

### **SIMS EXPERTISE RESULTS IN TURNAROUND OF TROUBLED PROJECTS**

#### **DESCRIPTION**

Sims ("Sims") successfully negotiated the sale of a 318-unit portfolio consisting of two senior living communities located in Colorado to a publicly traded REIT. The portfolio included: (1) MacKenzie Place Union in Colorado Springs, consisting of 97 independent living apartments, 48 assisted living apartments and 26 memory care units; and (2) MacKenzie Place Oakridge in Fort Collins, consisting of 95 independent living apartments, 26 assisted living apartments and 26 memory care units. The communities opened in 2008 with a total cost of \$100 million.

#### **BACKGROUND**

In 2006, Sims raised \$78.0 million of senior debt and \$22.3 million of mezzanine debt and equity to finance the communities. The communities opened in March 2008 and filled up at a protracted pace due to the difficult real estate market. In 2009, Sims took over ownership of the communities and restructured the debt. It negotiated a discounted buyout of the existing senior debt. To accomplish this, Sims arranged for more than \$60 million of new debt from institutional investors and raised \$3 million of preferred equity from its high net worth retail investors (the "Restructuring"). Sims worked with the project manager, Leisure Care, to stabilize the operations of the communities. The MacKenzie communities achieved 100% occupancy in 2013. The communities were refinanced in 2014 with a \$74 million first mortgage from Fannie Mae (the "Senior Loan") and raised \$7 million of mezzanine debt (the "Mezzanine Loan").

#### **CHALLENGES**

The MacKenzie communities were great projects in great locations but opened at the worst time. The operating partner in the deal ran into financial difficulty and was unable to invest needed working capital. In order to protect its clients' investments, Sims needed to step in and take over the projects. Sims invested its own capital and set about the task of restructuring the debt during a very difficult time.

#### **SOLUTION**

Sims ultimately was able to restructure the debt and was able to put together \$60 million of new financing in 2010. It also was able to raise additional capital to pay off the original debt and provide sufficient working capital to allow Leisure Care to fill the communities in an orderly fashion. Earlier this year, Sims decided that it was time to sell the communities, and it handled the sales process itself, resulting in a very attractive sale price for these assets.

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**MacKenzie Place Oakridge**



**MacKenzie Place Union**

### RESULT

The MacKenzie deals could have easily followed the bankruptcy path that many other projects opened in 2008 did. Instead, Sims stepped in with both its expertise and capital.

The result is that investors have been repaid in full. All investors received a return of 100% of their principal and, depending on their position in the capital stack, various positive internal rates of return.

**For more detailed information  
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