



Raising the Roof (Again) at the James S. Taylor Memorial Home

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Founded as a Christian outreach facility in 1982, the James S. Taylor Memorial Home—Kentucky’s only minority-owned-and-operated nursing home—has offered hundreds of elderly Louisville residents a loving environment, quality medical care and a roof over their heads.

In July 1999, however, that roof began to sag—quite literally. Faulty fire-retardant material applied to the building’s roof trusses two decades ago had eaten away at the wood, causing ceilings to sag and threatening the building’s structural integrity. “You could blow on a beam and it would disintegrate,” said Head Administrator Melissa Kean. “And that was putting stress on other parts of the building.”

After an inspection revealed the extent of the damage, the home’s administrators decided to evacuate and renovate one wing of the building at a time. But then more ceilings began to fail without warning, and it became apparent that the home would have to be quickly—and completely—evacuated.

Over a two-week period, all 107 residents, ranging in age from 49 to 114, had to pack up and move to other area facilities. Many, like 73-year-old Tessie Stinson, ended up in southern-Indiana nursing homes, abruptly separated from family, friends and fellow James S. Taylor residents. In fact, for Stinson, the other residents *were* family, since her relatives live in St. Louis, Missouri, a four-hour drive away from Louisville.

That would have been the end of the story if the home's board of directors and Mt. Zion Baptist Church, which sponsors the non-profit facility, had been willing to give up. And they had plenty of reason to do so, since they were left with an uninhabited, and uninhabitable, building that wasn't even paid for.

But they didn't give up. Instead, they retained six key employees and began the task of starting over. They first filed a lawsuit against Johnson Controls and its subsidiary, Hoover Universal, which had manufactured the fire-retardant material. (This lawsuit ultimately proved unsuccessful.) Then, they began the difficult task of arranging financing for the renovations.

Their first stop was Fifth Third Bank, the home's original bondholder. Fifth Third Vice President Harriet Laird contacted CMC Mortgage of Cincinnati to determine whether the project might meet the requirements of the U.S. Department of Housing and Urban Development (HUD)'s Section 232 program. (Section 232 insures mortgage loans for the construction or substantial renovation of nursing homes and similar facilities.)

CMC, which has extensive experience working with HUD, thought the project would meet the Section 232 criteria and began the application process. In 2000, HUD agreed to cover a loan of up to \$5 million, which allowed CMC to float Ginnie Mae securities to finance the project.

There was one major catch, however. HUD required the home to have \$450,000 in assets, money it would have to borrow from a bank. But any lender would have to stand in line behind HUD in order to be repaid and could not hope to start receiving payments for at least a year or until the home had generated excess revenues.

"You basically had a situation where somebody else tells you when you can get paid back in some ambiguous future," explained Keith Talley, senior vice president of the Louisville Community Development Bank (LCDB). "That just doesn't make sense from a traditional banking standpoint."

But LCDB is not a traditional bank, as Laird and CMC President Bob Jordan knew well. They quickly called on LCDB to join the growing team working to save the home.

Finding a way to provide the \$450,000 took Talley and LCDB President Kelly Downard several weeks. In conjunction with the bank's nonprofit affiliate, the LCDB Enterprise Group (LEG), Downard finally found a way to help the home, an arrangement that made good business sense and that made the HUD deal possible. The bank extended a \$450,000 line of credit to the home, which was placed into a certificate of deposit. This allowed the home to show assets of \$450,000, as required by HUD.

LEG then made a \$450,000 "operating" line of credit available to the home to cover actual cash needs during the construction period. Since LEG is not regulated as a bank, it could abide by HUD regulations relating to the term and repayment of the loan. (LEG expects to finally begin receiving payments in 2004.) Fifth Third Bank offered additional financing, through letters of credit (also required by HUD), to cover operating deficits until the home reaches capacity and is generating sufficient cash flow to cover operating needs.

Finding a way to help the home was hard work, but LCDB works hard to make good deals, frequently in collaboration with other local lenders. As Talley said, "This

home was a longstanding business in the community. A lot of the residents probably grew up in our bank's impact area. It only made sense for us to find a way to make this deal."

CMC's Jordan praised LCDB for the vital role it played. "Without their involvement, there really wasn't another source for the dollars necessary to make this deal work," he said. He also emphasized that the deal would not have happened without the involvement of each player, none of whom could—or would—claim sole credit for saving the home.

And the home *was* saved. As soon as the loan closed in January 2001, reconstruction began. The roof was completely removed, support columns were installed outside the existing walls, and a new roof was built.

But the reconstruction involved far more than just a new roof. The activity room was expanded to three times its old size, an enclosed patio area was built, two offices were added, and all rooms and common areas were freshly painted or wallpapered. The home also added new nurse-call, telephone, and computer systems to enhance resident safety and administrative efficiency.

In December 2001, the administrative staff returned, and the first residents moved back in a few weeks later. Two patient wings have now reopened, and two more are expected to reopen in March.

Kean doesn't think the home will have any trouble filling its 122 beds. "Former residents, families and employees have been knocking down the doors to return," she said. Former residents like Tessie Stinson have priority, and Kean expects many of them to come back. Being in far-flung facilities has made it difficult for family and friends to visit them, Kean said.

In fact, Stinson was the first resident to return. She was excited to see the renovated home's new décor and expanded activity room. She was happy to be eating good food again. (The staff at the Indiana facility "just couldn't cook," she said with an impish grin.) But most importantly, she was thrilled to be back among her friends.

Who says you can't go home again?