

Case Study: Glenburn Home

Property Type:
Nursing Facility

Location:
Linton, Ind.

Project Objective:
Refinance

Financing Amount:
\$2.6 million

Source of Funding:
Notes insured by the FHA
Sec. 232/223(f) program

Background and Challenges

Glenburn Home is a 137-bed nursing facility that serves both Medicare and Medicaid residents. During the late 1990s, it borrowed funds from Franklin United Methodist Community, an affiliated CCRC in central Indiana, to make up for a dip in cash flow caused by lower occupancy. Glenburn has since become financially stable on its own.

Financial Solution

Lancaster Pollard worked with the facility and its legal counsel to create a new, nonprofit entity to own Glenburn Home; conveyed to the local HUD office the need to pay down the parent company loan and other long-term indebtedness; and worked with third-party firms to allow certain repairs to be included in the mortgage.

The \$2.6 million refinance accomplishes all of these objectives. The non-recourse structure of the HUD mortgage allows Glenburn Home to operate without operational risk to Franklin United Methodist Community.

Outcome

In addition to refinancing the debt, the mortgage provides for over \$120,000 in repairs and an initial deposit to the replacement reserves of \$270,000. Lancaster Pollard was able to obtain a low, fixed interest rate, which will allow Glenburn Home to expand its services and amenities to its residents. The 30-year mortgage also extends the debt payments, creating lower monthly principal and interest requirements.

Financing Progress

www.lancasterpollard.com