

SECURITIES AND EXCHANGE COMMISSION

FORM 10-Q

Quarterly report pursuant to sections 13 or 15(d)

Filing Date: **1996-11-14** | Period of Report: **1996-09-30**
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FILER

NHP RETIREMENT HOUSING PARTNERS I LTD PARTNERSHIP

CIK: **793730** | IRS No.: **521453513** | State of Incorporation: **DE** | Fiscal Year End: **1231**
Type: **10-Q** | Act: **34** | File No.: **000-16815** | Film No.: **96665764**
SIC: **6500** Real estate

Mailing Address

*14160 DALLAS PKWY STE 300
DALLAS TX 75240*

Business Address

*14160 DALLAS PARKWAY
STE 300
DALLAS TX 20005
2147703600*

FORM 10-Q
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

QUARTERLY REPORT UNDER SECTION 13 OR 15(D)
OF THE SECURITIES EXCHANGE ACT OF 1934

FOR THE QUARTERLY PERIOD ENDED SEPTEMBER 30, 1996

COMMISSION FILE NUMBER 0-16815

NHP RETIREMENT HOUSING PARTNERS I
LIMITED PARTNERSHIP
(A DELAWARE LIMITED PARTNERSHIP)
(Exact name of registrant as specified in its charter)

DELAWARE
(State or other jurisdiction
of incorporation or organization)

52-1453513
(I.R.S. Employer
Identification No.)

14160 DALLAS PARKWAY, SUITE 300
DALLAS, TX 75240
(Address of principal executive offices)
(Zip Code)

(972) 770-5600
(Registrant's telephone number, including area code)

NOT APPLICABLE
(Former name, former address and former
fiscal year, if changed since
last report.)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes No

See notes to financial statements.

PART I - FINANCIAL INFORMATION

ITEM 1 - FINANCIAL STATEMENTS

NHP RETIREMENT HOUSING PARTNERS I LIMITED PARTNERSHIP
A LIMITED PARTNERSHIP
STATEMENTS OF FINANCIAL POSITION

<TABLE>
<CAPTION>

	September 30, 1996	December 31, 1995
ASSETS		
<S>	<C>	<C>
Cash and cash equivalents	\$ 4,049,802	\$ 3,478,604
Interest receivable	1,200	1,265
Other receivables	25,406	858,722
Pension notes issuance costs	1,328,332	1,519,426

Organization and offering costs	277,546	314,878
Prepaid expenses	133,401	279,152
Rental property:		
Land	6,318,028	6,318,028
Building, net of accumulated depreciation of \$13,372,733 and \$12,137,832	44,112,455	44,942,735
Other assets	33,739	36,686
	-----	-----
	\$ 56,279,909	\$ 57,749,496
	=====	=====

</TABLE>

LIABILITIES AND PARTNERS' CAPITAL

<TABLE>		
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Liabilities:		
<S>	<C>	<C>
Accounts payable	\$ 440,011	\$ 591,228
Interest payable	19,983,684	17,901,461
Pension notes	42,672,000	42,672,000
Purchase installments	0	552,000
Other liabilities	730,860	833,116
	-----	-----
	63,826,555	62,549,805
	-----	-----
Partners' equity (deficit):		
General Partner-NHP/RHGP-I Limited Partnership	(1,432,408)	(1,332,625)
Assignor Limited Partner-NHP RHP-I Assignor Corporation-42,691 investment units outstanding	(6,114,238)	(3,467,684)
	-----	-----
	(7,546,646)	(4,800,309)
	-----	-----
	\$ 56,279,909	\$ 57,749,496
	=====	=====

</TABLE>

NHP RETIREMENT HOUSING PARTNERS I LIMITED PARTNERSHIP

A LIMITED PARTNERSHIP
STATEMENT OF OPERATIONS
FOR THE THREE MONTHS ENDED SEPTEMBER 30, 1996

<TABLE>		
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	Three months ended September 30,	
	1996	1995
REVENUE:		
<S>	<C>	<C>
Rental income	\$ 3,561,786	\$ 3,446,450
Interest income	19,771	20,738
Other income	36,206	39,803
	-----	-----
	3,617,763	3,506,991
	-----	-----
COSTS AND EXPENSES:		
Salaries, related benefits and overhead reimbursements	953,087	991,071
Management fees, dietary fees and other services	346,870	350,389
Administrative and marketing	162,441	150,529
Utilities	218,502	218,838
Maintenance	112,381	120,997

Resident services, other than salaries	70,819	69,754
Food services, other than salaries	379,176	376,336
Depreciation	411,634	384,427
Taxes and insurance	275,564	275,416
	-----	-----
	2,930,474	2,937,757
	-----	-----
INCOME FROM RENTAL OPERATIONS	687,289	569,234
	-----	-----
COSTS AND EXPENSES:		
Interest expense - pension notes	1,441,688	1,380,262
Amortization of pension notes issuance costs	63,698	63,698
Amortization of organization and offering costs	12,444	12,444
Other expenses	34,563	42,735
	-----	-----
	1,552,393	1,499,139
	-----	-----
NET (LOSS)	\$ (865,104)	\$ (929,905)
	=====	=====
NET (LOSS) PER ASSIGNEE INTEREST	\$ (20)	\$ (21)
	=====	=====

</TABLE>

NHP RETIREMENT HOUSING PARTNERS I LIMITED PARTNERSHIP
A LIMITED PARTNERSHIP
STATEMENT OF OPERATIONS
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 1996

<TABLE>
<CAPTION>

	Nine months ended September 30,	
	1996	1995
REVENUE:		
<S>	<C>	<C>
Rental income	\$ 10,599,375	\$ 10,254,699
Interest income	57,472	62,550
Other income	119,664	135,049
	-----	-----
	10,776,511	10,452,298
	-----	-----
COSTS AND EXPENSES:		
Salaries, related benefits and overhead reimbursements	2,877,275	2,989,205
Management fees, dietary fees and other services	1,052,628	1,059,249
Administrative and marketing	474,984	394,594
Utilities	666,512	655,395
Maintenance	318,704	328,507
Resident services, other than salaries	216,925	211,474
Food services, other than salaries	1,123,939	1,116,373
Depreciation	1,234,902	1,153,279
Taxes and insurance	810,070	804,725
	-----	-----
	8,775,939	8,712,801
	-----	-----
INCOME FROM RENTAL OPERATIONS	2,000,572	1,739,497
	-----	-----
COSTS AND EXPENSES:		
Interest expense - pension notes	4,325,063	4,107,212

Amortization of pension notes issuance costs	191,094	191,094
Amortization of organization and offering costs	37,332	37,332
Other expenses	147,648	186,837
	-----	-----
	4,701,137	4,522,475
	-----	-----
NET (LOSS)	\$ (2,700,565)	\$ (2,782,978)
	=====	=====
NET (LOSS) PER ASSIGNEE INTEREST	\$ (62)	\$ (64)
	=====	=====

</TABLE>

NHP RETIREMENT HOUSING PARTNERS I LIMITED PARTNERSHIP
A LIMITED PARTNERSHIP
STATEMENT OF PARTNERS' EQUITY (DEFICIT)
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 1996

<TABLE>
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	GENERAL PARTNER CAPITAL REALTY GROUP SENIOR HOUSING, INC.	ASSIGNOR LIMITED PARTNER	TOTAL
Equity (deficit)			
<S> at December 31, 1995	<C> \$ (1,332,625)	<C> \$ (3,467,684)	<C> \$ (4,800,309)
Distributions	(45,772)	0	(45,772)
Net Loss - Nine months ended September 30, 1996	(54,011)	(2,646,554)	(2,700,565)
	-----	-----	-----
Equity (deficit) at September 30, 1996	\$ (1,432,408)	\$ (6,114,238)	\$ (7,546,646)
	=====	=====	=====
Percentage interest at September 30, 1996	2 %	98%	100%
	=	=	=====

</TABLE>

NHP RETIREMENT HOUSING PARTNERS I LIMITED PARTNERSHIP
A LIMITED PARTNERSHIP
STATEMENTS OF CASH FLOWS

<TABLE>
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	Nine months ended September 30, 1996	1995
Cash flows from operating activities:		
<S> Rent collections	<C> \$ 10,605,814	<C> \$ 10,274,970
Interest received	57,537	61,262
Other income	119,664	135,049
Salary and related benefits	(2,877,275)	(2,989,205)
Management fees, dietary fees and other services	(1,058,043)	(1,064,175)

Total adjustments	3,722,157	3,372,811
	-----	-----
Net cash provided by in operating activities	\$ 1,021,592	\$ 589,833
	=====	=====

</TABLE>

NHP RETIREMENT HOUSING PARTNERS I LIMITED PARTNERSHIP
A LIMITED PARTNERSHIP
NOTES TO FINANCIAL STATEMENTS

(1) ACCOUNTING POLICIES

NATURE OF BUSINESS

NHP Retirement Housing Partners I Limited Partnership (the "Partnership") is a limited partnership organized under the laws of the State of Delaware on March 10, 1986. The Partnership was formed for the purpose of raising capital by issuing both Pension Notes ("Notes") to tax-exempt investors and selling additional partnership interests in the form of Assignee Interests ("Interests") to taxable individuals. Interests represent assignments of the limited partnership interests of the Partnership issued to the Assignor Limited Partner, NHP RHP-I Assignor Corporation. The proceeds from the sale of the Notes and Interests have been invested in residential rental properties for retirement age occupants.

BASIS OF PRESENTATION

The accompanying unaudited interim financial statements reflect all adjustments which are, in the opinion of management, necessary to present a fair statement of the financial condition and results of operations for the interim periods presented.

While the General Partner believes that the disclosures presented are adequate to make the information not misleading, it is suggested that these financial statements be read in conjunction with the financial statements and the notes included in the Partnership's Annual Reports filed in Forms 10-K for the year ended December 31, 1995.

(2) TRANSACTIONS WITH THE GENERAL PARTNER AND AFFILIATES OF THE GENERAL PARTNER

Until January 23, 1995, the sole general partner of the Partnership was NHP/RHGP-1 Limited Partnership (NHP/RHGP-1). On December 19, 1991, NHP/RHGP-1 executed an amended and restated purchase agreement with Capital Realty Group Properties, Inc. (CRGP) for the transfer of the General Partner's interest in the Partnership, subject to the approval of holders of Interests ("Assignee Holders.") CRGP's rights and obligations under the purchase agreement were subsequently assigned to Capital Realty Group Senior Housing, Inc. (CRGSH). Pursuant to a Consent Solicitation dated October 25, 1994, Assignee Holders holding more than 64% of the equity interests in the Partnership approved the election of CRGSH, as the replacement general partner of the Partnership. Effective January 23, 1995, CRGSH has become the new sole general partner of the Partnership and NHP/RHGP-1 has withdrawn as general partner.

Personnel working at the Property sites and certain home office personnel who perform services for the Partnership are employees as of February 1, 1995 of Capital Senior Living, Inc. (CSL), an affiliate of CRGSH and prior to February 1, 1995 were employees of CRGSH. The Partnership reimburses CRGSH or CSL for the salaries, related benefits, and overhead reimbursements of such personnel as reflected in the accompanying financial statements. Salary, related benefits and overhead reimbursements reimbursed and expensed

by the Partnership to CSL and CRGSH for the third fiscal quarter ended September 30, 1996 and 1995, were \$953,087 and \$991,071, respectively. Management fees, dietary fees and other services reimbursed and expensed by the Partnership to CSL and CRGSH for the third fiscal quarter ended September 30, 1996 and 1995, were \$346,870 and \$350,389, respectively.

Distributions of \$45,772 were made to the General Partner during the nine months ended September 30, 1996.

(3) VALUATION OF RENTAL PROPERTY

Generally accepted accounting principles require that the Partnership evaluate whether it is probable that the estimated undiscounted future cash flows of its properties, taken individually, will be less than the respective net book value of the properties. If such a shortfall exists and is material, then a write-down is warranted. The Partnership performs such evaluations on an on-going basis. During the nine months ended September 30, 1996, based on the Partnership's evaluation of each respective property, the Partnership did not believe that any additional write-down was warranted.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

LIQUIDITY AND CAPITAL RESOURCES

The following schedule summarizes the occupancy levels at the four properties wholly owned by the Partnership and at Amberleigh in which the Partnership has a 99.9% partnership interest.

<TABLE>
<CAPTION>

	Available Units -----	September 30 1996 -----	September 30 1995 ----
<S>	<C>	<C>	<C>
The Amberleigh	271	97%	95%
The Atrium at Carmichael	153	95%	96%
Crosswood Oaks	122	84%	95%
Heatherwood	160	88%	88%
Veranda Club	189	89%	90%

</TABLE>

Rent collections for the nine month period increased to \$10,605,814 in 1996 from \$10,274,970 in 1995, or 3.2%, primarily from rental rate increases. Salaries, management fees and other operating expenses paid likewise decreased, from \$7,647,142 in 1995 to \$7,518,583 in 1996 or 1.7%, primarily from decreased salary and related benefits expenses.

Cash generated from rental operations prior to the payment of interest expense was sufficient to pay all of the interest on the Pension Notes, which was \$2,242,840 for the nine month period ended September 30, 1996. Net cash provided from operations, after the payment of interest expense, during the nine months ended September 30, 1996 was \$1,021,592. The Partnership provided cash from operations of \$589,833 for the same period in 1995. Interest on the Pension Notes is accrued at a 13% rate, which totaled \$4,325,063 and \$4,107,212 for the nine months ended

September 30, 1996 and 1995, respectively, but is paid based on a 7% pay rate. The remaining 6% unpaid portion continues to be accrued and is due at maturity. Total accrued and unpaid interest amounted to \$19,983,684 and \$17,901,461 at September 30, 1996 and December 31, 1995, respectively.

Capital expenditures decreased \$112,204 from \$516,826 in 1995 to \$404,622 in 1996. Capital improvement programs implemented at several of the properties during 1995 continued during 1996.

Cash and cash equivalents at September 30, 1996 and December 31, 1995 amounted to \$4,049,802 and \$3,620,556, respectively.

If operations do not improve significantly in the long-term, future funds may not be available to meet operating requirements, including the ultimate payment of principal and deferred interest on the Pension Notes. This cash need has caused the General Partner to determine that it is not financially appropriate to make distributions to Assignee Holders. The General Partner anticipates that distributions will continue to be suspended until operating results significantly improve.

Although cash flow from operations improved in 1996, cash generated from operations over the past several years prior to 1994 had not been adequate to meet the Partnership's minimum interest payment requirements. The annual shortfall was approximately \$59,000 during 1993, and averaged approximately \$1.5 million annually in the five-year period prior to 1993. The shortfall has been funded by Partnership's cash reserves, which principally resulted from funds remaining from the initial offering of Partnership Interests and Pension Notes, after the acquisition of the Partnership's properties. If interest payments continue to be deferred at the current rate of 6%, the total accrual for unpaid interest and principal will approximate \$81 million at December 31, 2001, the maturity date of the Pension Notes, which is far in excess of projected cash reserves. Accordingly, there will need to be very significant improvements in cash flows from operations and/or increases in the disposition and refinancing values of the Properties to fund both the accrued interest and the face value of the Pension Notes upon their maturity. Management's plans are to continue to manage the Properties prudently to achieve positive cash flows from operations after interest payments.

RESULTS OF OPERATIONS

The Partnership's net loss for the nine months ended September 30, 1996 includes rental operations from each of the Partnership's properties. The net loss also includes depreciation, amortization of Pension Notes issuance costs, amortization of organization and offering costs and accrued Pension Note interest expense which are noncash in nature.

The Partnership's net loss decreased from \$2,782,978 to \$2,700,565 for the nine month period ending September 30, 1995 and 1996, respectively. Net loss per Interest decreased from \$64 to \$62 for the 42,691 Interests, respectively. This decreased loss was principally due to increased rental income and decreased salary and relative benefits. Rental income increased to \$10,599,375 for the nine months ended September 30, 1996 from \$10,254,699 for the same period in 1995, or approximately 3.4%, primarily as a result of rental rate increases. Rental expenses increased to \$8,775,939 from \$8,712,801 for the nine month period ending September 30, 1996 and 1995, respectively, or .7%. Increased rental expense was primarily due to increased expenses for administrative and marketing, and depreciation. Pension Note interest expense increased from \$4,107,212 to \$4,325,063 for the nine month periods ending September 30, 1995 and 1996 respectively. Other expenses relating to Partnership administration decreased from \$186,837 to \$147,648 for the nine month periods ending September 30, 1995 and 1996, respectively.

For the three months ended September 30, 1996 as compared with the three months ended September 30, 1995, the Partnership's revenue and expenses reflect the same variances as discussed above, with the exception that rental expenses decreased to \$2,930,474 from \$2,937,757 for the three months ended September 30, 1996 and 1995, respectively, or .3%. Decreased rental expense was primarily due to decreased expenses for salaries and related benefits, management fees, and maintenance.

As discussed previously, the Partnership performs an on-going evaluation of the individual carrying value of each of the rental properties. Based on the Partnership's evaluation of these carrying values at September 30, 1996, it was determined that no additional write-downs were warranted. The Partnership will continue to evaluate the properties in the future, and additional write-downs may be necessary.

PART II

All items not applicable.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this Report to be signed on its behalf by the undersigned thereunto duly authorized.

NHP RETIREMENT HOUSING PARTNERS I LIMITED PARTNERSHIP

By: Capital Realty Group Senior Housing, Inc.
General Partner

By: Keith Johannessen
President

Date:

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financial data schedule

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