

Case Study: Tabitha Nursing & Rehabilitation

Property Type:
Assisted Living &
Memory Care

Location:
Lincoln, Neb.

Project Objective:
New Construction

Financing Amount:
\$11.7 million

Source of Funding:
Taxable notes enhanced by
FHA Sec. 232 mortgage
insurance using LEAN
processing

Background and Challenges

Tabitha Nursing and Rehabilitation Center was founded in 1886 and delivers a comprehensive system of rural and urban health care to seniors in a 29-county area of southeast Nebraska. The property's strategic plan included multiple campus expansion and renovation projects of less than \$5 million each, and a larger construction project to build a new assisted living building.

Tabitha's need for financing came about at the same time the Department of Housing and Urban Development introduced its streamlined LEAN processing for Section 232 mortgage insurance, and in the midst of the market collapse when construction financings were few and far between. Tabitha chose to work with Lancaster Pollard because of the firm's suggestion to split the assisted living financing from the other renovations.

Financial Solution

Lancaster Pollard suggested using FHA mortgage insurance to finance the 63 new units of assisted living and using a local broker-dealer to finance the smaller renovation projects.

FHA underwriting criteria and regulations remained in flux as LEAN processing evolved, but Lancaster Pollard anticipated many of the changes. The firm's conservative analysis and underwriting helped Tabitha manage closing expectations and accurately plan its equity contribution. Lancaster Pollard also articulated Tabitha's extraordinary due diligence in cost containment and explained why the senior living market's acceptance of the project's amenities and underground parking garage justified its relatively high cost.

Outcome

Tabitha's taxable loan is fixed for the maximum term of 40 years. The FHA structure protects Tabitha's overall credit profile because the debt is non-recourse to the campus as a whole. This facilitated the three smaller projects, which are being funded by local investors and thereby keeping community involvement in the project. The new assisted living facility will include 63 units and an underground parking garage, while the smaller projects include the acquisition of a nearby assisted living facility, nursing home renovations and new Green House construction, all to be financed with tax-exempt bonds underwritten by a local broker-dealer.

Lancaster Pollard estimates Tabitha will save over \$300,000 annually using FHA mortgage insurance versus a traditional fixed-rate bond issue. The project is the first nonprofit to use FHA mortgage insurance for new construction under LEAN processing.

Financing Progress

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