



FINANCING SENIOR LIVING FACILITIES WITH TAX-EXEMPT MUNICIPAL BONDS

Tax-exempt bonds can be used by developers to finance multifamily rental housing projects, making affordable housing available for families with low to moderate incomes, including seniors. This approach allows developers to fund their projects through government incentives, helping to meet the increasing need for affordable and accessible senior housing.

The Stratton Law Firm, PLLC has closed numerous public and private bond-financed deals in the senior living space. We have the experience to facilitate a smooth and efficient closing.

Identifying Financing Options for Senior Living Facilities

Using tax-exempt bonds to fund senior living projects presents significant cost savings, making these facilities more affordable to build and run. This is because interest rates on these bonds are much lower—up to 30% to 35% less than regular loans. This is important for building facilities that cater to older people, who often need special features and staff and may have limited financial resources. Also, tax-exempt bonds are a practical financial tool at all stages of a senior living project, covering land acquisition, construction, enhancements, or refinancing activities. Their lower interest rates save costs throughout the project's lifecycle, even when the facility is operational and at

full capacity. By strategically combining tax-exempt bonds with grants, investment capital, and, occasionally, local government contributions, a comprehensive funding model is established. This sustained financial advantage directly supports the affordability of living expenses for seniors, ensuring their access to better care and amenities.

Option 1: Qualified 501(c)(3) Bonds

- **Threshold Requirement:** To qualify for [501\(c\)\(3\) bonds](#), the senior living facility must be owned by a 501(c)(3) organization or a single-member LLC/partnership where all members are 501(c)(3) organizations.
- **Charitable Purpose:** The facility must address three primary needs of seniors:
 - **Age-Appropriate Housing:** The housing should cater to seniors' unique needs.
 - **Housing-Related Financial Security:** Efforts must be made to maintain residents who face unexpected financial challenges.
 - **Health Care:** Providing on-site health and nursing care or transfer agreements to other facilities/providers.

Option 2: Multifamily Exempt Facility Bonds

- **For-Profit Developers:** [Section 142\(d\)](#) allows for-profit developers to issue tax-exempt bonds for senior housing and care communities that meet affordability requirements.
- **Long-Term, Nonrecourse Bonds:** They allow for-profit developers to issue long-term, nonrecourse bonds at competitive high-yield interest rates for new construction or substantial renovation of seniors housing and care communities that meet affordability requirements.

A Side-by-Side Comparison

While both options offer unique advantages, the terms and conditions for Qualified 501(c)(3) Bonds and Multifamily Exempt Facility Bonds vary based on the specific project requirements. For organizations focusing on non-revenue-driven motives and providing extensive senior care services, Qualified 501(c)(3) Bonds may be more appropriate.

Alternatively, projects aiming to reach a wider array of income levels and possibly include profit-driven models might benefit more from the versatility of Multifamily Exempt Facility Bonds.

Getting Started

If you are an operator or developer of a senior living facility, obtaining the right financing matters for both the project lifecycle and providing seniors the care they need.

The Stratton Law Firm, PLLC can assist developers, borrowers, and their legal teams with a cost-effective means to successfully close their transactions.

For more guidance on evaluating and applying these financing options to your project, [contact us](#) for specialized assistance.

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