

## Case Study: Pines Village

### Property Type:

Independent and assisted living

### Location:

Valparaiso, Ind.

### Project Objective:

Expansion/Renovation

### Financing Amount:

\$10.6 million

### Source of Funding:

Tax-exempt bonds enhanced by an "AA+/A-1+" wrap of a local bank letter of credit

### Background and Challenges

Pines Village's multi-site campus consists of 109 independent living apartments, 40 assisted living apartments, and 55 independent living homes, all built between 1983 and 1999. The nonprofit senior living provider sought to add common areas to its apartment building and make its primary campus more resident-friendly with improved landscaping, walkways and connectivity.

Pines Village has historically prepaid much of its debt with cash, depleting its liquidity position. Lancaster Pollard discussed alternative capital funding strategies with Pines Village with the goal of funding improvements to the campus while building the property's cash balance.

### Financial Solution

Lancaster Pollard suggested obtaining a bank letter of credit to enhance tax-exempt bonds because the structure provided the most flexible terms and an attractive cost of capital.

The organization's limited cash balance presented a credit challenge, especially in light of the recent credit crisis that has caused many large banks to raise underwriting standards. To provide Pines Village with the lowest cost of capital, Lancaster Pollard competitively marketed the financing to international, national, regional and local banks, which had a vested interest in seeing a successful project in their community. This strategy enabled the firm to secure multiple letter of credit bids, including the selected proposal from a local bank.

### Outcome

The 30-year bond issue is a mix of 75 percent fixed-rate debt, priced at 4.3 percent, and 25 percent floating-rate debt initially priced at 3.0 percent. The bonds fund construction that includes a dining area and kitchen, 10 new units, conversion of older units into a common area, landscaping, sidewalks, and a connector between the assisting living units and main building. The project will allow the property to retain its market share while extending its reach into the community through ancillary services. Further, Pines Village will bolster its cash reserves by leveraging two years of capitalized interest, allowing it to fund interest expense with bond proceeds rather than cash during the construction period.

*Financing Progress*

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