

# CASE STUDY

## BLAKEFORD AT GREEN HILLS

\$94,930,000 | November 19, 2020 | Nashville, TN



FINANCED RIGHT®

### HJ SIMS ADVISES BLAKEFORD AT GREEN HILLS ON FINANCING INDEPENDENT LIVING ENTRANCE-FEE EXPANSION PROJECT, COMMUNITY IMPROVEMENTS AND REFINANCING



#### PARTNERED RIGHT®

The Blakeford at Green Hills Corporation is a non-profit, 501(c)(3) Tennessee corporation, which owns and manages The Blakeford at Green Hills (“BGH”), a Life Plan Community that offers independent living, assisted living and skilled nursing services to its residents on a single campus. Blakeford opened in 1996, and is located in the Green Hills neighborhood of Nashville, Tennessee. The various living and care options offered at BGH address the physical, social, psychological and emotional needs of residents. The levels of care provided reflect the varying levels of intensity of care needed to meet the changing needs of the residents.

Recognizing the significant changes that have occurred in senior living community design and function, nationally and among BGH’s local competitors, Blakeford conducted a

#### Blakeford at Green Hills At A Glance

Partnered Right®	Structured Right®	Executed Right®	Financed Right®
<ul style="list-style-type: none"> <li>» Blakeford traces its history in the Green Hills area of Nashville almost three decades, yet realizes the need to keep the community competitive in the expanding Nashville market.</li> <li>» Though the project was delayed by the COVID-19 pandemic, HJ Sims continued to provide advisory services to Blakeford, including regular market and industry updates.</li> </ul>	<ul style="list-style-type: none"> <li>» The new project includes the addition of 51 independent living units, replacing a portion of the existing assisted living units with memory care units, and substantial functional and cosmetic upgrades across the campus.</li> <li>» Blakeford and its board, based on analyses provided by HJ Sims, chose to pursue a bank RFP process for entrance-fee draw-down construction financing, as well as refunding the organization’s outstanding 2012 bonds, combined with the issuance of long-term fixed-rate bonds.</li> </ul>	<ul style="list-style-type: none"> <li>» HJ Sims helped prepare Blakeford for the Fitch review process; Blakeford ultimately received a Fitch BBB- credit rating with a stable outlook.</li> <li>» On October 29, 2020, HJ Sims priced the Series 2020 Bonds as the bond market saw a near record number of financings pricing in the week before the Presidential election. The financing team proceeded with a structure consisting only of 4.0% coupons to minimize the annual debt service requirements, despite the bond market’s preference for 5.0% coupons.</li> </ul>	<ul style="list-style-type: none"> <li>» Blakeford, HJ Sims and Truist closed the \$94.93 million financing on November 19, 2020. The financing consisted of \$48.57 million of tax-exempt Series 2020A Bonds underwritten by HJ Sims, \$23.78 million of tax-exempt direct placement draw-down bonds purchased by STI Institutional &amp; Government, Inc. (“STI”), and \$22.59 million in tax-exempt direct placement refunding bonds purchased by Truist.</li> <li>» The direct placement draw-down structure of the 2020B Loan with STI saved Blakeford more than \$750,000 in aggregate debt service, compared to a bond structure.</li> <li>» The Series 2020C Refunding Bank Loan was issued under a “Cinderella” structure (whereby it will convert from taxable to tax-exempt on the call date of the outstanding 2012 bonds [July 1, 2022]). The refinancing created more than \$4.60 million in cash flow savings throughout the next ten years.</li> <li>» The projected combined cost of capital of the 2020A and 2020B Bonds is 4.19%.</li> </ul>

search for a financing partner before selecting HJ Sims. With the project momentarily placed on hold due to the COVID-19 pandemic, HJ Sims served a pivotal role of helping Blakeford navigate the unprecedented impact of COVID-19.

### **STRUCTURED RIGHT®**

To continue to meet the needs of Nashville's seniors, the project includes significant improvements to the independent living common areas, including corridors, activities and clubhouse spaces. Several new dining venues, a game room, an art studio, a larger auditorium and an on-site medical clinic will be added. The project will also include a new state-of-the-art wellness center, which will provide independent living residents with a 1,600-foot indoor pool, a new fitness gym with senior-friendly equipment and group class space. In total, the project will create 51 new independent living units, replace a portion of its assisted living building with a new memory care building, and provide cosmetic and functional updates to all areas of the existing campus.

As Blakeford refined its development plans, HJ Sims evaluated plans of finance, including an eventual plan of a public issuance of bonds along with a direct placement with a commercial bank. In addition to securing financing for the new project, Blakeford sought to refinance the organization's outstanding 2012 bonds to create debt service savings and improve provisions under a new Master Trust Indenture.

Based on market conditions in the spring of 2020, the total capital needs of the refunding and expansion project, and the anticipated strong bank appetite for the financing, HJ Sims and Blakeford determined a direct placement with a commercial bank for the entrance-fee and refunding debt would be preferred above all fixed-rate bond debt. This plan of finance combined lower interest cost with reduced borrowing requirements. Accordingly, HJ Sims led a solicitation of almost 20 commercial banks active in senior living in the Southeast. The objectives of the plan of finance included:

1. Generate interest rate savings by taking advantage of lower interest rates for the refinancing portion of the financing.
2. Implement cost-effective construction financing combined with long-term financing for the expansion project.
3. Maintain unified financing covenants and sufficient operating, financial and strategic flexibility.

### **EXECUTED RIGHT®**

HJ Sims coordinated with management and the Board of Blakeford on a strategy that ultimately involved three levels of financing: tax-exempt bond debt for the expansion, entrance-fee tax-exempt bank debt for the expansion, and "Cinderella" bank debt to refinance Blakeford's outstanding 2012 bonds. Amid the global COVID-19 pandemic, HJ Sims led the RFP process, and hosted a virtual site visit in August 2020, for both pieces of bank debt. The RFP process resulted in a strong demand among potential lenders, which ultimately enabled HJ Sims to select Truist as the preferred commercial banking partner. HJ Sims also helped prepare Blakeford for the Fitch-review process as they sought a material increase in their debt, ultimately retaining their Fitch BBB- credit rating with a stable outlook.

As the financing progressed, Blakeford was presented with a final construction budget that was materially higher than originally proposed. HJ Sims worked closely alongside the management and Board of Blakeford, the commercial lender, the working group and the bond issuers to revise the plan of finance.

On October 29, 2020, HJ Sims priced the Series 2020 Bonds as the bond market saw a near record number of financings pricing in the week prior to the Presidential election. The team proceeded with a structure consisting of 4.00% coupons. Though more difficult to sell to institutional investors, the use of 4.00% coupons generated long-term savings for Blakeford.

### FINANCED RIGHT®

Blakeford, HJ Sims, and Truist closed the \$94.93 million financing on November 19, 2020. The financing consisted of \$48.57 million of tax-exempt Series 2020A Bonds underwritten by HJ Sims, \$23.78 million of tax-exempt direct placement draw-down bonds purchased by STI, and \$22.59 million in “Cinderella” tax-exempt direct placement refunding bonds purchased by Truist.

The Series 2020A Bonds were issued with a 35-year principal amortization and final maturity in 2055. The Series 2020B Bank Loan was issued with a seven-year term, anticipated to be paid down as entrance fees are received. The projected combined cost of capital of the 2020A and 2020B Bonds is 4.19%.

The Series 2020C Refunding Bank Loan was issued under a “Cinderella” structure (whereby it will convert from taxable to tax-exempt on the call date of the outstanding 2012 bonds [July 1, 2022]). To hedge interest rate risk, Blakeford entered into a forward-starting interest rate swap, which created more than \$460,000 in annual savings, or 11.85% savings of the refunded bonds.

*“When the time came for Blakeford to select its financing partner for our expansion/repositioning project, HJ Sims was the clear choice to lead these efforts. Despite the extremely challenging pandemic environment, Sims successfully executed a complex financing transaction involving a new tax-exempt bond issuance, a “Cinderella” refinancing of our existing debt, and new bank debt.*

*As a result, Blakeford is now able to begin its long-awaited expansion, but we are able to do so based on a strong financial foundation as a result of the debt service savings achieved through our new debt structure. To me it’s very simple – just bring together an all-star team of professionals who are the absolute best at what they do and good things will happen. That certainly proved to be case for Blakeford. I can’t thank the Sims team enough for their efforts in this financing. Both myself and our Board could not be more pleased with the results.”*

*— Brian Barnes, President and CEO  
Blakeford at Green Hills*

**For more detailed information on how Blakeford at Green Hills 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 Blakeford at Green Hills.*

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