



FINANCED RIGHT®

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# CAPITAL MARKET UPDATE

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## Senior Living New Issue Rates as of 3/21/17

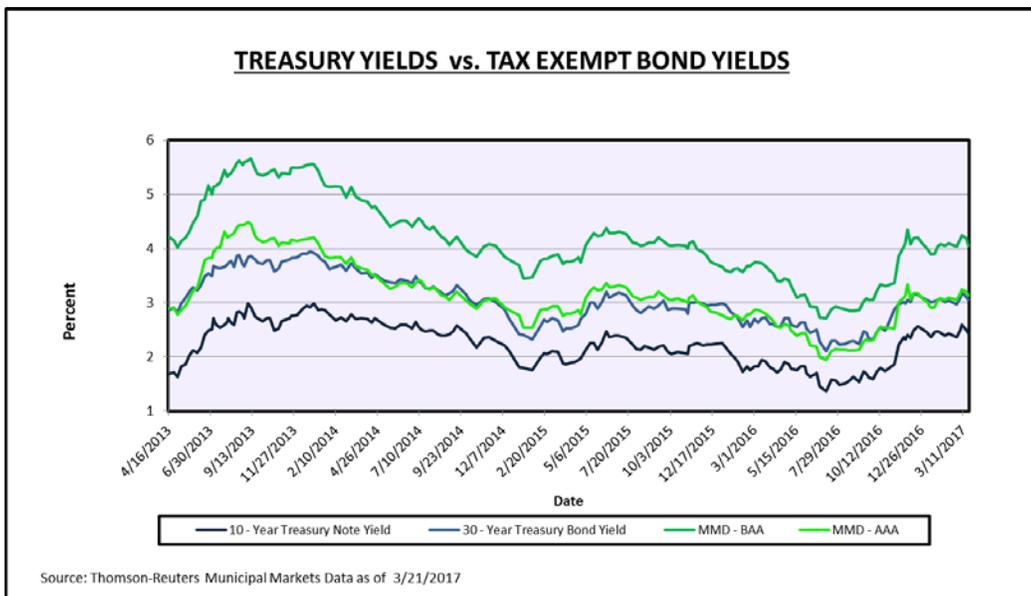
Maturity	Taxable Rates	Tax Free Rates					
	GNMA Taxable	FHA Tax-Exempt	A	BBB	BB	Refinancing & Expansion	Start-Up
5 yr.	NA	1.820%	2.400%	2.800%	3.10%	3.00-3.60%	4.00-4.50%
10 yr.	NA	2.690%	3.400%	3.650%	4.00%	4.00-4.40%	4.75-5.25%
20 yr.	NA	3.500%	4.250%	4.500%	4.95%	4.75-5.25%	5.50-6.00%
30 yr.	3.620%	3.750%	4.350%	4.650%	5.10%	5.00-5.50%	6.00-6.75%

Senior Living new issue rates for borrowers in specialty states are 20-30 basis points lower in yield.

SIFMA Index	LIBOR
0.71%	0.91%

Revenue Bond Index (RBI)	10 Year Treasury	30 Year Treasury
4.17%	2.400%	3.0170%

	1 Year	3 Year	5 Year	7 Year	10 Year
Weekly SIFMA Swap Rates	1.02%	1.37%	1.58%	1.73%	1.89%
Weekly LIBOR Swap Rates	1.40%	1.85%	2.12%	2.29%	2.47%



## Market Commentary

Spring has arrived, and those of us still in snow-covered places thank the Dutch for exporting their tulips to help brighten the vernal equinox. The Netherlands is a nation of 17 million, smaller than New York State in terms of population and West Virginia in terms of square miles. Our friends in Holland are known for their flowers, their windmills, wooden clogs, Gouda cheese and, of course, the story of the little boy who plugged a dike with his finger to stop the leak and save his country. Last week, we looked to them as a weathervane pointing to the future of the European Union. Election results favoring a separatist faction would have added more stress on the EU family at a time when Great Britain officially moved closer to its exit. But voters instead kept things pretty much as-is. National pride remains strong in the Netherlands as it does in France and Germany, where federal elections are also being held this year. The financial markets are very attuned to all the candidates, latest polls and the ebb and flow of the populist tides.

Leaks and hearings, the Super Bowl thief and the health care vote, the Sweet Sixteen and the World Baseball Classic dominate the headlines this week. The municipal calendar is light at \$4.5 billion, and HJ Sims is in the market with two financings expected to meet with good demand. The Philadelphia Authority for Industrial Development has a \$6.5 million non-rated charter school revenue bond issue that Sims is underwriting for Harambee Institute of Science and Technology. In addition, we are working with the Capital Trust Agency of Florida to bring a \$42.1 million non-rated assisted living and memory care financing for Tuscan Gardens of Palm Coast. Also in the high yield sector, the Tulsa County Industrial Authority plans a \$111.1 million BBB-minus rated refunding for the Montereau life plan community in Tulsa, Oklahoma.

Last week the Treasury Department put its finger in the dike of national debt. The suspension of the debt ceiling expired on March 16, and the Treasury Secretary began to take extraordinary measures so as not to exceed its legal borrowing limit at just over \$19.8 trillion. Municipal bond funds had a trickle of outflows at \$9 million, and the primary market saw only \$4.3 billion of municipal issuance, including an \$85.2 million BB+ rated refunding and improvement bond financing through the Colorado Health Facilities Authority for Frasier Meadows Retirement Community in Boulder. The 30-year term bonds were priced at 5.25% to yield 5.14% on the day before the Federal Open Market Committee announcement. As expected on Wednesday, the Fed increased its target Fed funds rate a notch to the range of 0.75% to 1%, and Chair Janet Yellen was the picture of confidence in the press conference that followed. Stocks and bonds rallied together, and both volatility indices dropped. Benchmark Treasury and municipal bond yields fell in tandem over the course of the week; the 10-year maturities were down 7 basis points to finish at 2.50% and 2.40%, respectively and the 30-year yields fell 6 basis points to 3.10% and 3.18%. Stocks also finished slightly stronger after having given back some of their gains by the end of the week as traders started to pay too close attention to the sturm und drang in Washington over the health care bill. Some investors also worried that the Fed was turning hawkish enough that they might hike rates more than three times this year, but three Fed officials were quick to don their proverbial wooden clogs and stomp on the notion this week.

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**Volunteers  
of America®**

## Sims Underwrites \$40.5 Million Refinancing for an Affiliate of Volunteers of America



<b>Partnered Right</b>	<ul style="list-style-type: none"> <li>• A Minnesota nonprofit senior living campus located in Anoka, MN</li> <li>• A subordinate affiliate of Volunteers of America National Services, a Minnesota nonprofit</li> </ul>
<b>Structured Right</b>	<ul style="list-style-type: none"> <li>• Worked with the Homestead to achieve the following strategic objectives: <ul style="list-style-type: none"> <li>○ Achieve a Present Value of Savings of 5% or greater</li> <li>○ Realize savings from debt service reduction in early years</li> </ul> </li> </ul>
<b>Executed Right</b>	<ul style="list-style-type: none"> <li>• Sims recommended moving forward with matched maturity, long-term, fixed-rate tax exempt bonds</li> <li>• Structured the issue by front end loading the savings in the early years of the new issue</li> <li>• Invested escrow securities in Open Market Securities to achieve a high rate of return and improve Net Present Value of Savings</li> </ul>
<b>Financed Right®</b>	<ul style="list-style-type: none"> <li>• \$40,595,000 of tax-exempt bonds with a True-Interest-Cost of 5.171%</li> <li>• On a present value basis, the refunding saved the Homestead \$1,726,225.77, or 5.04% of the par amount of the refunded bonds</li> </ul>

### **Partnered Right**

The Homestead at Anoka (“The Community” or “The Homestead”) is a Minnesota not-for-profit Corporation organized in 2010 for the development, construction and operation of a senior living campus in Anoka, MN. The current campus, which began operations in 2012, consists of 65 independent living units, 59 assisted living units, 24 memory care units and a 120 bed skilled nursing facility. The corporation is a subordinate affiliate of Volunteers of America National Services, a Minnesota nonprofit corporation.



## Sims Underwrites \$40.5 Million Refinancing for an Affiliate of Volunteers of America

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### **Structured Right**

Sims was engaged by The Homestead to advance refund its Series 2011 Bonds. The 2011 bonds were originally issued to finance Phase 1 of the community. HJ Sims worked with The Homestead to achieve the following strategic objectives:

- Achieve a Present Value of Savings of 5% or greater
- Realize savings from debt service reduction in early years

### **Executed Right**

In order to meet The Homestead's strategic financing objectives, Sims recommended moving forward with long-term, fixed-rate tax-exempt bonds (the "2017 bonds") with no extension of the original final maturity. The issue was originally scheduled to come to market in late fall of 2016, but market conditions changed quickly after the 2016 Presidential election resulting in net present value of savings falling below target minimums. HJ Sims diligently monitored the market and waited until interest rates decreased sufficiently to where the client's goal of 5% present value of savings could be achieved. To help achieve a higher return on investment of the escrow securities and improve present value of savings, the 2011 bonds were escrowed using Open Market Securities rather than the traditional use of State and Local Government Securities (SLGS). Further, to increase day's cash on hand and realize savings as quickly as possible, HJ Sims structured the issue by front-end loading the savings in the early years of the new issue.

### **Financed Right®**

HJ Sims successfully priced the \$40,595,000 issue with a True-Interest-Cost of 5.171% in February of 2017. On a present value basis, the refunding saved The Homestead \$1,726,225.77, or 5.04% of the par amount of the its objective to improve days' cash on hand.

*For more information on how The Homestead was Financed Right®, please contact Mark Landreville at [mlandreville@hjsims.com](mailto:mlandreville@hjsims.com) or 952-683-7509 or Christina Rappl at [crappl@hjsims.com](mailto:crappl@hjsims.com) or 952-683-7507.*

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