

CASE STUDY

SINAI RESIDENCES OF BOCA RATON

\$134,945,000 | September 2, 2020 | Boca Raton, FL



FINANCED RIGHT®

HJ SIMS UNDERWRITES \$135 MILLION EXPANSION FOR PHASE II OF THE TOBY AND LEON COOPERMAN SINAI RESIDENCES OF BOCA RATON



PARTNERED RIGHT®

Federation CCRC Operations Corp. d/b/a Toby and Leon Cooperman Sinai Residences of Boca Raton (“Sinai” or “Sinai Residences”) is an existing life plan community, managed by Life Care Services (“LCS”), which consists of approximately 234 independent living units, 48 assisted living units, 24 memory-support units, 60 skilled nursing beds and related common amenities. Sinai Residences is located in Boca Raton, Florida in South Palm Beach County. Sinai Residences opened in January 2016 and achieved stabilized occupancy of its independent living units in just nine months’ time, of its skilled nursing units in 11 months, of its assisted living units in 10 months and of its memory care units in six months. All entrance fee debt associated with the initial development of Sinai Residences was repaid nearly two years prior to the expected final repayment of such indebtedness.

Sinai Residences of Boca Raton At A Glance

Partnered Right®	Structured Right®	Executed Right®	Financed Right®
<ul style="list-style-type: none"> » Sinai Residences is located on the campus of The Jewish Federation of South Palm Beach County in Florida. Sinai Residences currently operates approximately 234 independent living units, 48 assisted living units, 24 memory-support units, and 60 skilled nursing beds. » After opening in January 2016 and achieving stabilized occupancy for the initial phase of independent living units in nine months, Sinai has enjoyed occupancy of its independent living units in the mid to high 90th percentile. Offerings of assisted living, memory support and skilled nursing have also maintained satisfactory occupancy historically. 	<ul style="list-style-type: none"> » The Board of Sinai Residences determined to undergo an expansion to add 111 independent living units to the community. » Sinai had commenced pre-development work to shorten its post-financing construction period and was driving towards a September 15 vertical construction start, even amidst the COVID-19 pandemic. 	<ul style="list-style-type: none"> » Due to the accelerated post-financing construction period and Sinai’s track record of filling independent living units rapidly, coupled with COVID-19 impacted constraints on bank financing, Sims and the Sinai team determined to issue tax-exempt fixed-rate bonds for the entire expansion. » Sinai also had a portion of its development costs that bond counsel determined was necessary to finance with taxable bonds creating a \$5 million taxable tranche of Entrance Fee Principal Redemption Bonds®. 	<ul style="list-style-type: none"> » To maximize the ability of Sinai to deleverage the expansion financing, Sims underwrote Entrance Fee Principal Redemption Bonds® up to approximately 91% of the initial entrance fee pool of the expansion. » The Series 2020 Bonds were robustly oversubscribed, permitting adjustment of the scale on the pricing date such that the long-term bonds (2055 maturity) were priced at 5.00% to yield 4.60%, essentially permitting Sinai to borrow approximately \$135 million with only a \$2.4 million increase in maximum annual debt service over their existing maximum annual debt service.

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Given the strong demand for its existing independent living offerings, Sinai Residences sought to expand the community through the development of 111 additional independent living units. Thus, the team at Sinai Residences turned to HJ Sims, its longtime partner since its original pre-development and start-up financing to facilitate the financing for the expansion. Most recently, in 2019, HJ Sims had assisted Sinai in obtaining an \$8.1 million pre-development loan to finance early site work and soft costs of the project to permit Sinai to have a compressed post-permanent-financing construction schedule and minimize funded interest and reserve costs. Sinai, with its development partner LCS-D, progressed through the pre-development construction work rapidly, notwithstanding the COVID-19 pandemic, and sought a vertical construction start date of September 15, 2020.

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As the COVID-19 pandemic and consolidation of lenders chilled the bank lending environment, especially in the area of construction financing, the choice to proceed with the 2019 pre-development financing permitting the reduced construction timeline was even more prescient. The reduced construction timeframe, coupled with Sinai's history of filling independent living units rapidly, minimized the inefficiency of an all fixed-rate bonds structure. Through the financing process, notwithstanding a net equity contribution in excess of \$5 million by Sinai, changes in the accounting treatment of marketing costs for the expansion and other limitations required an additional \$5 million in bonds to be sold on a taxable basis. HJ Sims determined to have this tranche of bonds be sold as the first tranche of Entrance Fee Principal Redemption Bonds® such that the costlier taxable bonds would be repaid first. HJ Sims also facilitated the implementation of modifications to Sinai's existing master trust indenture – providing greater flexibility on testing of debt service coverage (switching to annual versus quarterly tests) to accommodate intra-year swings in entrance fee turnover.

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On September 2, 2020, HJ Sims underwrote the \$134,945,000 Palm Beach County Health Facilities Authority Revenue Bonds for the Toby & Leon Cooperman Sinai Residences of Boca Raton expansion, consisting of three series of Entrance Fee Principal Redemption Bonds® totaling \$87,100,000 and approximately 91% of the initial entrance fee pool for the expansion and \$47,845,000 of long-term fixed-rate bonds maturing in 2055. Sinai experienced strong pre-sale velocity, even during the early months of the pandemic, and achieved 70% pre-sales during the bond marketing process. The September 2 pricing produced rates and coupons on the taxable Entrance Fee Principal Redemption Bonds® of 3.875% to yield 4.000%, the first series of tax-exempt Entrance Fee Principal Redemption Bonds® to be repaid from approximately 63% of the initial entrance fee pool of 2.625% to yield 2.750%, the second series of tax-exempt Entrance Fee Principal Redemption Bonds® to be repaid from approximately 91% of the initial entrance fee pool of 3.000% to yield 3.050%, and on the long-term bonds, maturing in 2055, 5.000% to yield 4.600%. HJ Sims also was able to secure a five-year call feature at a 103% premium declining to a par call after eight years. The combined result of this execution was that Sinai was able to borrow \$134,945,000 with only a \$2.4 million increase in annual debt service.

“Once again, HJ Sims has delivered their exceptional professional expertise providing pre-development and construction development financing, in the amount of \$135 million, for the Phase II Expansion of the Toby & Leon Cooperman Sinai Residences of Boca Raton. HJ Sims was the underwriter in 2014 for the \$214 million bond issuance for the Sinai Residences initial start-up and development financing. Sinai Residences is now one of the most successful premiere luxury senior living facilities in the country.

The Sims team’s preparedness, availability, scheduling, communication, personal touch and extensive knowledge of the bond industry and markets allowed the Sinai Expansion project to be funded on-time and at exceptional rates. An owner could not ask for better representation. I look forward to the continuation of our outstanding relationship, and future funding opportunities, with HJ Sims.”

*— Mel Lowell, COO, Jewish Federation
of South Palm Beach County
Board Member, Toby and Leon Cooperman
Sinai Residences of Boca Raton*

**For more detailed information
on how Sinai Residences
was Financed Right® by HJ Sims,
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