

Case Study: Wesley Glen

Property Type:

Continuing Care Retirement Community

Location:

Columbus, Ohio

Project Objective:

Refinance

Financing Amount:

\$13.47 million

Source of Funding:

Taxable notes insured by the FHA Sec. 223(a)(7) program and collateralized by GNMA securities

Background and Challenges

Methodist ElderCare Services was founded in 1965 and is affiliated with the West Ohio Conference of the United Methodist Church. Methodist ElderCare offers a continuum of long-term care services through its two senior living campuses, Wesley Glen and Wesley Ridge, and adult day care service. The strong, financially savvy nonprofit regularly reviews and revises its debt structures to capitalize on changing market conditions. It is assisted in this effort by its ongoing dialogue with Lancaster Pollard, which has completed several conventional and non-conventional financings to help Methodist ElderCare Services maximize the assets available for its mission.

Wesley Glen financed its campus using traditional letter-of-credit-backed tax-exempt bonds for the independent living portion, and non-recourse FHA/GNMA-backed mortgages for its Health Center. In December 2009, the prepayment lockout period expired for Wesley Glen's Series 1999 FHA/GNMA-backed bonds, opening the door to refinancing. Lancaster Pollard and Methodist ElderCare had been monitoring the markets and anticipated the opportunity to reduce the interest rate on the remaining \$12.6 million.

Financial Solution

The outstanding FHA debt had financed the health care services portion of Wesley Glen, which includes a skilled nursing building and an assisted living wing. Lancaster Pollard recommended refinancing via the FHA 223(a)(7) program, which provides for expedited processing for existing FHA-insured mortgages.

Because the original FHA financing was completed via the FHA's older processing system, it had to be re-processed under new LEAN standards. Lancaster Pollard's familiarity with the project made it easier for both FHA and the bank to understand the collateral implications of the air rights involved in the project, since portions were located on the fourth and fifth floors of a building otherwise unobligated in the transaction.

Outcome

Wesley Glen reduced its interest rate by 1.82 percentage points and will save over \$92,000 per year. Further, over the remaining 24-year term, Wesley Glen will generate in excess of \$2.2 million of total savings (or \$1.3 million net present value savings).

Wesley Glen's financing structure is nearly identical to that of sister property Wesley Ridge, which Lancaster Pollard refinanced into a taxable FHA-backed structure in 2008, saving that property \$1 million over the remaining loan term.

Financing Progress

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