

# CASE STUDY

## THE BETHEL METHODIST HOME d/b/a THE KNOLLS

\$30,030,000 | Valhalla, NY | December 23, 2020



FINANCED RIGHT®

### HJ SIMS PARTNERS WITH THE BETHEL METHODIST HOME TO REFINANCE HIGH INTEREST RATE ACQUISITION BONDS



#### PARTNERED RIGHT®

The Bethel Methodist Home, d/b/a The Knolls, is a non-profit Continuing Care Retirement Community located on a 29-acre campus in Valhalla, New York in Westchester County. The Knolls offers a full continuum of care with independent living, assisted living and skilled nursing services on a single campus. The facility opened in 2002 under the name Westchester Meadows. In 2008, Westchester Meadows experienced financial difficulty during the last recession in addition to other strains which culminated into a bankruptcy filing in 2015.

Westchester Meadows was acquired in 2016 and financed with \$30.8 million of tax-exempt and taxable bonds which were privately placed with a single bondholder (the acquisition of senior living housing assets cannot be financed with tax exempt debt). Under Bethel's management, the community began to blossom and, ultimately, thrive.

Occupancy levels from 2016 to pre-COVID rose from 57% to 91% and management invested \$12 million to completely renovate the community. Management reached out to HJ Sims to assist in refunding the existing high interest rate debt to better reflect the successful turnaround.

#### The Bethel Methodist Home d/b/a The Knolls At A Glance

Partnered Right®	Structured Right®	Executed Right®	Financed Right®
<ul style="list-style-type: none"> <li>» The Knolls is a non-profit Continuing Care Retirement Community located on a 29-acre campus in Valhalla, New York in Westchester County.</li> <li>» The facility opened in 2002 under the name Westchester Meadows and in 2008 experienced financial difficulty which culminated into a bankruptcy filing in 2015.</li> <li>» Westchester Meadows was acquired in 2016 and financed with tax-exempt and taxable bonds privately placed with a single bondholder.</li> <li>» Under Bethel's management, occupancy levels from 2016 to pre-COVID rose from 57% to 91% and management invested \$12 million to completely renovate the community.</li> </ul>	<ul style="list-style-type: none"> <li>» Key objectives of refunding: reduce interest rate, deal with large balloon payment in 2023 and create level annual debt service.</li> <li>» A non-call provision blocked refunding the debt until 2024. An early exit was negotiated but it required a tight timeline for closing the refunding.</li> <li>» HJ Sims structured the taxable bond series to mature in 10 years.</li> <li>» The tax-exempt series will not begin to amortize until the taxable series is retired. To lower debt service and create level annual payments, the maturity was extended 11 years.</li> </ul>	<ul style="list-style-type: none"> <li>» The new bonds needed to be issued in December 2020, but redemption could not occur until January 2021.</li> <li>» Marketing bonds for a community with a history such as The Knolls in the time of COVID posed challenges.</li> <li>» HJ Sims' expertise in identifying and communicating the underlying strengths of every financing was leveraged in marketing these bonds.</li> <li>» The refunding, which required a feasibility study, issuer approval and extensive negotiated documentation was completed in 90 days from the initial working group meeting.</li> </ul>	<ul style="list-style-type: none"> <li>» Financing closed on December 23rd, 2020 with over 20% of the issue purchased by our Private Wealth Management clients.</li> <li>» The yield on the 10-year taxable series was 6.125% and the interest rate on the 35-year tax-exempt series was 4.90%, below the 7.00% yield on the prior debt.</li> </ul>

# CASE STUDY

## THE BETHEL METHODIST HOME d/b/a THE KNOLLS

*continued*



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### STRUCTURED RIGHT®

Separate from the goal of reducing the interest rate, a portion of the debt incurred in 2016 matured in 2023 and needed to be restructured. The challenge was to create a level debt service structure that would avoid the balloon payment due in 2023 while still achieving overall savings. Furthering the challenge was a non-call provision which blocked refunding the debt until 2024. Management and its advisors along with HJ Sims negotiated an early exit but it required a tight timeline for closing the refunding.

Recognizing the investor universe for non-rated senior living taxable debt is not as extensive as tax-exempt debt, plus the desire to eliminate the higher rate taxable debt as soon as possible, HJ Sims structured the taxable bond series to mature in 10 years. To lower debt service and create level annual payments, the tax-exempt series will not begin to amortize until the taxable series is retired and extend 11 years beyond the existing maturity.

### EXECUTED RIGHT®

Under the negotiated terms with the existing bondholder, the new bonds needed to be issued in December 2020, but redemption could not occur until January 2021. Despite the demonstrated success of The Knolls under Bethel's ownership, marketing bonds for a community that had significant financial difficulties in its recent past in the time of COVID did pose challenges. The hallmark of the expertise the HJ Sims team of bankers, underwriters and advisors provides our clients is our ability to identify and communicate the underlying strengths of every financing, and that expertise was leveraged in marketing these bonds.

The refunding, which required a feasibility study, issuer approval and extensive negotiated documentation was completed in 90 days from the initial working group meeting.

### FINANCED RIGHT®

On December 23rd, 2020, HJ Sims closed on the \$30.03 million Series 2020 Bonds for The Knolls with over 20% of the issue purchased by our Private Wealth Management clients. The yield on the 10-year taxable series was 6.125% and the interest rate on the 35-year tax-exempt series was 4.90%, below the 7.00% yield on the prior debt.

*"Twenty-five years ago, I worked with HJ Sims and was waiting for the day to be able to do another deal with their superb team of professionals. Finally, that day came, and Andrew Nesi and his team did not disappoint. During the Covid-19 pandemic, with a very small window dictated to us by our current lender and the holiday season upon us, we successfully met all deadlines and refinanced The Knolls through a combination of tax exempt and taxable bonds, saving us close to a million dollars a year in interest and fees.*

*Andrew recognized the strength of this community in the mere four years this campus has been part of Bethel and now through this refinancing has strengthened our position even more. I look forward to many future endeavors with HJ Sims and working with their knowledgeable and hardworking professionals."*

*— Beth Goldstein, Chief Executive Officer  
The Bethel Methodist Home*

**For more detailed information on how The Bethel Methodist Home d/b/a The Knolls 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 The Knolls.*