

# CAPITAL MARKET UPDATE

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## Senior Living New Issue Rates as of 6/6/17

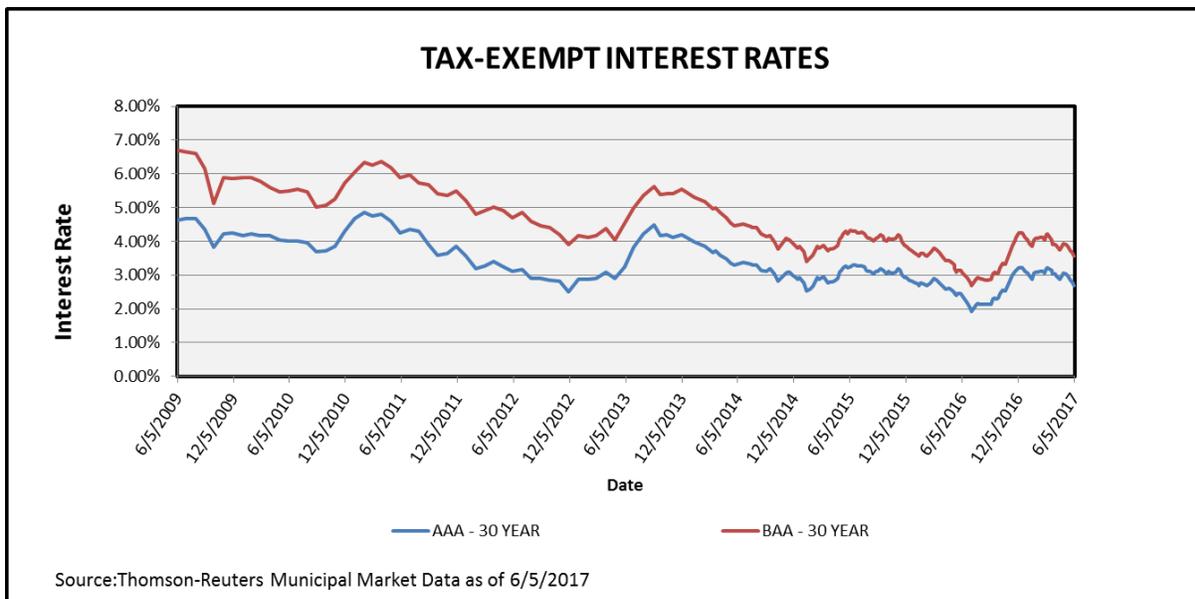
Maturity	Taxable Rates	Tax Free Rates					
	GNMA Taxable	FHA Tax-Exempt	A	BBB	BB	Refinancing & Expansion	Start-Up
5 yr.	NA	1.290%	2.050%	2.250%	2.65%	2.90-3.45%	3.95-4.45%
10 yr.	NA	2.290%	2.900%	3.150%	3.50%	3.85-4.20%	4.45-4.95%
20 yr.	NA	3.070%	3.750%	3.950%	4.55%	4.55-5.00%	5.25-5.75%
30 yr.	3.370%	3.310%	3.900%	4.050%	4.65%	4.80-5.25%	5.90-6.65%

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

SIFMA Index	LIBOR
0.76%	1.05%

Revenue Bond Index (RBI)	10 Year Treasury	30 Year Treasury
3.79%	2.1610%	2.8240%

	1 Year	3 Year	5 Year	7 Year	10 Year
Weekly SIFMA Swap Rates	0.99%	1.24%	1.42%	1.55%	1.70%
Weekly LIBOR Swap Rates	1.37%	1.63%	1.81%	1.96%	2.12%



## Market Commentary

This week marks the 73<sup>rd</sup> anniversary of the Normandy landings on D-Day, the largest amphibious military assault in history, and the 75<sup>th</sup> anniversary of the Battle of Midway, one of the most decisive naval battles on record. Americans pay tribute to those from the “Greatest Generation” who fought and sacrificed their lives in the name of freedom, and we bond once again with allies fighting a new war today -- the war against terror. The post- World War II era produced unparalleled worldwide economic growth, spurred in large part by Marshall Plan aid to London, Paris, Stockholm, Brussels and other cities whose citizens have suffered terrorist attacks this year. The U.S. made massive investments in public infrastructure that included the interstate highway system, airports, school buildings, bridges, port facilities and water and sewer projects. More than a half century later, we are using these same facilities, but they require significant repair or replacement. The American Society of Civil Engineers gives our public infrastructure a grade of D+ and estimates that there is a \$2 trillion gap between what is needed and what is being funded.

The White House proclaimed this week as Infrastructure Week, and the President is rolling out his plan for a \$1 trillion upgrade starting with a plan to privatize the air traffic control system. Several other key Administration initiatives are under still construction. Work continues on tax reform with the new goal of delivering a comprehensive plan to Congress after Labor Day. The House is planning a vote to amend key Dodd-Frank reforms with the Financial Choice Act this week. The Senate is planning a vote on health care reform before the August recess and will likely vote on a nominee to be announced for the Federal Reserve Board of Governors.

Infrastructure work proceeds uninterrupted at the state and local levels through the municipal bond market. In the high yield muni market last week, we saw three non-rated transactions structured with 35-year maturities priced at par. The \$42.1 million Butler County Port Authority issue for Storypoint Fairfield in Ohio sold its term bonds at a 6.50% yield, the Downtown Development Authority of Powder Springs, Georgia sold \$28.9 million of bonds yielding 5.50% (and stepping to 7.00% in December 2018) for Silver Comet Village, and the Pennsylvania Housing Finance Agency brought a \$26.2 million multifamily housing deal for Hershey Plaza Apartments that yielded 4.85%.

The Municipal Securities Rulemaking Board reported that new municipal issuance in May came in at the highest level so far this year at \$37.7 billion. Investors added \$2.1 billion to municipal bond funds while withdrawing \$568 million from U.S. and global equity funds. An average of \$10.6 billion of munis traded every day last month, and Puerto Rico credits topped the list of bonds changing hands. Illinois, now into its third fiscal year without a budget, having amassed an astonishing \$15 billion in unpaid bills, will be paying a higher price for its note and bond issues as the state was downgraded on June 1 to Baa3 by Moody’s and BBB-minus by S&P.

This week, HJ Sims is in the market with a \$93.5 million New Hampshire Health and Education Facilities Authority financing for the new Hillside Village life plan community in Keene, and the Maryland Economic Development Corporation is back in the market with a \$32 million non-rated special obligation financings for Metro Centre at Owings Mills. But in this first full trading week of June, there is not much else on the high yield slate. At this writing, the 10-year Treasury at 2.14% is 6 basis points stronger than where it began the month. The 30-year Treasury is also up 6 basis points to yield 2.80%. The 10-year AAA municipal bond benchmark is up 4 basis points to yield 1.90%, and the 30-year AAA muni is up 5 basis points to yield 2.69%.

## Sims Refinances New Rental Senior Living Community



<b>Partnered Right</b>	<ul style="list-style-type: none"> <li>• Provident Village at Canton is an 80 unit start-up rental assisted living and memory care community in Canton, Georgia</li> <li>• Located on a 10.4 acre site approximately 45 miles north of downtown Atlanta</li> <li>• Community opened in May 2016 after a 9 month delay due to construction delays</li> </ul>
<b>Structured Right</b>	<ul style="list-style-type: none"> <li>• Reduced cost of capital and annual debt service, improving operational cash flow</li> <li>• Funded cost overruns and needed working capital as the project opening was delayed nine months</li> <li>• Provided attractive covenant and financial flexibility</li> </ul>
<b>Executed Right</b>	<ul style="list-style-type: none"> <li>• Created a blended capital structure of senior and subordinate bonds</li> <li>• Borrower provided liquidity support of \$700,000 to cover any shortfalls during occupancy fill-up</li> </ul>
<b>Financed Right®</b>	<ul style="list-style-type: none"> <li>• Successful sale of \$16,060,000 of tax-exempt and taxable bond and \$1,500,000 tax-exempt subordinate bonds</li> <li>• Initial coast of capital was over 9% which was lowered significantly</li> </ul>

### Partnered Right

Provident Village at Canton (the “Community”) is a new senior living community that consists of 55 assisted living units and 25 memory care units located in Canton, Georgia. The Community is owned and managed by affiliates of Provident Resources Group (“Provident”) and commenced construction in July 2014. The Community opened in May 2016 and was approximately 23% occupied after 4 months of operations at the time the mailing of the Preliminary Official Statement.

Provident is a 501(c)(3) charitable nonprofit corporation formed in 1999 that is committed to the development, ownership and operation of facilities across the country that serve to advance education, lessen the burdens of government, promote healthcare, meet the needs of the elderly and relieve the underprivileged through the provision of safe, decent and affordable housing. Provident, headquartered in Baton Rouge, Louisiana, employs professional management while taking a unified approach to the delivery of services.

Since 1999, Provident has raised approximately \$1.6 billion in capital for its charitable projects, including student housing, senior housing, affordable rental housing and correctional housing.



## Sims Refinances New Rental Senior Living Community

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### **Structured Right**

HJ Sims was approached by Provident to refinance its Series 2014 bonds and assist with creating a financing solution to fund certain construction cost overruns and additional working capital needs due to the 9 month construction delay. Sims worked with prospective bondholders during the sale process to develop strategies that would:

- a) Reduce the Community's overall cost of capital and annual debt service and provide working capital for initial operating losses;
- b) Provide a reimbursement of cost overruns due to the construction delay; and,
- c) Provide more attractive financial covenants and a manageable long-term financing structure.

### **Executed Right**

Through receiving feedback from both prospective institutional investors and accredited investors, HJ Sims created a tranche of both senior and subordinate bonds to provide an attractive leverage structure that would provide an overall lower cost of capital to Provident. In addition, Provident and its affiliates provided liquidity support to the Community in the event of any delays in the lease-up of units to reach stabilized occupancy. Provident and its affiliates also received a reimbursement for a portion of the capital that was advanced to cover the cost overruns and opening delays of the Community.

### **Financed Right<sup>®</sup>**

HJ Sims successfully closed on the \$16,060,000 tax-exempt and taxable senior bonds and \$1,500,000 tax-exempt subordinate bonds on February 21, 2017. The 2017 bonds were priced with a 7-year call option providing greater flexibility to call or refinance the bonds prior to a standard 10-year call option. Additionally, the new bond issue provides more flexible financial covenants and reporting requirements. The bond issue allowed the Community to lower its cost of capital from over 9% to a blended yield of 6.95%.

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