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Senior Living Continues to be Among Riskiest Muni Investments, Due to Pandemic.

The COVID-19 pandemic has made the senior living industry one of the riskiest segments of the $3.9 trillion municipal-bond market, according to an analysis last week by Bloomberg.

Although defaults in this market are extremely rare because states and cities can raise taxes to cover their debts, it also includes many nonprofit continuing care retirement communities, which can sell debt through local government agencies. Thanks to the pandemic, these facilities are facing increased costs for labor and personal protective equipment as well as move-in restrictions from state health agencies. As a result, many are unable to repay what they have borrowed.

Last year alone, the pandemic pushed three dozen municipal-debt issues for CCRCs into default. Another five already have missed payments in 2021 thanks to ongoing occupancy troubles.

Hillside Village, a 221-unit CCRC in Keene, NH, failed to make a Jan. 1 interest payment on $73 million bonds and has hired a chief restructuring officer, according to the media outlet. Through November, the facility collected $2.3 million less revenue than projected.

Glen Arden in Goshen, NY, defaulted because of financial difficulties that preceded the pandemic. And in Schaumburg, IL, occupancy at the CCRC Friendship Village of Schaumburg fell to 78% as of Sept. 30, from 84% at the end of March. Although the community had obtained a Paycheck Protection Program loan, it still had to spend half of its cash reserve in the past nine months to make up for lost revenue.

McKnight Senior Living

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