

# ZIEGLER INVESTMENT BANKING

## SENIOR LIVING FINANCE Z-NEWS

### FEATURED ARTICLE

## PRIVATE ACTIVITY BONDS PRESERVED!

Following a dynamic reconciliation process between the House and Senate, conferees released their report on the Tax Cuts and Jobs Act late last week. This week, both chambers voted on the bill, which passed with partisan support from the Republican leadership. This was a critical next step prior to signing by President Trump.

We are pleased to share that the bill includes the preservation of Private Activity Bonds (PABs) for tax-exempt organizations, including senior living, healthcare, colleges and universities, etc. This is a tremendous victory as their elimination would have significantly stymied growth and redevelopment, knowing that the cost of taxable debt is not often a viable option for various not-for-profit organizations. Additionally, the committee proposal retains medical tax deductions as well as the tax credits for affordable housing.

There are unfortunately elements of the bill that will change financing options for providers. First is the elimination of advance refunding bonds, which has been a vehicle many organizations have utilized over the years to take advantage of lower rates. Ziegler will work with providers on how to best structure deals and look at options now that advance refunding is no longer a viable tactic.

Additionally, the decrease in the corporate tax rate may have ramifications for providers with bank debt. Specifically, the “Increased Cost” provision will likely be triggered, a component of most bank placement agreements. Ziegler first wrote about this provision in our November 9, 2017 *Z-News* and shared a [one-page overview](#) that discusses this provision. We will also devote a future issue of *Z-News* to the topic of the impact of the corporate tax rate on bank direct placements. For those with unfunded bank credit commitments who were planning to make a final Project Fund draw by December 31, 2017, you may want to consider forgoing the final draw and to preserve the draw-down structure into 2018.

Thank you to everyone who took the time to reach out to their elected officials. Our collective voices were definitely heard. While the final outcome is not as unscathed as we would have liked, it is not as catastrophic as it could have been.

If you are interested in further information on Ziegler, or if you have any further questions about the tax bill, please contact the Ziegler banker in your region.

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# Ziegler

CAPITAL :: INVESTMENTS :: ADVICE

**NOT-FOR-PROFIT SENIOR LIVING RATINGS ACTIONS**

DECEMBER 12 - 20, 2017

| ORGANIZATION  | RATING AGENCY | RATING/ OUTLOOK | TYPE OF ACTION                  | DATE     |
|---|---------------|-----------------|---------------------------------|----------|
| Milwaukee Catholic Homes (WI)   | Fitch         | A- Stable       | Assigned IDR Rating*            | 12/12/17 |
| The Pines at Davidson (NC)  | Fitch         | A Stable        | Assigned IDR Rating*            | 12/15/17 |
| Willow Valley Communities (PA)  | Fitch         | A Stable        | Affirmed Rating                 | 12/15/17 |
| Army Retirement Residence Foundation (TX)                               | S&P           | BBB Stable      | Affirmed Rating                 | 12/19/17 |
| Cornerstone Village fka Appalachian Christian Village (TN)              | Fitch         | BB- Negative    | Downgraded Rating               | 12/19/17 |
| Aberdeen Heights aka Ashfield Active Living & Wellness Communities (MO) | Fitch         | BB Stable       | Affirmed Rating                 | 12/20/17 |
| Episcopal Communities & Services (CA)                                   | Fitch         | A- Positive     | Affirmed Rating Revised Outlook | 12/20/17 |

\*IDR - Issuer Default Rating (FitchRatings)


This ratings table represents review of the reports released by Fitch Ratings, Standard & Poor's, and Moody's Investors Service and has been compiled by Ziegler Investment Banking.

**INTEREST RATES**

FOR THE WEEK ENDING DECEMBER 15, 2017

|                           | CURRENT | LAST WEEK | 52-WK AVG |
|---------------------------|---------|-----------|-----------|
| 30-Yr MMD                 | 2.57%   | 2.49%     | 2.88%     |
| Senior Living 30-Yr "A"   | 3.37%   | 3.29%     | 3.91%     |
| Senior Living 30-Yr "BBB" | 3.67%   | 3.59%     | 4.31%     |
| Senior Living Unrated     | 4.37%   | 4.29%     | 4.95%     |
| Senior Living New Campus  | 6.50%   | 6.50%     | 6.69%     |
| SIFMA Muni Swap Index     | 1.11%   | 1.00%     | 0.81%     |


Source: Ziegler Capital Markets

**FEATURED FINANCINGS**


**VILLAGE ON THE ISLE**  
Venice, Florida

Sarasota County Health Facilities Authority, Retirement Facility Revenue Improvement Bonds, Series 2017A&B


**\$71,635,000**



**THE HIGHLANDS AT WYOMISSING**  
Wyomissing, Pennsylvania

Berks County Industrial Development Authority, Healthcare Facility Revenue Bonds, Series 2017C


**\$17,085,000**



**LONGHORN VILLAGE**  
Austin, Texas

New Hope Cultural Education Facilities Finance Corporation, Retirement Facility Revenue Bonds, Series 2017

**\$94,715,000**



**KENDAL AT LEXINGTON**  
Lexington, Virginia

Industrial Development Authority of the City of Lexington, Virginia, Residential Care Facility Revenue Bonds, Series 2017A

**\$20,380,000**



**THE BEATITUDES CAMPUS**  
Phoenix, Arizona

The Industrial Development Authority of the City of Glendale, Arizona, Refunding and Revenue Bonds, Series 2017

**\$70,210,000**