

### ***HJ SIMS SUCCESSFULLY FINANCES A START-UP RENTAL COMMUNITY THAT WILL PROVIDE THE FULL CONTINUUM OF CARE IN DALLAS, TEXAS***



#### **PARTNERED RIGHT®**

The Legacy Senior Communities, Inc. (“Legacy”) is a Dallas-based, Jewish-sponsored not-for-profit organization whose mission, for over 65 years, has been to serve seniors and their families through a continuum of care that includes high-quality health care, wellness, and choice. Legacy at Midtown Park, Inc. (“Legacy Midtown Park”) was incorporated in January 2015 to extend Legacy’s mission by offering a rental community in Dallas with the full continuum of care (the “Community” or the “Project”).

The Community will be located approximately nine miles north of downtown Dallas, Texas in the Preston Hollow neighborhood. The Preston Hollow area is known as the heart of the Dallas Jewish Community. The Community will be within a 5-mile radius of six synagogues and the Jewish Federation of Greater Dallas. The Community will include 184 independent living apartments, 51 assisted living suites, 36 memory support residences, and a health care center consisting of 54 nursing beds. In addition to the 325 total units, the community will include about 580,000

#### ***Legacy Midtown Park At A Glance***

<b>Partnered Right®</b>	<b>Structured Right®</b>	<b>Executed Right®</b>	<b>Financed Right®</b>
<ul style="list-style-type: none"> <li>» Start-up rental community in Dallas, TX</li> <li>» Backed and managed by Legacy Senior Communities</li> <li>» 325 total units:                             <ul style="list-style-type: none"> <li>■ 184 independent living apartments</li> <li>■ 51 assisted living suites</li> <li>■ 36 memory support residences</li> <li>■ Health care center with 54 nursing beds</li> </ul> </li> <li>» In August 2016, Sims financed a \$45.355 million refinancing for a sister Legacy community in Plano, TX</li> </ul>	<ul style="list-style-type: none"> <li>» Mixture of non-rated fixed rate bonds, bank purchased draw-down bonds, and a subordinate loan</li> <li>» Significant cash equity contribution</li> <li>» Bank debt included a swap and 7-year put</li> </ul>	<ul style="list-style-type: none"> <li>» Mitigated bank and bond buyer concerns</li> <li>» Public bonds included 6-year call</li> <li>» Draw down structure on the \$70.450 million of bank debt resulted in approximately \$10.5 million in savings when compared to a traditional financing</li> </ul>	<ul style="list-style-type: none"> <li>» Extensive marketing to Sims retail and institutional clients resulted in savings of over \$220,000 in annual debt service compared with the original projections</li> <li>» Final structure included \$69.875 million of tax-exempt fixed rate bonds and \$70.450 million of tax-exempt draw down bank bonds issued on parity</li> </ul>

square feet of common living space. The Community will be a rental life plan community that charges a monthly fee based on the level of a resident's care.

Sims has a long-standing relationship with Legacy, as Sims served as the sole manager on the \$45.355 million refunding for Legacy's Willow Bend campus in August 2016. Willow Bend is located in nearby Plano, Texas and operates an entrance fee life plan community. As of June 30, 2018, The Legacy at Willow Bend's overall occupancy was approximately 95%. The Series 2016 Bonds for The Legacy at Willow Bend are presently rated BBB- by Fitch Ratings Services, Inc. In addition to the Legacy at Willow Bend campus, Legacy also operates The Legacy at Home, which is a Medicare-certified home health care provider.

### **STRUCTURED RIGHT®**

As a start-up rental community, without the benefit of utilizing future entrance fee cash flow to deleverage, the structuring of the Legacy Midtown Park financing required a creative solution. The goals of the financing were to: 1) Implement a structure to minimize debt service, 2) Ensure that the project had adequate contingencies and reserves, 3) Optimize the financing with the appropriate mix of bond and bank debt while managing and balancing the specific requirements of both the banks and bondholders.

The first tranche of the financing included \$69.875 million of tax-exempt, non-rated, fixed-rate bonds ("Series 2018A Bonds") where Sims served as the sole managing underwriter. In order to minimize interest rate carry and capitalized interest, the second tranche of the financing included a tax-exempt, draw-down bank loan in the amount of \$70.450 million with a 26-year final maturity and 7-year put ("Series 2018B Note"). The draw-down nature of the Series 2018B Note saved Legacy over \$10.5 million in cost compared to a 100% fixed-rate bond structure. The savings were due to the fact that a debt service reserve fund was not required

by the banks and the draw-down structure resulted in a significant reduction in capitalized interest during the construction period. In addition to the senior debt, Legacy identified a single purchaser of \$14 million of subordinate bonds as the third tranche of the financing ("Series 2018C Note"). The Project also benefited from approximately \$34.712 million in equity from a combination of campaign pledges, cash on hand, and proceeds from sales of other assets. To mitigate the future cash flow risk from the capital campaign pledges, the Dallas Community Foundation provided a loan up to \$5.75 million as bridge to the actual capital campaign receipts. Finally, as additional security for the payment the fixed-rate bonds and draw-down bank bonds, the Dallas Home for Jewish Aged Endowment Foundation, Inc. executed a Guaranty Agreement pledging approximately \$11.79 million of its unrestricted funds until the project reached stabilization.

### **EXECUTED RIGHT®**

The financing was successfully sold on August 23, 2018 and closed on September 4, 2018. The final structure created level debt service across the three tranches of debt with principal minimized in the early years on the bank debt to help improve debt service coverage. Despite the complexities of the structure, Sims was able to generate significant demand for the bonds and achieve considerably lower yields to benefit the Project. The final structured included two terms with a 5.60% yield in 2044 and a 5.75% yield in 2054 and included a 6-year call on the bonds. The final structure resulted in annual debt service savings of approximately \$220,000 from the feasibility study which equates to approximately four basis points in debt service coverage. Simultaneously with the closing of Series 2018A Bonds, a forward starting fixed-rate swap was executed for the Series 2018B Note at a rate of 5.166%, resulting in a blended arbitrage yield on the senior debt of 5.22%.

# The Legacy

MIDTOWN PARK

### FINANCED RIGHT®

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With Sims' leadership in collaboration with the full Legacy working group, Legacy Midtown Park successfully completed the financing and realized its goals: 1) funding the construction of its start-up rental life plan community; 2) maintaining adequate contingencies for the Project; 3) achieving strong debt service coverage by minimizing annual debt service and reserve requirements; and 4) positioning the Project to be self-sustaining over the long term.

*"The Legacy Midtown Park financing utilized a complex, layered structure to ensure our much anticipated state of the art community becomes a reality. Without the extraordinary and creative talents of the HJ Sims team, we most definitely would not have been able to achieve such a successful outcome. HJ Sims exhibited tremendous leadership and perseverance in leading a team of over 40 professionals to ensure our financing was completed in an effective and timely fashion, and we are extremely pleased with the results of these efforts."*

*— Melissa Orth, President and CEO  
of The Legacy Senior Communities*

**For more detailed information  
on how Legacy Midtown Park  
was Financed Right® by HJ Sims,  
please call or email:**

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*HJ Sims is a member of FINRA, SIPC  
and is not affiliated with Legacy Midtown Park.*