

CASE STUDY

BROADVIEW AT PURCHASE COLLEGE

\$398,090,000 | Purchase, NY | November 2021



FINANCED RIGHT®

HJ SIMS RAISES \$398 MILLION FOR NEW RETIREMENT COMMUNITY AT PURCHASE COLLEGE-SUNY EMPLOYING GROUND LEASEHOLD MORTGAGE TO SECURE BONDS



PARTNERED RIGHT®

Upon becoming President of Purchase College-State University of New York (“SUNY”) in 2003, Thomas Schwarz assembled a committee to explore the possibility of developing a senior living community on the college campus. A long-time advocate of lifelong learning and intergenerational living, Mr. Schwarz saw the opportunity to create a long-term revenue stream to support student financial aid and provide funding for additional full-time faculty positions. His efforts culminated in 2011 when New York enacted “enabling legislation” authorizing SUNY to enter into a 75-year ground lease of an approximately 40-acre parcel of land on the college campus with a not-for-profit corporation organized for the purpose of developing and operating a new “senior learning community” to be known as Broadview Senior Living at Purchase College (“the Community”).

Broadview at Purchase College At A Glance

Partnered Right®	Structured Right®	Executed Right®	Financed Right®
<ul style="list-style-type: none">» Purchase Senior Learning Community, Inc. formed to develop a new CCRC on the campus of Purchase College-State University of New York.» State legislation passed to permit 75-year ground lease and community development.» 220 independent living apartments and villas, 20% reserved for residents earning no more than 80% of area’s median income.» “Learning Commons” integrated into commons building with classrooms, studios, gathering and performance spaces for residents as well as the students of Purchase College for lectures, seminars, performances, mentoring, tutoring and other educational purposes.	<ul style="list-style-type: none">» Rent payments to College subordinate to bond debt service and contingent on minimum liquidity requirements and covenant compliance.» \$10 million of future rent payments held by Trustee to fund Liquidity Support Account.» \$179 million in Entrance Fee Principal Redemption Bonds® redeemed when occupancy reaches 85%.» Despite no first mortgage security for bondholders, lease terms permit assignment and sale of leasehold without College consent and requires execution of similar lease with new owner.	<ul style="list-style-type: none">» 86% of Independent Living units reserved with 10% deposits at time of financing.» Very impressive pace of 6.75 deposits per month.» COVID-19 forced shift from in-person sales to virtual meetings and events which did not dampen depositor enthusiasm.	<ul style="list-style-type: none">» \$398.1 million tax-exempt and taxable bond issue closed on November 10, 2021.» Final maturity of 2056, maximum yield of 4.625%.» 32 institutional bond funds purchased bonds, and despite a minimum purchase requirement of \$100,000, HJ Sims sold a substantial amount of bonds to individual clients through HJ Sims’ Private Wealth Management Group.

Purchase College, a public four-year college of arts, liberal arts and sciences, located in Purchase, Westchester County, was founded in 1967 and is one of the 13 comprehensive colleges of the SUNY system.

The Community will be centrally located on campus and operated as a CCRC to initially consist of 220 senior residential, independent living apartments and villas, as well as up to 68 assisted living and memory care beds. There are no skilled nursing beds planned for the Community with residents utilizing area facilities as needs arise. Central to the core philosophy of the Community will be a “learning commons” integrated into the Commons building consisting of classrooms, studios, gathering spaces, and performance spaces to be utilized by the residents of the Community as well as the students of Purchase College for lectures, performances, mentoring, and other educational purposes. Residents will enjoy arts and cultural opportunities on the Purchase College campus, all a short walk from the Community. Several college administrators, including the President Provost and Chief Financial Officer are active members of the Board of Directors of Purchase Senior Learning Community.

In 2014 HJ Sims was selected through a competitive RFP process to act as investment banker and was actively involved in the development of the Community and structuring of the necessary financing throughout the past nearly eight years. In 2018 HJ Sims raised \$15 million in Bond Anticipation Notes (“BANs”) for the initial development costs which supplemented a \$5 million grant received by the Purchase College Foundation Housing Corporation. The BANs issue and accrued interest was fully repaid with the proceeds of the permanent financing.

The Development Consultant engaged for this project consisted of a partnership between two highly experienced firms in the senior living sector: Life Care Services, based in Des Moines, Iowa and Senior Care Development located in nearby Harrison, New York. Life Care Services will also manage the Community upon opening.

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The enabling legislation had two central mandates: (i) 20% of the residential units of the Community be “affordable” to individuals or families whose incomes do not exceed 80% of the median household income for Westchester County, and (ii) 75% of the income received by the College be used for student financial aid with the remaining 25% funding additional faculty positions.

The income the College will receive is derived from Base Rent payments of \$2 million per year initially and increasing approximately 10% every five years to approximate annual CPI inflation. The College will also share in the success of the Community through Additional Rent payments based on 75% of excess cash flow, as long as Days Cash on Hand exceeds 425 taking into account the Additional Rent payments. Within 10 years the aggregate rent payments to the College could exceed \$6 million annually. Under the terms of the bond financing, both Base Rent and Additional Rent are subordinate to bond debt service, however.

In order to provide additional working capital to offset initial operating losses \$10 million of Base Rent payments (representing the bulk of the payments for the first 9 years) will be held by the Bond Trustee in a Liquidity Support Account. The Liquidity Support Account will be reduced over time and the funds released upon achievement of debt redemption, occupancy and financial covenant milestones.

Initial Entrance Fees received from residents will be used to redeem \$179 million in several Entrance Fee Principal Redemption Bonds® (“EFPRBs”) series after utilizing \$10 million for working capital and \$10 million to fund the Base Rent payments. Full redemption of these short-term bonds is expected when occupancy reaches 85%.

A first mortgage is more commonly seen as security for similar bond issues, but, since Purchase College is on state-owned land, an outright sale of the land to Purchase Senior Learning Community was not possible. Therefore, a ground leasehold mortgage secures the bonds instead. HJ Sims is

very accustomed to leasehold mortgage projects through many years of successful financings, and HJ Sims incorporated several layers of protection to bondholders. In addition to the core subordination of rent payments to debt service, Purchase Senior Learning Community, Inc. has the right without consent of SUNY to mortgage or assign its leasehold interest to the Trustee on behalf of bondholders. The lease cannot be terminated if the Trustee were to foreclose, and the Trustee may become legal owner without consent of SUNY. If the leasehold were to change hands, another lease must be executed with the new owner under the same terms as the existing lease.

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Marketing the planned independent living units faced several challenges over the past three years. Approval of the offering plan by NY state regulators took longer than anticipated, and then, within a year of launch, COVID-19 essentially shut down progress for several months. The Life Care Services team pivoted to a virtual sales strategy that kept the potential lead base engaged, securing deposits throughout the second half of 2020. Members looked forward to living on campus and enjoying the cultural opportunities when the pandemic was over.

With the roll-out of vaccines came a wave of charter members placing 10% deposits on independent living units with an average entrance fee in excess of \$1 million. In December 2020, 17 sales were secured which created the momentum that led to over 85% of the units reserved at the time of financing in October, 2021. In spite of COVID-related challenges the average pace of deposits from the beginning in May, 2019 through October, 2021 was 6.75 per month with 38 recorded since June, 2021 alone.

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On November 10, 2021 HJ Sims closed on the \$398.1 million tax-exempt and taxable bond issue. In addition to the \$179 million in EFPRBs, the bond issue included several long-term bonds, including

a final maturity of 2056 with a yield of 4.625%. Underscoring investor appetite, the issue was placed with 32 institutional bond funds, and individual clients in HJ Sims' Private Wealth Management Group purchased a substantial amount of bonds, despite a minimum purchase amount of \$100,000 for non-rated bonds as required by the issuer.

"On behalf of the Purchase Senior Learning Community Board of Directors, I thank the HJ Sims team, and especially Andrew Nesi, for their guidance and wisdom over the past several years that has culminated in a highly successful bond issuance for the construction of Broadview, Senior Living at Purchase College. Sims has been an important partner throughout the development of this project. We are grateful for their hard work and professionalism in structuring and securing our funding and we look forward to working with them through our next phases of development."

— Elizabeth Robertson, Chair Board of Directors, Purchase Senior Learning Community, Inc.

For more detailed information on how Broadview at Purchase College was Financed Right® by HJ Sims, please call or email:

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