



## Fitch Rates NewBridge on the Charles, MA's Revenue Bonds 'BB+'; Outlook Stable

Fitch Ratings-New York-09 November 2017: Fitch Ratings has assigned a 'BB+' rating to the following bonds issued by the Massachusetts Development Finance Agency on behalf of NewBridge on the Charles (NewBridge):

--\$239.965 million revenue refunding bonds, series 2017.

Bond proceeds will current refund outstanding debt and pay issuance costs. The bonds are scheduled to sell via negotiated sale during the week of Nov. 27, 2017.

The Rating Outlook is Stable.

### SECURITY

The bonds are secured by a mortgage on the retirement community facility, a security interest in NewBridge's "Collateral" as defined in the Master Trust Indenture including gross revenues, and a debt service reserve account that is partially being funded by an equity contribution from NewBridge's sole corporate member, Hebrew SeniorLife (HSL).

### KEY RATING DRIVERS

**HIGH DEBT POSITION:** NewBridge's debt position remains very high even after opening for its initial residents about eight years ago. After the refunding, NewBridge will have approximately \$240 million of debt outstanding that amounts to a high 12.1x net available and 5.6x the amount of unrestricted cash and investments balances as of Aug. 31, 2017.

**SPONSORSHIP AND MANAGEMENT:** NewBridge's parent company and manager is HSL, a large and influential senior services enterprise with an affiliation with Harvard Medical School and a significant presence in the Boston, MA region. In addition to its leadership and administrative expertise, HSL has provided financial support in the past and will contribute about \$6 million of equity to fund a portion of the debt service reserve account for the series 2017 bonds.

**STRONG DEMAND:** Driven by NewBridge's attractive facilities, favorable location and high quality of care reputation, demand in all levels of care is strong. Over the past three years, independent living unit (ILU: 98.3%), assisted living unit (ALU: 95.5%), and health care center (96.2%) average occupancy levels remain strong.

**IMPROVED FINANCIAL PROFILE:** Operating profitability and balance sheet strength has steadily improved over the last five years. The operating ratio strengthened to 100.2% during fiscal 2016, from 111.6% in fiscal 2012. Furthermore, days cash on hand (DCOH) increased to 396 DCOH as of Aug. 31, 2017, from 222 DCOH at the end of fiscal 2012.

### RATING SENSITIVITIES

**DEBT MODERATION AND LIQUIDITY GROWTH:** Upward rating movement for NewBridge on the Charles is predicated upon continued financial improvement which results in debt moderation and balance sheet metrics that are more in line Fitch's 'BBB' category medians. Although not anticipated, operating profitability or cash flow weakness that reduces debt service coverage or liquidity balances could result in negative rating pressure.

### CREDIT PROFILE

NewBridge is a life plan community with 256 ILUs, 51 ALUs, 40 memory support units and 48 skilled nursing facility (SNF) beds dedicated to short-term rehabilitative care. NewBridge also includes a 220-bed long-term chronic care health center that is leased by a related entity that is also an affiliate of HSL, Hebrew Rehabilitation Center (HRC). The lease agreement provides NewBridge monthly rental payments from HRC that are equal to 100% of net the revenues of the leased space after payment of direct expenses related to those operations. The chronic care health center primarily provides long-term services for the frail elderly with about 63% of days provided to Medicaid residents and a 20 month average length of stay. All facilities are located on an expansive 162-acre campus in Dedham, MA about 10 miles southwest of downtown Boston and just north and east of Route 128/I-95.

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### Applicable Criteria

Not-for-Profit Continuing Care Retirement Communities Rating Criteria (pub. 04 Aug 2015)

(<https://www.fitchratings.com/site/re/868824>)

Rating Criteria for Public Sector Revenue-Supported Debt (pub. 05 Jun 2017) (<https://www.fitchratings.com/site/re/898969>)

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