

THE ADMIRAL AT THE LAKE

DECEMBER 2017

CLIENT PROFILE

The Admiral at the Lake (“The Admiral”) is a 31-story senior living high rise community located in the Edgewater/Uptown area of Chicago. The Admiral presently consists of 198 independent living apartments, 39 assisted living apartments, 17 memory support assisted living units, and 36 private nursing beds, as well 290 parking spaces along with many common and administrative areas.

The predecessor to The Admiral was founded in 1858 and the organization moved to its current location in 1960. The building was substantially redeveloped beginning in 2010 and was completed in 2012. The Admiral is an affiliate of The Kendal Corporation, who also provides certain management services to The Admiral.

TRANSACTION HIGHLIGHTS

Proceeds of the Series 2017 Bonds were used, together with available funds, to: (i) advance refund The Admiral’s outstanding Series 2010 Bonds, (ii) fund a debt service reserve fund for the Series 2017 Bonds, (iii) fund \$2.6 million of project costs (for future routine capital expenditures), and (iv) pay costs of issuance. The Series 2017 Bonds are non-rated and were issued through the Illinois Finance Authority. A feasibility study was prepared by Management and Dixon Hughes Goodman and included in the official statement for the bond offering. Fourteen institutions as well as Ziegler Retail (\$2.79 million) participated in the purchase of the Series 2017 Bonds. Ziegler underwrote approximately \$31.3 million of bonds.



\$150,940,000

Illinois Finance Authority
Revenue Refunding Bonds, Series 2017
(The Admiral at the Lake Project)

THE ZIEGLER DIFFERENCE

For many in the not-for-profit senior living industry, the focus of the last few months of 2017 was whether the proposed tax bill at the time would eliminate private activity bonds and more specifically, whether it would eliminate the use of “advance refundings.” During 2016 and 2017, Ziegler and The Admiral monitored the market closely and engaged in extensive analyses related to the advance refunding of The Admiral’s Series 2010 Bonds, originally issued in the amount of \$202,350,000. The analysis focused on the optimal timing of the refunding so as to capture the maximum amount of debt service savings. The goal was to balance the benefits of *delaying* the refunding (tied to call premiums and escrow inefficiency) with the benefits of *expediting* the refunding (tied to capturing then-current historically low interest rates before they moved up).

While in the midst of this ongoing analytical process, it became clear that Congress was likely to remove the ability of tax-exempt borrowers to execute “advance refundings,” effective 12/31/17. Not wanting to completely miss the opportunity for an advance refunding, Ziegler and The Admiral quickly assembled a working group



REFERENCES

For references on Ziegler’s role in this financing, please contact:

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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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to prepare and close the advance refunding no later than 12/31/17. Although the pace of the financing was relatively quick, the process was a smooth one, due in part to the experience and skills of the working group. The working group was able to prepare and close the financing in under 45 days (typical timeline is closer to 90 days and in some cases more). The financing closed just prior to the 12/31/17 deadline, on 12/28/17. Had the team not been able to quickly execute the advance refunding, The Admiral would have had to wait until 2020 to refund its debt. Doing so would likely have been detrimental given the prior coupon rates of 7.25% to 8.00%, compared with the Series 2017 average rate of 5.41%. The financial results of the refunding were very favorable, resulting in net present value savings of approximately \$17.5 million or 13.6% and annual savings of \$1.2 million.

In addition to the quick and smooth execution of the refunding, Ziegler stepped up with a willingness to underwrite \$31.3 million of the new bonds. This was necessary because the earliest that the financing could price was the week of December 18, 2017, which was the last week for virtually all municipal bond financings in the U.S. to be priced. Given the over-supply of investment opportunities in the market at the time (triggered by the proposed tax law), and given the “investor fatigue” that was evident at year-end, Ziegler found that there was a shortage of investors who were willing to purchase The Admiral’s bonds at acceptable rate levels. The underwriting was necessary to get the deal fully subscribed. Demand for these bonds rebounded in early 2018 and Ziegler was able to find buyers at that time.