

# CASE STUDY

## SUNSET MANOR

\$41,900,000 | Jenison, MI | May 12, 2021



FINANCED RIGHT®

### HJ SIMS SECURES \$41.9M OF BANK FINANCING FOR EXPANSION PROJECT AND REFINANCING

*“Pursuing debt financing for an expansion and bank replacement in the era of COVID was a challenging task, but HJ Sims made it happen for Sunset. With Lynn Daly and Kerry Moynihan on point, HJ Sims relentlessly pursued every avenue available to ensure Sunset was financed right. Sunset is very grateful for the HJ Sims team’s expertise, connections in the industry, and ability to close a deal with the right terms on an aggressive schedule. Sunset Manor could not have picked a better partner on its most recent financing than Lynn Daly and HJ Sims. There is no question who our partner will be on future financings!”*

— Steve Bossenbroek, Chief Financial Officer, Sunset Senior Communities

#### PARTNERED RIGHT®

Sunset Retirement Communities (“Sunset”) is a multi-campus not-for-profit senior living provider located in West Michigan. In 2009, the organization embarked on the initial development of its Waterford Place campus and completed phase two of the campus in 2015. In early 2020, Sunset began to pursue the third phase of the campus, which would include 62 independent living apartments, 20 villas, and other amenity spaces. HJ Sims was engaged to identify the optimal capital structure for Sunset’s project financing while also reviewing their existing bank debt with two different banks.

The market study for phase three was completed in March 2020, and while the report findings supported the long-term need for the expansion, the onset of the COVID-19 pandemic not only created a slowdown in presales, but also a need for management to focus on existing operations. After initially approaching potential lenders in May 2020, Sunset’s management team made the decision to delay the financing for approximately six months.

#### Sunset Manor At A Glance

Partnered Right®	Structured Right®	Executed Right®	Financed Right®
<ul style="list-style-type: none"><li>» Sunset is a multi-campus not-for-profit senior living provider located in West Michigan and is the owner, operator and developer of a multi-phased campus project, with the second phase having been completed in 2015.</li><li>» Sunset began to pursue the third phase of the campus, which included 62 independent living apartments, 20 villas, and other amenity spaces, and engaged HJ Sims to identify the optimal capital structure for Sunset’s project financing.</li><li>» Due to the negative impact on presales brought on by the COVID-19 pandemic, existing operations remained the main focus and the project was delayed for six months.</li></ul>	<ul style="list-style-type: none"><li>» During the fall of 2020, as normalcy returned to the capital markets and presales velocity improved, HJ Sims re-analyzed financing options for Sunset’s apartment expansion and existing debt.</li><li>» HJ Sims identified a new commercial banking partner that would not only finance the apartment project, but also replace one of the existing lenders.</li></ul>	<ul style="list-style-type: none"><li>» To minimize Sunset’s long-term cost of capital and avoid large forward starting swap premiums, HJ Sims worked with the new lending partner to allow for the new money long-term bond proceeds to be drawn first such that the forward swap could take effect in just five months.</li><li>» HJ Sims also worked with Sunset to secure the requisite approvals from the remaining lender that not only approved the new financing and new lending partner, but also the contemplated strategic initiatives.</li></ul>	<ul style="list-style-type: none"><li>» On May 12, 2021, HJ Sims closed the Series 2021 financing for Sunset, which included three unique tranches of debt:<ul style="list-style-type: none"><li>■ \$13.40M of Series 2021A Bonds, without incurring a greater cost of capital</li><li>■ Up to \$9.90M of Series 2021B Bonds with a 30-year underlying amortization, minimizing its annual debt service burden</li><li>■ Up to \$18.59M of Series 2021C Bonds, minimizing the overall debt service</li></ul></li></ul>

### STRUCTURED RIGHT®

Though the financing was delayed, HJ Sims continued to work with Sunset on exploring different capital structures including Agency financing. With its strong balance sheet and Foundation support, Sunset decided to move forward with development of the 20 villas and self-fund the construction costs.

During the fall of 2020, as normalcy returned to the capital markets and presales velocity improved, HJ Sims re-analyzed financing options for Sunset's apartment expansion and existing debt. Hefty termination costs associated with an existing long-term swap limited the number of viable refinancing options for the organization. After ruling out Agency Financing, the fixed-rate bond market and existing lenders as options, HJ Sims identified a new commercial banking partner that would not only finance the apartment project, but also replace one of the existing lenders.

### EXECUTED RIGHT®

In order to minimize Sunset's long-term cost of capital and avoid large forward starting swap premiums, HJ Sims worked with the new lending partner to allow for the new money long-term bond proceeds to be drawn first, such that the forward swap could take effect in just five months. By drawing the long-term proceeds first, Sunset also has additional time to secure proceeds from some of their strategic initiatives, which will be used toward project costs before any draws on the short-term bond proceeds. This allows Sunset to further minimize its funded interest costs during construction.

HJ Sims also worked with Sunset to secure the requisite approvals from the remaining lender that not only approved the new financing and new lending partner, but also the contemplated strategic initiatives.

### FINANCED RIGHT®

On May 12, 2021, HJ Sims closed the Series 2021 financing for Sunset Retirement Communities, which included three unique tranches of debt:

- \$13.40M of Series 2021A Bonds, which partially refunded their Series 2014 debt. This refinancing enabled Sunset to avoid any potential disruption stemming from the prior bank's pending merger

with a larger financial institution, without incurring a greater cost of capital.

- Up to \$9.90M of Series 2021B Bonds, which will fund construction costs associated with the apartment project. With a 30-year underlying amortization on this new debt, Sunset was able to minimize its annual debt service burden.
- Up to \$18.59M of Series 2021C Bonds, which will also fund construction costs associated with the apartment project. By drawing from this facility last and repaying it with first generation entrance fees received, Sunset will be able to quickly deliver and minimize the overall debt service.

Overall, the Series 2021 financing, coupled with management's prudent strategic decisions, well positions Sunset to continue to bolster its operational success and grow its mission for serving seniors.

**For more detailed information  
on how Sunset Manor was  
Financed Right® by HJ Sims,  
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