

CASE STUDY

WESTMINSTER VILLAGE

\$60,515,000 | West Lafayette, IN | June 4, 2021



FINANCED RIGHT®

HJ SIMS PARTNERS WITH WESTMINSTER VILLAGE AS INVESTMENT BANK AND SWAP ADVISOR TO HELP THE COMMUNITY ACCOMPLISH A REFINANCING, AND SO MUCH MORE.



PARTNERED RIGHT®

Westminster Village West Lafayette (“Westminster Village”) was established in 1976 and subsequently formed into a not-for-profit Life Plan Community in 1981. Located off of Cumberland Park in West Lafayette, Indiana, the community held a long-standing reputation for producing quality services to middle-class retirees. Historically a partner with Purdue University, Westminster Village’s reputation and mission grew ultimately into the 346-bed Life Plan Community it is today.

Given Westminster Village’s financial strength, the community sought to take advantage of the low interest rate environment observed in 2020 to refinance its outstanding Series 2014 tax-exempt and taxable Direct-placement Bonds (the “Series 2014 Bonds”). The incumbent bank proposed a refinancing opportunity that struck Westminster Village’s management team as an above market proposal. Westminster Village astutely proceeded to engage HJ Sims to analyze the proposal. HJ Sims was said to have been chosen based on experience, market-depth, and most importantly culture. HJ Sims solicited additional banking partners following review of the initial analysis and engagement.

Westminster Village At A Glance

Partnered Right®	Structured Right®	Executed Right®	Financed Right®
<ul style="list-style-type: none">» Westminster Village is a Life Plan Community located in West Lafayette, IN, managed by Life Care Services, Inc.» The community consists of 236 independent living units, 38 assisted living units, and 72 memory care units.» Partnered with HJ Sims in 2020 after a competitive solicitation spurred by the incumbent bank proposing a higher than market rate for a refinancing opportunity.	<ul style="list-style-type: none">» Westminster Village sought a \$42.2 million refinancing bifurcated between taxable and tax-exempt debt.» The refinancing was to include the termination of three swaps with costly termination values, one of which was a 10-year forward starting swap that became effective during the COVID-19 pandemic.» Westminster Village had long been contemplating a renovation project which would eliminate older less desirable independent living units and position the community to include more assisted living and memory care units to meet market demands.	<ul style="list-style-type: none">» In 2021, HJ Sims facilitated a bank solicitation process that was widely distributed, resulting in a number of attractive proposals.» Multiple proposals prevailed over the incumbent whom had a long-standing relationship with Westminster Village.» HJ Sims ultimately selected a new banking partner for the community based on a term sheet that provided aggressive pricing, a 12-year term, and a 30-year amortization.	<ul style="list-style-type: none">» The structure HJ Sims created allowed Westminster Village to refinance the existing \$42.2 million, borrow \$15 million for the repositioning project, and terminate all three of the community’s outstanding swaps without increasing maximum annual debt service from the refunded debt.» After pricing the new swaps for the refinancing debt, HJ Sims was able to capture a taxable interest rate of 3.19% and a tax-exempt interest rate of 2.54% for Westminster Village.» The new-money project funds were kept variable and will utilize a draw-down feature that allows Westminster Village to materialize capitalized interest savings.

STRUCTURED RIGHT®

Westminster Village went in to the market initially seeking to refinance the Series 2014 Bonds. Tied to the Series 2014 Bonds were two swaps that were largely out-of-the-money; in addition, Westminster Village had a legacy forward-starting swap that was originated in 2010 and became effective in 2020 during the COVID-19 pandemic.

HJ Sims constructed a plan of finance that would generate adequate debt service savings despite the number of expenses associated with refunding the Series 2014 Bonds and terminating all of Westminster Village's swaps. The bank solicitation required that the plan of finance conform to the terms provided by any potential banking partners.

At the conclusion of the bank solicitation, HJ Sims found a partner with terms that would enable the most flexibility and savings for Westminster Village. The new partner would replace the incumbent with a proposal that provided material savings. In fact, the plan of finance HJ Sims tailored for Westminster Village generated enough savings that led the community to reconsider a new-money project that it had been waiting to develop. The \$15 million project would repurpose some of Westminster Village's existing independent living units into assisted living and memory care units that were in high demand on campus. HJ Sims embraced the opportunity to have all of Westminster Village's objectives come to fruition with the 2021 financing.

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HJ Sims, in conjunction with the new banking partner, crafted the \$60,515,000 plan of finance (the "Series 2021 Bonds"). The financing included the refinancing escrow for the Series 2014 Bonds, the termination of all existing swaps (including the forward-starting swap), and a draw-down facility for the new-money project. The terms provided by the banking partner and the structure formulated by HJ Sims allowed for Westminster Village to comfortably execute the Series 2021 Bonds without increasing residents' monthly service fees. This was accomplished via aggressive pricing, a 12-year term, and a 30-year amortization provided by the new banking partner.

"As I was relatively new to my position, the thought of handling a refinancing seemed like a daunting task. Thankfully, after careful consideration our Board of Directors chose to partner with HJ Sims.

HJ Sims understands the complex procedures involved with refinancing and made sure to provide extensive education during the entire process. Lynn and Brady took great care in ensuring each step was broken down into understandable components.

I truly enjoyed working with HJ Sims and look forward to continuing our partnership for years to come."

***— Jessica Argerbright
Director of Accounting and Finance
Westminster Village West Lafayette***

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On June 4, 2021, HJ Sims closed on the \$60.515 million Series 2021 Bonds for Westminster Village via Direct Placement Bonds for the tax-exempt refinancing, a Term Loan for the taxable refinancing, and a draw-down facility for the new-money project.

After pricing the new swaps for the refinancing debt, HJ Sims was able to capture a taxable interest rate of 3.19% and a tax-exempt interest rate of 2.54% for Westminster Village. The credit spread for the refinancing portion was 100 bps lower than the incumbent bank's original refinancing proposal. The new-money project funds were kept variable and will utilize a draw-down feature that allows Westminster Village to materialize capitalized interest savings. Ultimately, HJ Sims successfully generated a plan of finance that accomplished all of Westminster Village's objectives, including \$15 million in new money, without increasing maximum annual debt service against the refunded Series 2014 Bonds, resulting in an efficient capital structure for the community that generated savings and a new product offering for campus residents to enjoy for years to come.

**For more detailed information
on how Westminster Village
was Financed Right® by HJ Sims,
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