

# CASE STUDY

## JOHN KNOX VILLAGE

\$77,605,000 | Pompano Beach, FL | October 29, 2020



FINANCED RIGHT®

### HJ SIMS SUCCESSFULLY UNDERWRITES PAVILION PROJECT AND REFINANCING FOR JOHN KNOX VILLAGE IN POMPANO BEACH



Rendering of Pavilion Project

#### PARTNERED RIGHT®

John Knox Village (“JKV”) in Pompano Beach has been providing whole-person centered living for age and income-qualified residents for nearly 40 years. It is the second largest continuing care retirement community (“CCRC”) in the State of Florida consisting of 654 independent living units, 64 assisted living units, and 194 skilled nursing beds furnished in the Green House® model of elder care. As it contemplated the offerings it will provide in its upcoming fifth decade of service to the Pompano Beach community, it sought an investment banking partner that would assist management and the board in evaluating its existing capital stack and suggesting financing options for a new community pavilion, including dining facilities and related amenities, a new lake, various parking spaces and a new central energy plant (the “Pavilion Project”) alongside its financial advisor. HJ Sims was ultimately engaged by JKV as the COVID-19 pandemic was declared.

#### STRUCTURED RIGHT®

HJ Sims prepared multiple scenario analyses for JKV involving both bank and fixed-rate bond financing for the Pavilion Project and refinancing of JKV’s outstanding variable rate Series 2010 Bonds and a line of credit. Ultimately, though the bond market was at the time stagnant, the team decided to proceed with long-term, fixed-rate bond financing with a targeted closing in late October 2020. JKV was also contemplating a potential independent living tower

expansion, and the 2020 financing was intended to provide a stable base upon which any future project debt may be layered.

As part of the analysis conducted prior to the financing, HJ Sims reviewed the aggregate amount of reimbursable capital expenditures made by JKV under its existing reimbursement resolution and the

#### John Knox Village At A Glance

Partnered Right®	Structured Right®	Executed Right®	Financed Right®
<ul style="list-style-type: none"><li>» JKV has been providing a vibrant community for age and income qualified residents in Pompano Beach, Florida for nearly 40 years.</li><li>» JKV sought assistance in restructuring its capital stack while issuing additional debt for the development of amenity spaces that would serve their existing residents and attract new residents to the potential Westlake Tower expansion.</li></ul>	<ul style="list-style-type: none"><li>» HJ Sims provided multiple scenarios to analyze for the financing, which ultimately led to the selection of long-term fixed rate bonds for the 2020 financing.</li><li>» HJ Sims worked alongside JKV’s board, management and financial advisor to prepare JKV for the Fitch review process as they sought a material increase in their debt ultimately retaining the Fitch A- credit rating with a negative outlook.</li></ul>	<ul style="list-style-type: none"><li>» In a week of near record volume, HJ Sims priced the JKV Series 2020 Bonds, surpassing expectations and executing on a majority 4.000% or lower coupon structure in order to minimize debt service burden.</li><li>» HJ Sims also worked alongside JKV and its legal counsel to modernize certain aspects of JKV’s existing master trust indenture, providing additional flexibility for JKV in anticipation of the potential Westlake Tower expansion.</li></ul>	<ul style="list-style-type: none"><li>» Ultimately, the Series 2020 Bond issuance, as underwritten by HJ Sims, is expected to provide a stable platform upon which JKV may continue to grow as it nears its fifth decade of service to the Pompano Beach community.</li></ul>

projected expenditures in connection with the Pavilion Project and ultimately sought to strike the right balance between increasing cash balances through reimbursement and managing the aggregate debt burden of JKV to best position JKV for future growth opportunities. In doing so, HJ Sims preserved the ability of JKV to seek further reimbursement for soft costs related to the potential Westlake Tower expansion project at the time of financing for such project. Furthermore, HJ Sims worked alongside JKV and its legal counsel to modernize certain aspects of JKV's existing master trust indenture, providing additional flexibility for JKV both operationally and in executing its growth strategy, which was of importance to JKV as it contemplated the potential Westlake Tower expansion.

During the time leading up to the mailing of the offering statement for the Series 2020 Bonds, JKV was also scheduled for an annual review of the Fitch rating on its outstanding Series 2015 Bonds. The HJ Sims team worked hand-in-hand with the JKV board and management to prepare for the Fitch review process as HJ Sims was able to coordinate the review of the annual Series 2015 Bonds to coincide with the review of the pending Series 2020 Bonds. While the pending Series 2020 Bonds issuance was a material increase in the outstanding debt of JKV and the potential for a future expansion was also cause for caution on the part of Fitch, JKV was ultimately able to retain its A- rating even with a modification to a negative outlook.

### EXECUTED RIGHT®

On October 22, 2020, as the bond market saw a deluge of financings pricing in the weeks before the presidential election, HJ Sims priced the Series 2020 Bonds. In conversations with JKV and its financial advisor, the team decided to proceed with a structure having primarily 4.000% coupons or lower notwithstanding the lower premium that would be garnered. Ultimately, the final pricing outperformed expectations increasing maximum annual debt service by just over \$2.5 million for over \$58 million in new long-term debt.

### FINANCED RIGHT®

One week later, on October 29, 2020, HJ Sims and JKV successfully closed on the \$77,605,000 City of Pompano Beach, Florida Revenue and Revenue Refunding Bonds with an all-in true interest cost of 3.93% and a maximum maturity of 30 years. By refinancing outstanding variable rate indebtedness and issuing new long-term, fixed-rate bonds for the Pavilion Project, HJ Sims was able to provide a stable base upon which any future expansion project may be built.

*"Modernizing a Life Plan Community is a stressful endeavor on its own. Adding the stress of financial markets, budgets, forecasting and legal documents can be overwhelming for governance, management, and residents. A good financing team is the key to wading through these waters. HJ Sims built a strong financing team, broke down a complicated process into easily understood digestible parts. The results of which left this Community the ability to afford the facility which will position John Knox Village as continued market leaders of senior lifestyle for generations. Working with Aaron and Melissa has been a pleasure, they are part of my team and I expect to continue to use their counsel in the future. I would recommend this firm highly."*

— Bruce Chittenden, Chief Financial Officer  
John Knox Village

**For more detailed information  
on how John Knox Village  
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 John Knox Village. Testimonials may not be representative of the experience of other clients and are not indicative of future performance or success.*