

# CAPITAL MARKET UPDATE



Tel: 800-HJS-1935

www.hjsims.com

Member FINRA/SIPC

## Senior Living New Issue Rates as of 5/10/16

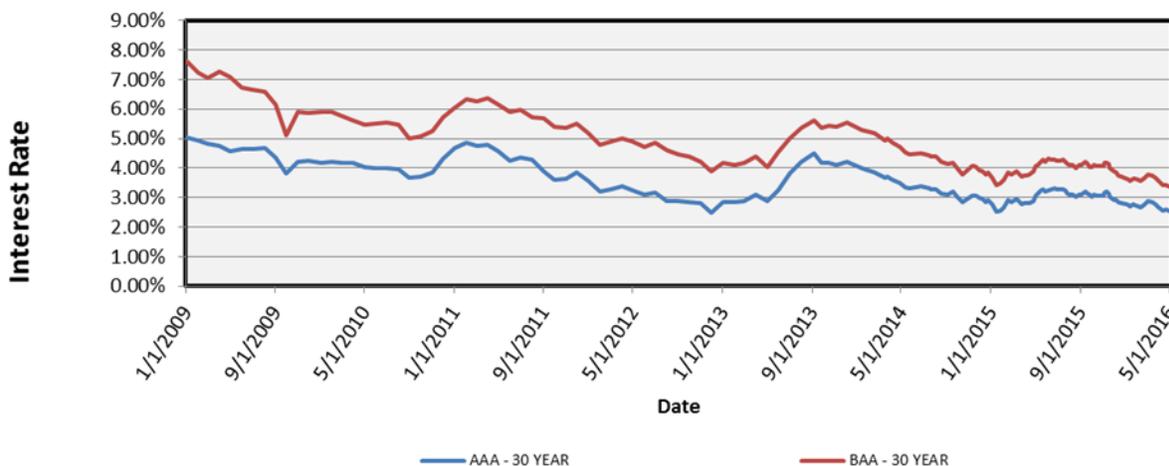
Maturity	Taxable Rates	Tax Free Rates				
	GNMA Taxable	FHA Tax-Exempt	A	BBB	Refinancing & Expansion	Start-Up
5 yr.	NA	1.260%	1.750%	2.150%	2.55-3.125%	3.375-4.10%
10 yr.	NA	2.130%	2.500%	2.850%	3.50-3.875%	4.125-5.00%
20 yr.	NA	3.110%	3.150%	3.500%	4.125-4.55%	4.875-5.75%
30 yr.	3.740%	3.320%	3.350%	3.650%	4.625-4.875%	5.125-5.625%

SIFMA Index	LIBOR
0.39%	0.44%

Revenue Bond Index (RBI)	10 Year Treasury	30 Year Treasury
3.54%	1.7450%	2.6080%

	1 Year	3 Year	5 Year	7 Year	10 Year
Weekly SIFMA Swap Rates	0.21%	0.48%	0.73%	0.95%	1.19%
Weekly LIBOR Swap Rates	0.77%	0.98%	1.20%	1.40%	1.64%

### TAX-EXEMPT INTEREST RATES



Source: Thomson-Reuters Municipal Market Data as of 5/9/2016

## Market Commentary

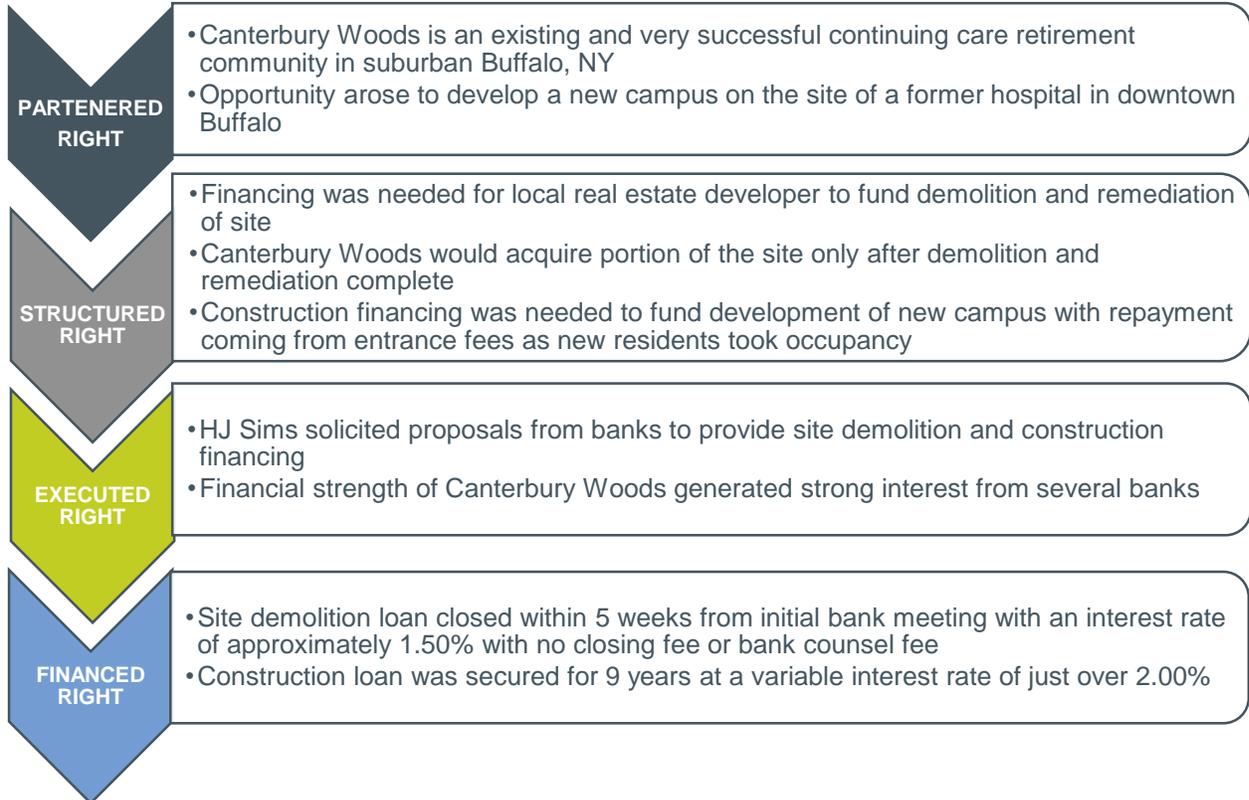
The slate of presidential candidates has not yet been finalized, but the world will be watching U.S. primary results all the way through the last one on June 14, and then attention will turn to voting in the United Kingdom on June 23. A vote for Brexit could trigger significant turbulence in the global financial markets, but for now a laser-like focus remains on the rise and fall of energy prices. Last week, as West Texas Intermediate crude oil prices dropped from \$45.92 to \$44.66, the Dow Jones Industrial Average fell 33 points to 17,740, and the S&P 500 Index dropped 8 points to 2,057. Conversely, fixed income had a good week led by Treasuries. 10- and 30-year yields fell 5 basis points to 1.77% and 2.62%, respectively. Municipal bonds strengthened as well; the 10-year AAA general obligation bond yield fell 4 basis points to 1.57%, and the 30-year AAA benchmark yield dropped 9 basis points to finish at 2.49%. Municipal bond funds took in another \$2.5 billion while taxable fixed income funds saw net investment of \$13.3 billion and equity funds had \$3.7 billion of net withdrawals.

With the 8 month-long wave of inflows, including \$4 billion into high yield municipal funds, the new issue market has been on fire. Last week, the \$8.1 billion calendar included a \$230.7 million financing for the New Hope Cultural Education Facilities Corporation for eight Village Park and Carriage Inn senior living communities in greater Houston and Oklahoma City; the AA-minus rated senior bonds maturing in 2051 priced at 5.00% to yield 4.08%, and the non-rated fourth tier bonds due in 2051 priced at par to yield 7.00%. The California Municipal Finance Authority issued \$33.4 million of BBB-minus rated revenue bonds for Escondido Charter High School, Heritage K-8 Charter School and Heritage Digital Academy Middle School priced at 5.00% to yield 3.80%. Also in the Golden State, the Communities Development Authority brought a \$10 million non-rated infrastructure program revenue bond deal with 2045 term bonds priced at 5.00% to yield 3.83%, and the Public Finance Authority had a \$5.9 million non-rated taxable revenue bond financing for Silverlakes Equestrian and Sports Park with 2039 term bonds priced at par to yield 8.50%. In Pennsylvania, the Pottsville Hospital Authority privately placed \$20 million of non-rated revenue bonds for Schuylkill Health System due in 2033 at par to yield 5.25%. And the Port of Greater Cincinnati Development Authority issued \$15.9 million of non-rated special obligation tax increment financing revenue refunding bonds which priced at par to yield 6.60% in 2039.

This week, the slate is dominated by hospital and water and sewer deals. In the high yield space, we expect to see several charter schools. The Wisconsin Public Finance Authority has an \$11.7 million non-rated transaction for Envision Science Academy in Raleigh, North Carolina. The Arlington Higher Education Finance Corporation in Texas plans a \$16.3 million transaction for BB+ rated Wayside Schools. The Delaware County Industrial Development Authority of Pennsylvania is in the market with a \$22.2 million BB+ rated issue for Chesterfield Charter School for the Arts, and the Delaware State Economic Development Authority has a \$12.4 million BBB rated financing for Newark Charter School. In addition, the Port of Greater Cincinnati Development Authority is back in the market with a \$57.3 million non-rated taxable special obligation lease revenue bond issue. The 30-day visible supply of municipal bonds totals \$13.9 billion.

---

## HJ Sims Obtains Construction Financing to Extend Organization’s Services to Second Campus





## HJ Sims Obtains Construction Financing

*Cont. from Page 3*

### **Partnered Right**

Canterbury Woods has deep roots providing care to the Buffalo, NY area through affiliated organizations dating back to 1858. HJ Sims has been involved since its inception by providing seed capital in 1996 for its initial development, underwriting tax exempt bonds for construction of the community in 1998 and expansion financing in 2005. Today, the community consists of 243 independent living apartments and patio homes as well as enriched housing and skilled nursing beds. The community has consistently enjoyed high occupancy across all levels of care.

The dynamic leadership team and board have always explored new ways to increase the number of area seniors served by the organization. When it was announced that the former site of an acute care hospital in the Gates Circle area of downtown Buffalo was going to be redeveloped into a mixed use space, management saw an opportunity to build a new community that could leverage the services and amenities provided on the Williamsville campus. An agreement was reached with Canterbury Woods to acquire a portion of the site once the hospital demolition and site remediation were completed.

### **Structured Right**

In order to maximize the tax credits available through the remediation of the site, a for-profit limited liability corporation was formed which would be the borrower for the \$3.3 million site demolition loan. Since Canterbury Woods would be acquiring a portion of the site upon completion of the demolition and remediation, management agreed to guarantee the loan needed to finance this work.

Once the site was acquired, Canterbury Woods would begin construction of a new community consisting of 53 independent living unit apartments and 5 enriched housing units in a six story building with underground parking. The commons area would include dining, social areas, wellness and a beauty salon. Cost of construction would be approximately \$32 million.

Working with management, HJ Sims structured a two-step process that would accomplish financing of both the site demolition and construction of the new community. The site demolition loan to the limited liability company would be repaid when the remediated property was acquired by Canterbury Woods. The construction loan would be repaid with entrance fees as new residents moved into the community.

The new Gates Circle campus was not organized as an affiliate of Canterbury Woods, so any financing had to comply with the organization's existing limitations on indebtedness and permitted liens. Management wanted covenants related to the new financings to mirror the existing tests to minimize the administrative burden. Indicative of its confidence in the new community, management desired term sheets that did not have pre-sale requirements, which are typical in similar new development financings.

### **Executed Right**

Due to the short term nature of both loans, the most efficient and cost effective financing method was taxable bank debt. Leveraging HJ Sims' extensive experience in obtaining bank financing for its clients throughout New York State, requests for proposals were sent to numerous financial institutions in the Buffalo area that generated strong responses. Canterbury Woods' reputation for financial strength and quality of care made this an attractive opportunity for banks that were eager to establish a relationship.

*Cont. on Page 5*



## HJ Sims Obtains Construction Financing

Cont. from Page 4

In order to maintain the development schedule, it was necessary to obtain the site demolition financing as soon as possible. Working with management, HJ Sims was able to solicit, negotiate and close this first step within 5 weeks of the bank meeting. The terms from the selected bank included an all-in interest rate of approximately 1.50% with no closing fee and no bank counsel fees.

### Financed Right

On April 28, 2016, approximately 5 months after site remediation was completed, the property was acquired, and the required local zoning approvals were received. Canterbury Woods closed on the \$32 million construction loan with the same bank. Although management is confident the Gates Circle community will be constructed on schedule and fill quickly, it was able to obtain financing for nine years at an initial variable rate of just over 2.00%.

*For more detailed information on how Canterbury Woods was Financed Right by HJ Sims, please contact Andrew Nesi at (203) 418-9057 or [anesi@hjsims.com](mailto:anesi@hjsims.com).*

---

### For more information, please contact an HJ Sims banker.

#### Fairfield, CT

William Sims	203-418-9001	<a href="mailto:wsims@hjsims.com">wsims@hjsims.com</a>
Jeff Sands	203-418-9002	<a href="mailto:jsands@hjsims.com">jsands@hjsims.com</a>
Andrew Nesi	551-427-5135	<a href="mailto:anesi@hjsims.com">anesi@hjsims.com</a>
Mackenzie Welch	203-418-9024	<a href="mailto:mwelch@hjsims.com">mwelch@hjsims.com</a>
Krystal Murphy	203-418-9028	<a href="mailto:kmurphy@hjsims.com">kmurphy@hjsims.com</a>

#### Rockville, MD

Aaron Rulnick	301-424-9135	<a href="mailto:arulnick@hjsims.com">arulnick@hjsims.com</a>
Kyrle Turton	203-418-9038	<a href="mailto:kturton@hjsims.com">kturton@hjsims.com</a>
Patrick Mallen	203-418-9009	<a href="mailto:pmallen@hjsims.com">pmallen@hjsims.com</a>

#### Bloomington, MN

Mark Landreville	952-683-7509	<a href="mailto:mlandreville@hjsims.com">mlandreville@hjsims.com</a>
Jay Hromatka	952-683-7506	<a href="mailto:jhromatka@hjsims.com">jhromatka@hjsims.com</a>
Christina Rappl	952-683-7507	<a href="mailto:crappl@hjsims.com">crappl@hjsims.com</a>

#### Philadelphia, PA

James Bodine	215-854-6428	<a href="mailto:jbodine@hjsims.com">jbodine@hjsims.com</a>
--------------	--------------	--

#### Austin, TX

Curtis King	512-519-5003	<a href="mailto:cking@hjsims.com">cking@hjsims.com</a>
James Rester	901-652-7378	<a href="mailto:jrester@hjsims.com">jrester@hjsims.com</a>
Brett Edwards	512-519-5001	<a href="mailto:bedwards@hjsims.com">bedwards@hjsims.com</a>
Elizabeth Sims	512-519-5002	<a href="mailto:esims@hjsims.com">esims@hjsims.com</a>

#### Orlando, FL

Robert Gall	407-313-1701	<a href="mailto:rgall@hjsims.com">rgall@hjsims.com</a>
Kerry Moynihan	407-313-1702	<a href="mailto:kmoynihan@hjsims.com">kmoynihan@hjsims.com</a>

#### Montvale, NJ -Sims Mortgage Funding - 201-307-9383

Anthony Luzzi	<a href="mailto:aluzzi@simsmortgage.com">aluzzi@simsmortgage.com</a>
Kerrie Tomasiewicz	<a href="mailto:ktomasiewicz@simsmortgage.com">ktomasiewicz@simsmortgage.com</a>
Andrew Patykula	<a href="mailto:apatykula@simsmortgage.com">apatykula@simsmortgage.com</a>

---

*The material presented here is for information purposes only and is not to be considered an offer to buy or sell any security. This report was prepared from sources believed to be reliable, but it is not guaranteed as to accuracy, and it is not a complete summary or statement of all available data. Information and opinions are current up to the date of publication and are subject to change without notice. The purchase and sale of securities should be conducted on an individual basis considering the risk tolerance and investment objective of each investor and with the advice and counsel of a professional advisor. All investments involve risk and may result in a loss of principal. Investors should carefully consider their own circumstances before making any investment decision. This is not a solicitation to buy or an offer to sell any particular investment.*