

# CASE STUDY

## STONECREEK OF LITTLETON

\$3,800,000 | Littleton, CO | April 6, 2021



FINANCED RIGHT®

### **HJ SIMS PARTNERS WITH STONECREEK REAL ESTATE PARTNERS AND CIVITAS SENIOR LIVING TO FACILITATE \$3.8 MILLION IN RETROACTIVE PACE FINANCING**



#### **PARTNERED RIGHT®**

Based in Dallas, Texas, StoneCreek Real Estate Partners (“StoneCreek”) is a collaboration of recognized and seasoned professionals with more than 50 years of combined experience in the operation, development and ownership of successful senior living communities in Texas, Colorado, and Arizona.

The operator, Civitas Senior Living (“Civitas”) is a Fort Worth, Texas-based for-profit owner/operator of senior living communities in Texas, Florida, Oklahoma, New Mexico, Kentucky and Arizona. Founded in 2012, Civitas has over 100 employees at its corporate office and manages over 45 senior living communities. In 2018, HJ Sims provided \$5.85 million in preferred equity to Civitas for the development of a new community in Red Oak, Texas. In 2019, HJ Sims completed a \$72.32 million all-bond acquisition financing of three communities in East Texas operated by Civitas.

The StoneCreek of Littleton development is a new construction, 92-unit senior housing community that includes 70 assisted-living units and 22 memory care units providing local access to quality senior housing and care in the Littleton area of Denver, CO.

#### **STRUCTURED RIGHT®**

With occupancy and operational challenges related to COVID-19, StoneCreek was exploring alternative capital sources to provide additional operational leverage when HJ Sims proposed exploring a retroactive Property Assessed Clean Energy (“PACE”) financing.

#### **StoneCreek At A Glance**

<b>Partnered Right®</b>	<b>Structured Right®</b>	<b>Executed Right®</b>	<b>Financed Right®</b>
<ul style="list-style-type: none"><li>» StoneCreek developed and opened a senior living community with 92 assisted-living and memory care units outside of Denver, CO in early 2020.</li><li>» The community is operated and managed by Civitas Senior Living. Civitas is an experienced developer and operator, currently managing 45 communities with over 3,000 units.</li></ul>	<ul style="list-style-type: none"><li>» With COVID-19-related struggles, HJ Sims approached StoneCreek with implementing retroactive PACE financing to provide additional capital reserves.</li><li>» PACE financing is a voluntary low-cost, non-recourse assessment placed on a property based on the qualified energy efficiency, renewable energy, water conservation, residency improvements and related costs contributed by the project.</li><li>» In certain states, PACE can be applied retroactively for completed construction going back as far as three years from receipt of the certificate of occupancy.</li><li>» Typically, PACE replaces mezzanine debt with interest rates between 12%-15%.</li></ul>	<ul style="list-style-type: none"><li>» HJ Sims coordinated with StoneCreek, the PACE loan provider, and the Colorado PACE Authority to get approval for PACE from the senior construction lender despite the atypical nature of the program.</li></ul>	<ul style="list-style-type: none"><li>» StoneCreek was reimbursed \$3.8 million for energy efficient items used in the construction of the community.</li><li>» The PACE proceeds were utilized to provide additional operating reserves at an interest rate of 5.85%.</li></ul>

# CASE STUDY

## STONECREEK OF LITTLETON *continued*



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PACE is a public/private partnership which allows property owners to finance projects through voluntary assessments placed on the property by a state economic development agency. The program finances 100% of the energy efficiency, renewable energy, water conservation, resilience improvements and the related costs for both ground-up new construction and renovations/retrofits up to about 20% of the property's appraised value. The financing is collected with regular local real estate taxes and assessment payments are amortized at a fixed rate over the useful life of the project (usually 15-25 years). In many states, PACE is allowed to be applied retroactively for completed construction going back as far as three years from receipt of the certificate of occupancy for qualified costs. The PACE program is typically considered an alternative source of financing to mezzanine debt where interest rates average between 12%-15%.

### EXECUTED RIGHT®

HJ Sims coordinated with StoneCreek, Civitas, the PACE loan provider, and the Colorado PACE Authority to get approval for PACE from the senior construction lender. Despite the atypical nature of the program, the financing team was able to assuage the concerns of the senior construction lender while also navigating the various regulatory challenges that come with multi-party financings.

### FINANCED RIGHT®

StoneCreek, with the guidance of HJ Sims, was able to secure \$3.8 million in PACE financing to offer additional operating reserves at an interest rate of 5.85%. The capacity serves an immediate need due to an early 2020 opening and the ensuing impact of the COVID-19 pandemic.

**For more detailed information  
on how StoneCreek of Littleton  
was Financed Right® by HJ Sims,  
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