

CASE STUDY

PHILADELPHIA PROTESTANT HOME

\$6,500,000 | August 31, 2020 | Philadelphia, PA



FINANCED RIGHT®

HJ SIMS SECURES \$6.5 MILLION ADDITIONAL DEBT FINANCING FOR CAPITAL IMPROVEMENTS



PARTNERED RIGHT®

The Philadelphia Protestant Home (“PPH”) operates a continuing care retirement community (“CCRC”) in the Lawndale neighborhood of Northeast Philadelphia, providing housing, healthcare, and other services to residents through the operation of 266 independent living units, 175 personal care units and a 126-bed nursing facility. Since its opening over 100 years ago, PPH has remained steadfast in its commitment to provide a caring senior living community that affords residents with the highest quality of life. Located in the “CCRC capital of the world”, with five CCRCs less than seven miles away and 45 in the Philadelphia/Delaware Valley area, a critical component of PPH’s ability to deliver the best level of care for its residents while remaining affordable and competitive entails taking advantage of favorable market conditions to finance capital projects.

Philadelphia Protestant Home At A Glance

Partnered Right®	Structured Right®	Executed Right®	Financed Right®
<ul style="list-style-type: none"> » PPH operates a CCRC in the Lawndale neighborhood of Northeast Philadelphia, providing housing, healthcare and other services. » PPH operates 266 independent living units, 175 personal care units and 126-bed nursing facility. » For several years, PPH has been funding capital improvements with general fund revenues. In an effort to efficiently manage cash-flow, PPH elected to finance \$6.5 million of upcoming capital improvements. » HJ Sims, as financial advisor, developed a financing plan which provided for the funding of the required capital improvements, while implementing a financing structure that maintains maximum flexibility for PPH, is structured in consideration of their existing debt obligations and maintains their debt service at manageable levels. 	<ul style="list-style-type: none"> » Prior to engaging PPH’s existing banking partner, HJ Sims worked with the PPH Fiscal Oversight Committee to develop multiple structuring options. » Following engagement of Citizens, HJ Sims led the effort in working with the Bank to finalize the debt structure, within the confines of the bank’s requirements, as well as in recognition of the financing taking place during the COVID-19 pandemic. » Due to impacts of COVID-19 and in recognition of the current environment, HJ Sims was also able to negotiate a modified debt service coverage test which inures to the benefit of PPH. » The additional obligations were structured as parity debt with PPH’s outstanding Series 2015 obligations. 	<ul style="list-style-type: none"> » Citizens provided \$6.5 million of senior debt financing, fully amortizing in 10-years and a five-year interest-only period is followed by monthly principal amortization. » The obligations were structured with a five-year, PPH-owned par call provision, and were issued on a tax-exempt basis through PAID. This provision was important to PPH as their existing Series 2015 Obligations mature in seven years, while the Bank was able to defer principal on the Series 2020 obligations in five years. This call feature will allow PPH to restructure the debt, if needed, at minimal future cost. » Following closing of the Series 2020 Bonds, PPH elected to lock-in a synthetic fixed-rate on the debt. » HJ Sims served as Swap Advisor in connection with the swap transaction which also bears a mirroring, PPH-owned par termination right in five years, to align with the bank loan. 	<ul style="list-style-type: none"> » HJ Sims, Citizens, PAID and the financing team worked diligently with PPH to secure final approvals. This included navigating through unanticipated delays followed by the onset of the COVID-19 crisis, to successfully close the financing in August 2020.

For several years, PPH has been funding its capital improvements program with operating cash flows. In an effort to efficiently manage cash flow, PPH elected to finance \$6.5 million of upcoming capital improvements. HJ Sims, as financial advisor, developed a financing plan which provided for the funding of the required capital improvements from bank financed proceeds, while implementing a financing structure that maintains maximum flexibility for PPH. The financing is structured in consideration of their existing debt obligations and maintains debt service at manageable levels.

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Prior to engaging existing PPH's banking partner – Citizens Bank (“Citizens” or “the Bank”) – HJ Sims worked with the PPH Fiscal Oversight Committee, over the course of approximately six months, to develop and evaluate multiple structuring options. Before settling on the ultimate structure, HJ Sims and PPH reviewed multiple options, including the restructuring of PPH's existing Series 2015 loan with Citizens as well as a variety of amortization structures and terms for the financing.

Following engagement of Citizens, HJ Sims led the effort in working with the Bank to finalize the debt structure, within the confines of the bank's requirements, as well as in recognition of the financing taking place during the COVID-19 pandemic. Due to impacts of COVID-19 and in recognition of the current environment, HJ Sims was also able to negotiate a modified debt service coverage test which inures to the benefit of PPH. The debt service coverage test provides for greater flexibility as a short-term failure to meet the coverage covenant is cured via having sufficient days cash on hand. Further, HJ Sims was able to negotiate the additional flexibility of calculating debt service coverage based on current year annual debt service requirements, rather than based upon maximum annual debt service.

Finally, the additional obligations were structured as parity debt with PPH's outstanding Series 2015 obligations.

EXECUTED RIGHT®

Ultimately, HJ Sims was able to negotiate on behalf of PPH such that Citizens provided \$6.5 million of senior debt financing, fully amortizing in 10-years and a five-year interest-only period which is followed by monthly principal amortization. The obligations were structured with a five-year, PPH-owned par call provision, and were issued on a tax-exempt basis through the Philadelphia Authority for Industrial Development (“PAID”). This par call provision was important to PPH as the existing Series 2015 Obligations mature in seven years, while the Bank was only able to defer principal on the Series 2020 obligations for five years. As a result, PPH's debt service is expected to increase in the two years of overlapping amortization. This call feature will allow PPH to restructure the Series 2020 debt, if needed, at minimal cost in the future.

Upon closing of the Series 2020 Bonds, PPH elected to lock in a synthetic fixed-rate on the debt. HJ Sims also served as Swap Advisor in connection with the swap transaction. The swap was structured to mirror the bank loan. Therefore, the swap also bears a PPH-owned par termination right in five years, to align with the bank loan. This will allow PPH to restructure the swap in five years, if necessary, without paying any termination costs associated with the swap or loan.



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HJ Sims, Citizens, PAID and the financing team worked diligently with PPH to secure final approvals. This included navigating through unanticipated delays followed by the onset of the COVID-19 crisis, to successfully close this important financing in August 2020 at a very attractive synthetic fixed rate.

“The HJ Sims commitment to incomparable client services has once again served The Philadelphia Protestant Home well. Despite the unforeseen challenges and uncertainty resulting from the pandemic, the HJ Sims team provided valuable insight and unwavering advocacy to assure our financing needs were achieved. We are thankful for our partnership, the integrity and collaboration with Aaron Rulnick and Siamac Afshar for always putting what was in the best interest of PPH first.”

*— John Dubyk, Chief Executive Officer
Philadelphia Protestant Home*

For more detailed information on how Philadelphia Protestant Home 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 Philadelphia Protestant Home.

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