

- 26-May-2021 | 14:28 EDT

H-Bay Ministries Inc., TX's Series 2018A And B Bonds Remain On CreditWatch Negative

NEW YORK (S&P Global Ratings) May 26, 2021--S&P Global Ratings has extended its CreditWatch placement, with negative implications, on its 'B+' rating on Capital Trust Agency, Fla.'s series 2018A senior living bonds and its 'B-' rating on the agency's second-tier 2018B senior living bonds. The bonds were issued for H-Bay Ministries Inc., Texas' Superior Residences project in Florida.

"The CreditWatch extension is due to the lack of independent third-party audited statements for fiscal 2020, which we believe would provide a sufficient description of financial performance," said S&P Global Ratings credit analyst Adam Torres.

The bonds were originally put on CreditWatch on March 1, 2021, based on persistently low occupancy--reported as 60% for the full year--leading to debt service coverage for 2020 that is below 1x on both tiers of bonds, as per our calculations. We note that the project paid debt service in January 2021 without the use of draws on the debt service reserve fund, partially assisted by deferred payments to the owner and asset manager, and secured loans under the federal government's Paycheck Protection Program that reimbursed certain operating expenses. We further note that in terms of the upcoming July 1 debt service payment due date, according to the trustee the debt service fund's current balance reflects full funding as of the date of this publication, and the respective debt service reserve funds continue to be fully funded.

Given that the audit will likely be completed in June, we expect to resolve this CreditWatch placement well within our 90-day CreditWatch period.

For more information on the project, see our [analysis](#) published June 24, 2020, on RatingsDirect.

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