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Fitch New Issue Report: Brewster Place, Kansas

The ‘BB+’ Issuer Default Rating (IDR) and revenue bond rating reflect Brewster Place’s somewhat soft independent living unit (ILU) occupancy (mid-80% range) as it moves forward on its $16 million Redwood project, which includes converting smaller studio and one-bedroom ILUs into larger units. This is balanced against Brewster Place’s history of operating ratios consistent with Fitch’s midrange operating risk assessment and moderate debt burden for the rating level, inclusive of the new debt. The Redwood project will be funded by about $15 million in permanent debt and $3.25 million in short-term debt. The short-term debt will be paid down by the pool of new ILU entrance fees; only 60% of the new units need to sell to fully repay the short-term debt, which mitigates the fill up risk of the project. The Redwood project, within Brewster’s five-story main building, includes the addition of a penthouse floor on top of the existing structure with six new spacious ILUs; renovations to existing ILUs on the fifth floor, including reducing the number of units to 13 from 19; and renovations to the first floor, including the dining area, game area, art studio and four ILUs.

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