \$55 million was placed directly with two investors.</li><li>» The financing featured three tranches of debt including adjustable-rate draw-down bonds, variable-rate draw-down bonds, and fixed-rate bonds.</li><li>» The draw-down feature lowered the overall cost of the construction project, and reduced capitalized interest.</li></ul>

HJ Sims has worked with FCV on financings since 2003. FCV again partnered with HJ Sims in 2019 to find a unique solution to minimize the cost of capital for the proposed expansion project, while amending existing covenants to incur additional indebtedness and provide additional flexibility related to other key provisions.

### **STRUCTURED RIGHT®**

The Fairfax Expansion Project includes the construction of a four-story Independent Living apartment building, and the demolition of three existing single-story apartment buildings. The Fairfax project will feature a heated underground parking garage with 70 parking spaces. This new four-story building will be built above the parking garage and house 70 entrance-fee Independent Living apartments. The expansion will replace 30 units (three buildings) of original rental only independent living apartments known as The Gardens, which are all a single-story, 1960s vintage construction.

Planning for The Fairfax Project began in 2015 with the initial development of a master plan followed by a market study of consumer perceptions about FCV from current residents and potential future residents. In 2017, the final development team was selected to include Greenbrier Development, LLC, Elford Construction, pH7 architects, Edge landscape planners and Brian Jones Studio.

As National Church Residences and FCV assembled the development and marketing teams for the Fairfax project, HJ Sims worked with National Church Residences and FCV on identifying debt capacity, calculating permitted additional indebtedness, and sourcing capital. Based on an analysis of management's projections, outdated existing bond provisions, and prevailing market interest rates, it was determined that amendments to the existing Master Trust Indenture would be required in order for FCV to incur additional indebtedness.

### **EXECUTED RIGHT®**

Two of the existing bondholders – one representing a traditional bond fund and the other representing a Registered Investment Advisor (“RIA”), and who constitute a majority holding of the outstanding Series 2013 bonds – consented to amendments to the exiting Master Trust Indenture by ratifying a Supplemental Indenture. The Supplemental Indenture removed, on a permanent basis, any required calculation or testing of a liquidity requirement, modified, on a temporary basis, the feasibility report requirement in connection with the issuance of the Series 2019 Bonds, permitted certain payments of principal on the subordinate loan from National Church Residences, and amended other provisions.

With the Supplemental Indenture in place, HJ Sims and FCV proceeded with executing a financing structure for the Fairfax project. One of the existing bondholders, the RIA, will serve as Bondholder Representative for the Series 2019 financing, and provided a term sheet to purchase three series of tax-exempt bonds to finance the Fairfax Project.

### FINANCED RIGHT®

On November 25, 2019, FCV closed the Series 2019 financing in an amount up to \$55 million for the Fairfax Project. This financing was placed directly with two of the existing bondholders described above (the “2019 Bondholders”), and featured three tranches of debt including up to \$35 million of adjustable-rate, long-term, draw-down bonds (Series 2019A), up to \$15 million variable-rate, entrance-fee, draw-down bonds (2019B-1), and \$5 million of fixed-rate, entrance-fee bonds (2019B-2). The 2019A and 2019B-1 draw-down bonds are expected to consist of five separate sub-series, with the first sub-series issued at closing, and the four subsequent sub-series issued periodically through April 2021 or construction completion. The draw-down feature of the Series 2019A and Series 2019B-1 Bonds allow First Community Village to take advantage of a lower effective interest rate during the construction period, preserve the flexibility of a Master Trust Indenture, and avoid appraisal costs and restrictive loan to value constraints common to bank financings. Both the 2019 Bondholders purchased the initial draw at closing, with the RIA committing to buy the future draw-down bonds over the course of the construction period.

*“Aaron Rulnick and First Community Village have had a valued working relationship for many years so it was an easy decision to work with HJ Sims for our Fairfax Project financing. The team at HJ Sims skillfully guided us through the process from the initial discussions through getting amendments to the existing documents to the issuance of the 2019 Draw Down Bonds. As a former investment banker familiar with tax-exempt bonds and a working relationship with the RIA and largest bondholder, I valued the advice and guidance Aaron and the Sims team provided to me and the community to insure we created a very workable, flexible solution for this project financing. Given the complexity of the multiple series draw down bonds, the models created for us by the Sims team to manage the construction funding process were very helpful to our internal team. I consider Aaron and his team one of my most valued business partners for his thoughtfulness and willingness to understand our goals and objectives.”*

*— Tanya Hahn, Senior Vice President/Chief Financial Officer, National Church Residences*

**For more detailed information on how First Community Village was Financed Right® by HJ Sims, please call or email:**

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