

BRETHREN HILLCREST HOMES

JULY 2020

CLIENT PROFILE

Brethren Hillcrest Homes (“Hillcrest”), a California nonprofit public benefit corporation, was incorporated in 1947 and operates a continuing care retirement community (“CCRC”) on a 53-acre campus in La Verne, California just 33-miles east of Los Angeles. Hillcrest maintains a unique campus with a wide variety of residence types, and offers a wide spectrum of services and care for eligible persons 62 years of age and older. Most of its structures are single-story residences, though some higher-density apartments were built as part of the Village Center Project in 2003.

Hillcrest offers residential living arrangements in multiple settings, including 90 residential living apartments in four two-story buildings, and 136 single-story cottages that include detached homes, duplexes, triplexes, and multi-plexes. Additionally, Hillcrest offers 48 assisted living suites providing 2 different levels of care, 24 memory support suites and 59 skilled nursing beds.

Other campus amenities include the library, the Village Center café, chapel, fireside lounge, fitness center, gift shop, woodworking shop, beauty salons, aviary, community gardens and green house, campus shuttle, a platform stage for performances and various lounges and meeting spaces.

TRANSACTION HIGHLIGHTS

Both the Series 2020A and 2020B Bonds were structured as a variable rate private placement, held directly by one lending institution. Proceeds of the Series 2020A Bonds were used to fund the construction of 14 additional residential living accommodations on a parcel adjacent to the existing community. Proceeds of the Series 2020B Bonds were used to refinance the existing Series 2014 fixed rate



\$10,600,000

California Municipal Finance Authority
Variable Rate Revenue Bonds, Series 2020A
(Brethren Hillcrest Homes Project)

\$32,010,000

California Municipal Finance Authority
Taxable Revenue Refunding Bonds, Series 2020B
(Brethren Hillcrest Homes Project)

bonds.

The Series 2020A Bonds were issued through the California Municipal Finance Authority as a tax-exempt loan with the following terms:

- 10-Year Commitment
- 3 Years Interest Only
- 10-Year Amortization
- \$5.5 MM Bullet due in year 3 to be paid from initial entrance fess of the project
- 75ps LIBOR Floor

The Series 2020B Bonds were issued through the California Municipal Finance Authority as a taxable “Cinderella” loan, converting to tax-exempt in March 2022. Additional terms include:

- 12-Year Commitment
- 16-Year Amortization, matching existing 2014 Bonds
- Converts to tax-exempt 90 days prior to the call date (5/15/2022)
- 75bps LIBOR Floor

Hillcrest also chose to mitigate interest rate risk on the variable rate loans through the use of various interest rate cap agreements through the commitment period of the loan.



“We are grateful for the strength and technical expertise that Ziegler brought to the table on this private placement. Ziegler’s help was essential in our efforts to close quickly within a financial window that benefited all involved.”

Matthew Neeley
Chief Executive Officer
Brethren Hillcrest Homes
909 392 4321

This client’s experience may not be representative of the experience of other clients, nor is it indicative of future performance or success.

For further information on the outstanding bonds for this issuer, please visit the Electronic Municipal Market Access system at <http://emma.msrb.org/>.

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THE ZIEGLER DIFFERENCE

Ziegler served as Placement Agent on both series of Bonds. Additionally, Ziegler's Structured Products team acted as Hedge Advisor on all interest rate cap agreements purchased in connection with the financing. Ziegler's banking team and structured products group worked closely with management and its financial advisor to analyze the benefits and considerations of fixed pay swap contracts vs. interest rate cap agreements to hedge rate risk on the underlying loans, providing extensive sensitivity analysis and running all structuring aspects of the financing process. Hillcrest ultimately chose to purchase interest rate caps in lieu of a fixed pay swap to cap their upside risk while also affording them the benefit of historically low short-term rates.

The Series 2020A Bonds were structured as a draw down bond to reduce interest expense and eliminate an inefficient project fund, while also providing maximum redemption flexibility to begin repaying the loan when initial entrance fees are received.

The Series 2020B Bonds were structured with a longer commitment that approaches the final maturity of the 2014 Bonds being refinanced, allows Hillcrest to refinance the 2014 Bonds in advance of the call date, and also preserves the tax-exemption once the bonds are defeased. This refinancing generates a minimum of \$500,000/year in annual debt service savings (or \$3.6 million net present value savings).