

## Case Study: Swiss Village

### Property Type:

Continuing Care Retirement Community

### Location:

Berne, Ind.

### Project Objective:

Renovation/New Construction

### Financing Amount:

\$6.9 million

### Source of Funding:

Tax-exempt bonds enhanced by a Federal Home Loan Bank letter of credit that is supported by two local banks. A swap fixes the rate on \$4.5 million of the bonds.

### Background and Challenges

Swiss Village is a 405-bed/unit continuing care retirement community that has long provided resources to engage its residents and involve them in the community. The next step in its formal wellness program was to finance and develop a center to provide physical and recreational opportunities for residents and the greater Berne, Ind. community.

With strong occupancy figures and solid financial ratios, Swiss Village had access to credit enhancement to reduce its overall cost of borrowing. But financing began during the credit crunch and liquidity crisis of 2008, when the large rated banks that typically provide letters of credit were loathe to lend. Such enhancement would have been relatively costly, if it was available at all. Local Berne-area banks were small and unrated, so their participation in the financing still would have required backing from a larger, rated bank.

### Financial Solution

Lancaster Pollard evaluated several financing options and simultaneously monitored Congressional legislation that would allow the Federal Home Loan Bank's (FHLB) AAA-rated letter of credit to be used in conjunction with local bank financing commitments. When this legislation passed, it created a local bank financing option on par with what can be offered by the country's strongest investment-grade rated banks, and enabled non-rated borrowers like Swiss Village to issue bonds with an AAA rating.

### Outcome

Swiss Village's new Arthur & Gloria Muselman Wellness Pavilion was financed with the country's first tax-exempt health care bond transaction to utilize FHLB credit enhancement. The 21,000-square-foot wellness pavilion will offer physical recreation, a reception/party venue, and lounge and game facilities. The pavilion makes it possible to extend membership opportunities to the general Berne, Ind., public (population 4,100), enhancing the quality of life of residents outside the senior living community while extending Swiss Village's reputation into the surrounding area. Memberships also will provide a new revenue source for the well-established CCRC.

*Financing Progress*

[www.lancasterpollard.com](http://www.lancasterpollard.com)