

CASE STUDY

CASA DE LAS CAMPANAS

\$39,000,000 | August 2017 | San Diego, CA



FINANCED RIGHT®

HJ SIMS WORKS WITH CLIENT TO IMPLEMENT MULTI-PHASED FINANCING FOR CAMPUS EXPANSION AND REPOSITIONING



PARTNERED RIGHT

Casa de las Campanas, a Life Plan Community in the Rancho Bernardo area of San Diego, California, is comprised of more than 500 units including independent living, assisted living, memory care and skilled nursing. In 2014, Sims worked with Casa to upgrade its rating from 'BBB+' to the current 'A-' rating. In 2016, Fitch affirmed Casa's 'A-' rating in advance of financing its Phase II projects. Casa's master plan includes assisted living and memory care unit renovation and expansion, as well as improvements to wellness facilities, dining venues, beauty salon and spa and other common spaces. Phase I included relocation of a Salon, a new Bistro Lounge addition, and a new Wellness and Fitness addition featuring an indoor pool. Phases II and III of the Master Plan will include new Skilled Nursing Facilities, Independent Living Apartments and Memory Care Beds. Casa is managed by Life Care Services.

STRUCTURED RIGHT

Phase II of the Casa de las Campanas Master Plan will be comprised of approximately 72 new skilled nursing units together with related facilities, a trash and recycling center and other improvements to the assisted living and memory care facilities. The new skilled nursing facility includes 64 private rooms with private bathrooms, and four large shared rooms with shared bathrooms (8 beds). The building will consist of three stories with the first floor as parking. It will include large community spaces

for dining, activities and visiting as well as an outdoor central courtyard. In addition, there will be a large therapy space to serve the high volume of therapies provided. The new facility will be predominantly for Casa's own Life Plan Community residents, but some beds will be available for private pay, Medicare and HMOs. LCS-Development is the project development consultant responsible for implementation of all phases of the master plan.

Casa de las Campanas At A Glance

Partnered Right	Structured Right	Executed Right	Financed Right®
<ul style="list-style-type: none"> » Casa de las Campanas is a not-for-profit life plan community with 500 total units/beds across the continuum of care serving residents in San Diego, CA. » Rated "A-" by Fitch Ratings. » New capital needs for second phase of multi-phase expansion projects. 	<ul style="list-style-type: none"> » Phase II of the Casa de las Campanas Master Plan includes 72 new skilled nursing units. » New 3-story IL Building will include large community spaces for dining, activities and visiting as well as an outdoor central courtyard. 	<ul style="list-style-type: none"> » Sims worked with City National Bank, the developer, and Cal Mortgage to secure the Phase I and Phase II financings. » The Phase I and Phase II financings were issued on a parity basis with Casa's outstanding Series 2010 bonds which were issued through Cal Mortgage. » Phase II financing was structured as tax-exempt bonds to be purchased directly by City National Bank with Cal Mortgage insurance. 	<ul style="list-style-type: none"> » Preliminary discussions for the Phase II financing began in late 2015 and progressed through 2016 and 2017. » City National Bank provided \$39 million in direct bank placement bonds. » The draw-down and interest only features of the bonds will help minimize financing costs during the construction period and delay principal payments until revenues generated from the new project begin.

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In 2014, Sims solicited term sheets from several banks that are either headquartered in California or have a significant presence in the state and received several competitive and aggressive term sheets. Casa management and its board selected City National Bank, a California-based bank with significant senior living experience to finance Phase I of the project. Sims worked with City National Bank, the developer and Cal Mortgage to secure the Phase I financing. The Phase I financing was issued on a parity basis with Casa's outstanding Series 2010 bonds which were issued through Cal Mortgage. In consideration of the successful Phase I financing, the Phase II financing was structured as tax-exempt bonds to be purchased directly by City National Bank with Cal Mortgage insurance and to be issued on a parity basis with the Series 2010 Bonds and the Series 2014 Phase I financing. Issuance of the Phase I and Phase II parity debt required approval from Cal Mortgage.

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Preliminary discussions for the Phase II financing began in late 2015 and progressed through 2016 and 2017 as the scope and budget of the construction project were finalized. Sims assisted Casa with negotiating the Phase II financing terms with City National Bank. Sims, along with the Developer, again led Casa through the Cal Mortgage Loan Insurance Program application process, and Casa was approved for the Program by the State of California's Office of Statewide Health Planning & Development (OSHPD). Due to changes in the scope of the Master Plan, timing of construction projects and prescheduled administrative blackout periods of the Cal Mortgage Loan Insurance Program, financing for Phase II was finally completed in August 2017.

The total cost of the Phase II project was \$51.6 million. Casa applied \$7.1 million of equity, and was able to transfer \$5.5 million of unused Phase I proceeds towards the Phase II financing. City National Bank provided \$39 million in direct bank placement bonds. Funds will be drawn down over the 18-month construction period at a floating rate and become fixed rate after the initial construction period. The bonds will be interest only during the construction period, and then principal will be amortized over 25 years with a put

date in 2022. The draw-down and interest only features of the bonds will help minimize financing costs during the construction period and delay principal payments until revenues generated from the new project begin. Sims worked closely with City National Bank and Cal Mortgage to structure the financing as Cal Mortgage had not previously insured draw-down bonds prior to Casa's Phase II financing.

"Working with the HJ Sims team provided the best solution to meet our needs and unforeseen financing challenges. We needed a skillful financial advisor with years of experience in evaluating our current debt structure and future financings for our Master Plan construction projects. HJ Sims was able to provide valuable insight and various financing scenarios to Management and our Board. The financing was finally structured with Cal Mortgage's approval and elimination of the debt service reserve fund. In addition, HJ Sims went beyond the call of duty and presented industry guidelines and insights at our Board Retreats to ensure we accomplish our goals and maintain our mission."

*— Dave Johnson, CFO,
Casa de las Campanas*

For more detailed information on how Casa de las Campanas was Financed Right® by HJ Sims, please call or email:

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