

# Addressing the Gap in Senior Housing Today:

CREATING OPPORTUNITIES IN THE MID-MARKET

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PAPER

*LeadingAge*<sup>®</sup>  
*Business Strategy Council*



ADDRESSING THE GAP IN SENIOR HOUSING TODAY: CREATING OPPORTUNITIES IN THE MID-MARKET

Prepared by the LeadingAge Business Strategy Council

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Visit [LeadingAge.org/bsc](https://www.leadingage.org/bsc) to learn more.

## Synopsis

The older population in the middle of the income spectrum is currently underserved in the housing market. In fact, due to growth in the older population, the senior living field may have to triple in size to meet the anticipated demand for residential options by 2040. Yet, to date, only a limited number of LeadingAge members have brought their development and operational expertise to the mid-market housing sector.

This study attempted to:

- Identify current opportunities to develop market-rate/mid-market housing
- List organizational traits that are required for success
- Identify LeadingAge providers that have had success operating in this market
- Provide a blueprint for other LeadingAge providers seeking to penetrate this market

## About the LeadingAge Business Strategy Council

Increasingly, LeadingAge's members are seeking research findings, business intelligence, and sound strategies to help them navigate the highly-pressured financial, regulatory and market-driven environment. Members need guidance in the areas of growth, management, financing and operations. LeadingAge's Gold Partners are experts in these areas.

This nexus of member need and corporate partner expertise is an opportunity to tap business partners to provide information to members and LeadingAge staff to strengthen the nonprofit aging services sector. The LeadingAge Business Strategy Council is a forum where Gold Partners can work with a select group of members to share insights and intelligence on trends and solutions.

The Council's work will be published as valuable information to help LeadingAge members with business and strategic decisions and to give Gold Partners exposure as thought leaders in our field.

# Table of Contents

- I. Introduction .....1
- II. Problem: Defining the Market ..... 2
- III. Findings: Achieving Success in the Mid-Market ..... 2
- IV. Conclusion.....4
- V. Project Profiles ..... 6

# I. Introduction

Capital is readily available to senior housing providers targeting the high-end, private-pay market. At the low end of the market, government programs provide some financial subsidies to help low-income elders access affordable housing.

The older population in the middle of the income spectrum, on the other hand, is currently underserved. This gap will become even more serious as providers look to a future in which the “demand vs. supply” imbalance will be further exacerbated.

## *Population Growth and the Growing Need for Housing*

Recent studies show that, due to growth in the older population, the senior living field may have to triple in size to meet the anticipated demand for residential options by 2040. Yet, to date, only a limited number of LeadingAge members have brought their development and operational expertise to this market sector.

This study attempted to:

- Identify current opportunities to develop market-rate/mid-market housing<sup>1</sup>
- List organizational traits that are required for success
- Identify LeadingAge providers that have had success operating in this market
- Provide a blueprint for other LeadingAge providers seeking to penetrate this market.

Only a few nonprofit providers have been successful to date in proactively filling the gap in the mid-market housing sector. But those who aggressively pursue these opportunities can attain a measure of success by thinking “outside the box.”

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<sup>1</sup> This excludes any consideration of skilled nursing units due to the higher cost of construction, and reimbursement and certificate-of-need requirements administered at the state level.

## II. Problem: Defining the Market

Older adults had median per capita retirement and financial assets<sup>2</sup> of roughly \$105,000 in 2015, according to data from The Urban Institute. Median financial assets for retirement within this population ranged from nearly \$24,000 to approximately \$337,000. Nearly 40% of individuals over age 62 are projected to have financial assets of \$25,000 or less over the next 20 years.

The national median income of older adults in 2015 was \$53,657. This means that the middle-income market represents older adults with annual household incomes between \$36,000 and \$107,000.

Almost half (47%) of today's older adults are middle-income<sup>3</sup>, compared with 39% in 1971 and 44% in 2001, according to the Pew Research Center. Older adults experienced greater gains in economic status than other age groups from 1971 through 2015. This is a positive trend for our nation's older population. However, members of the middle-income cohort now represent the largest proportion of older adults at a time when their housing options are limited.

### *Section 202 Limits*

The looming gap in middle-market housing becomes clear when examining eligibility for the U.S. Department of Housing and Urban Development's (HUD) Section 202 Supportive Housing for the Elderly program, which is targeted to households based on their incomes relative to the Area Median Income (AMI). In order to be eligible for Section 202 housing, a household must have an income at or below 50% of the AMI. The same eligibility criteria apply to the Treasury Department's Low-Income Housing Tax Credit program, through which developers can choose to serve households at either 50% or 60% of AMI.

The subsidy eligibility formula for both programs often excludes older adults at the lower end of the middle-income market from receiving federal housing assistance in some geographic areas. In Spartanburg, SC, where the AMI is \$52,900, a Section 202-eligible household must have an income below about \$26,000. In the District of Columbia, where the AMI is about \$108,600, a household with an income of \$54,000 could be eligible for a Section 202 housing unit.

## III. Findings: Achieving Success in the Mid-Market

### *10 Disciplines Necessary for Success in Development of Mid-Market Housing*

Success in the development of middle-market projects is a function of a sponsoring organization's ability to develop competencies in as many of the following disciplines as possible.

1. **Foundation/Corporate Support:** This report does not necessarily assume that an equity contribution from a foundation or corporate parent is required for a successful mid-market housing development. However, the vast majority of current projects in this market have benefited from some form of third-party support.

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<sup>2</sup> These assets exclude homeownership.

<sup>3</sup> The Pew Research Center defines "middle-income adults" as those with household incomes between two-thirds and twice the national median income.

2. **Brand Identity:** A track record of success in development and a long-standing reputation for excellence will spur confidence in a proposed project. This track record has tremendous influence on “Speed to Market,” as described in #6.
3. **Financing Capability:** Established organizations typically finance new ventures outside of their existing obligated group. However, most capital sources will require either equity or a liquidity support agreement that commits a third party to fund construction cost overruns and working capital deficits until a stabilized operation can be attained.
4. **Access to Reasonably Priced Land:** Sometimes the most expensive land is the land that was “free.” That’s because free land may not be in a desirable area or close to a sufficient number of age- and income-qualified prospective residents. These shortcomings can cause project “stress.” Providers must be able to balance the cost of land with their ability to find land in a primary market area.
5. **Ability to Identify Primary Market Areas:** Generally, an attractive project in the wrong market area will be under much greater stress than a more moderate project in a good market area. The obvious goal is to optimize both attractiveness and location. However, it is extremely important to position a project properly in a primary market area.
6. **Speed to Market:** A project could be moved to market more quickly by minimizing the predevelopment timeline and associated costs, utilizing a cost-effective design that can be replicated easily and employing a rental contract as opposed to requiring an entrance fee. The entrance fee option usually requires that the developer sell approximately 70% of the planned independent apartments before securing financing. A rental contract model reduces these upfront marketing costs.
7. **Modest Design Elements:** To keep costs at an acceptable level, residential units should be smaller and feature fewer amenities. Common areas should be limited and serve multiple purposes. Every effort should be made to find local partners that can provide health/wellness and medical services that might not otherwise be incorporated into a middle-market project.
8. **Lower Construction Costs:** Innovative construction techniques should be investigated to reduce building costs. Modular construction offers significant cost benefits as long as the cost of transporting modular components to the project site does not eclipse construction savings. In addition, the organization must have access to a labor force that can assemble the modular units. Developers should avoid the temptation to design, then price, then redesign, then re-price the project. These changes drive up costs.
9. **Revenue Expectations:** Residential units should be priced so they will fill quickly. It is expensive to fund working capital, so project developers must focus on reaching break-even occupancy.
10. **Operating Efficiencies:** Some projects may not reach their forecasted operations because they try to “provide champagne on a beer budget.” While projects targeted to the middle market are not meant to be “bare bones,” they should be planned on a more limited service platform. Management and line personnel must understand and comply with these limitations, particularly during the fill-up period.

Success in the development of middle-market projects increases as more of the 10 disciplines described above are mastered. However, exceptional success in one discipline can overcome shortfalls in one or two others. For example, significant foundation/corporate support could compensate for higher construction costs and/or lower operating efficiencies.

Achieving success also requires a very sharp focus on the part of the management team. Operating margins for mid-market projects are very tight, and allow for a very small margin of error. It is critical that the management team focus on minimizing costs prior to opening, particularly for land, predevelopment, construction and financing. Otherwise, project “cost creep” will be borne by residents for generations to come through higher monthly service fees. This situation could affect the penetration rate for a particular project in a given primary market area.

A sponsoring organization that commits to this development strategy can reap several benefits:

- Creating another avenue for foundation fundraising efforts to offset the operating costs and increase visibility within the primary market area(s)
- Advancing the organization’s social accountability profile

## IV. Conclusion

Nonprofit providers comprise 79% of the life plan communities currently in operation. However, that percentage falls dramatically when other community configurations are considered. For example, the for-profit sector has considerable market share for projects that are not life plan communities, and it is building aggressively in desirable markets throughout the country.

If LeadingAge members do not step up to meet the needs of these markets, the for-profits certainly will.

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# V. Project Profiles

The following project profiles describe LeadingAge members that are successfully operating middle-market projects.

## Folkestone Senior Living Community

Wayzata, MN

### Overview

Folkestone Senior Living is the newest addition to a group of 43 senior living communities owned and managed by Presbyterian Homes and Services (PHS). Incorporated as Presbyterian Homes of Minnesota in 1953, PHS now has 6,300 employees and serves more than 26,000 older adults in Wisconsin, Minnesota and Iowa.

Folkestone Senior Living is a “green” community located in the heart of downtown Wayzata, MN, a city of 4,200 residents at the western edge of the Minneapolis-St. Paul metropolitan area. Folkestone is located within The Promenade of Wayzata, a mixed-use project that also includes market-rate condominiums and 32,000 square feet of retail space. Folkestone residents can walk to shopping, restaurants, historic landmarks, park areas and the largest recreational lake in Hennepin County.

The Folkestone campus features a 39,000-square-foot Town Center offering various amenities, including an auditorium and theater, wellness/fitness center, meditation space, library, 2-story conservatory, activity room, restaurant-style dining, salon, bank and gift shop/convenience store.

### Scope of the Project

The Folkestone project features 254 units targeted to a middle-income population. The project features five housing options: independent living (IL), assisted living (AL), enhanced assisted living (EAL), memory care (MC) and skilled nursing (SN).

#### *Independent Living (IL)*

The Terrace Senior Apartments features 148 apartments. In order to qualify for residency, older adults must be at least 55 years of age and able to live independently.

**Basic Features:** Each of the unfurnished independent living apartments in The Terrace includes a gas fireplace, premier flooring and fixtures, a fully equipped kitchen, full-size washer and dryer, individually controlled heat and central air conditioning, and a deck.

**Targeted Income:** Management assumes that a prospective resident will have an annual household income (in 2014) of:

- **\$33,300 or more**, based on the monthly service fee of the smallest one-bedroom apartment; or
- **\$58,900 or more**, based on the weighted average monthly service fee of all independent living apartments in the community.

## *Assisted Living (AL)*

The Commons features 40 assisted living residences. Management anticipates that prospective residents will be 75 years of age or older, live alone and require some assistance with activities of daily living and/or instrumental activities of daily living.

**Basic Features:** The unfurnished assisted living residences include a full kitchen with refrigerator/freezer and a range with an oven. The residences also include a washer and dryer (in select units), fire and smoke alarms, and a fire sprinkler system. The Commons building features a lobby, lounge, multi-purpose room, library, dining room and administrative/support areas.

**Target Income:** Management assumes that a prospective resident of The Commons will have an annual pre-tax income (in 2014) of:

- **At least \$46,900, or**
- **\$25,000 or higher and own his/her own home.**

## *Enhanced Assisted Living (EAL)*

The Hearth features 18 enhanced assisted living residences. The unfurnished units have the same basic features as the assisted living residences in The Commons.

## *Memory Care (MC)*

The Arbor provides memory care to 18 residents. Furnished units include a full bath, and a kitchenette with sink and refrigerator. The memory care units have secured access and separate common areas that include amenities similar to common areas in The Hearth and The Commons. Residents have access to the [DOVE Memory Care Program](#).

## *Skilled Nursing (SN)*

The Gables Nursing Center features 30 skilled nursing beds and amenities that include a kitchenette with a refrigerator, sink and microwave. The center offers flexible mealtimes.

## Service Packages

Monthly service packages range in price, depending on the size of the residence and the scope of the service package.

The weighted average monthly service fees are as follows:

- **Independent Living:** \$2,947, plus a weighted average entrance fee of \$177,466.
- **Assisted Living and Enhanced Assisted Living:** \$3,623
- **Memory Care:** \$3,567

## *Services Included in Monthly Fees*

Residents in all Folkestone housing and care settings receive a package of services in return for their monthly fee. These services include:

- All utilities, including heat, electric, central air conditioning, water, sewer, trash, local telephone service, basic satellite or cable, and campus information channel
- Meal services, including a continental breakfast (IL), continental breakfast and two daily meals (AL), three daily meals plus snacks (EAL, SN)
- IL residents receive \$150 per month to spend at any dining venue in the community.
- Housekeeping services, including twice-monthly light housekeeping (IL), weekly housekeeping with linen change (AL, MC, SN) or daily cleaning assistance (EAL)
- Access to PHS's [WINGS Wellness](#) program
- Emergency response systems
- Priority access to other PHS living and care options, based on availability

Additional services are also included in the monthly fee of residents, depending on where they live. These services include:

- Laundry service (MC, EAL) and access to complimentary laundry facilities (AL)
- 24-hour staffing by resident assistants (AL, EAL, MC) and 24-hour nursing care (SN)
- Scheduled transportation (IL, AL, EAL, MC)

## *Access to the services of a chaplain (MC, SN)*

- Free access to Town Center amenities (IL)
- Property tax and building insurance (IL)
- Routine home maintenance, lawn care and snow removal (IL)
- Month-to-month residency agreement (EAL)

## *Additional Fees*

Several services are available to residents for an additional fee:

- Room service and restaurant carry-out service (IL)
- Catered events (IL)
- Additional housekeeping (IL, MC)
- Massage therapy (IL)
- Underground heated parking

- High-speed internet connection (IL, AL, EAL)
- Home care and hospice services (IL)
- Additional home care and hospice services (AL, EAL, MC, SN)
- Around-the-clock personal care (AL)
- Physical, speech and occupational therapy (AL, EAL, MC, SN)
- Assistance with arranging transportation to medical and social service appointments (AL, EAL, MC)
- Assistance with accessing community resources and social services (AL, EAL, MC)
- Additional scheduled transportation (AL, EAL)
- Skilled nursing services (EAL)
- Physician and nurse practitioner (SN)
- Access to Town Center amenities and programs (SN)

Several health-related services—such as services provided by physicians, dentists, podiatrists, optometrists, hospitals, diagnostic labs, physical or occupational therapists, mental health professionals, audiologists or hospice providers—are not included in the daily room rate for skilled nursing care and may not be covered by third-party reimbursement.

## Construction Costs and Financing

Construction funds totaling \$122.4 million came from Series 2012 bond proceeds, equity and entrance deposits.

PHS used the proceeds of the bonds, along with other available funds, to acquire, construct and equip the project, fund capitalized interest and reserve accounts, and pay costs of insurance for the bonds.

## Project Management

PHS estimated that a total of 60.59 FTEs would be required to manage the Folkestone project in 2014. Those staffing levels were expected to increase to 87.66 FTEs in 2016.

# Saint Therese of Woodbury

Woodbury, MN 55129

Opened in 1968, Saint Therese is a nonprofit Catholic organization offering a full continuum of programs and services that are available in an individual's home or in one of its five community settings in the Twin Cities area of Minnesota.

Saint Therese of Woodbury, which opened in early 2016, is a 309,400-square-foot project consisting of a:

- Four-story independent living apartment building;
- Three-story assisted living community, including a secured memory care component; and
- Two-story skilled nursing care center.

All three buildings are connected to a two-story Town Center featuring offices, a chapel, an art studio, a library, a bistro/deli, the project's main kitchen, independent living and assisted living dining rooms, and a 9,500-square-foot wellness/fitness/rehabilitation center.

## Scope of the Project

The Saint Therese of Woodbury campus features 216 units targeted to a middle-income population. The project is located in the City of Woodbury, MN, which is a suburb of St. Paul and the largest city in Washington County.

The project features four housing options: independent living (IL), assisted living (AL), memory care (MC) and skilled nursing (SN).

### *Independent Living (IL)*

Saint Therese of Woodbury features 102 independent apartments, including one-bedroom, two-bedroom, and one- and two-bedroom units with a sunroom. In order to qualify for residency in one of the independent living apartments, a prospective resident generally must be at least 62 years of age and be able to live independently. Residents must also demonstrate that they have sufficient financial resources to pay the initial entrance fee, monthly fees and other expenses related to independent living services not provided in the residency agreement.

Management assumes that adults who are 75 years of age or older will be most likely to move to an independent living apartment.

**Basic Features:** The independent living apartments feature individual controlled heat/air, fully equipped kitchens, washer and dryer, wood cabinetry and 9-foot ceilings. Most units have a private deck or patio. There is also underground heated parking with a car wash bay. Additional fees for personal care services are based on a point system that evaluates each individual's ability and needs.

**Targeted Income:** Management assumes that a prospective resident will have an annual household income (in 2014) of:

- **\$45,400 or more**, assuming the weighted average monthly service fee and 50% double occupancy; or
- **\$32,100**, assuming the minimum monthly service fee for one person.

## Assisted Living (AL)

There are 38 assisted living apartments, including studio, one-bedroom and two-bedroom units. Management anticipates that, prior to occupancy, AL residents will be 75 years of age or older, live alone and require some assistance with activities of daily living and/or instrumental activities of daily living.

**Basic Features:** The assisted living apartments include individually controlled heat/air; kitchens with a refrigerator, stove/oven, microwave and wood cabinetry; and a bathroom with roll-in shower and grab bar. Assisted living services are delivered for additional fees based on a point system that evaluates each individual's abilities and needs.

**Target Income:** Management assumes that prospective AL residents will have an annual pre-tax income (in 2014) of:

- **At least \$39,700**, or
- **\$25,000 or more** if they own a home.

## Memory Care (MC)

There are 20 memory care studio apartments. These apartments include individually controlled heat/air; kitchens with a refrigerator, stove/oven (with automatic shut off) and wood cabinetry; and a bathroom with roll-in shower and grab bars. Memory care services are delivered for additional fees based on a point system that evaluates each individual resident's abilities and needs.

## Skilled Nursing (SN)

There are 56 skilled nursing beds in both private and semi-private rooms. The long-term care portion of the skilled nursing center has been designed to include two separate "neighborhoods" of resident rooms. The center also includes an 18-unit transitional care neighborhood with easy access to the wellness and rehabilitation center. Each nursing neighborhood has its own dining area and two guest suites.

## Service Packages

Monthly service packages range in price, depending on the size of the residence and the scope of the service package.

The weighted average lease deposit for independent living is \$32,890. The weighted average monthly service fees at opening were as follows:

- **Independent Living:** \$2,440 (\$2,260 plus an estimated \$180 in additional service fees).
- **Assisted Living:** \$4,167 (\$3,346 plus an estimated \$821 in additional service fees).
- **Memory care:** \$5,719 (\$3,328 plus an estimated \$2,391 in additional service fees).

## *Services Included in the Monthly Fee*

All residents at Saint Therese of Woodbury receive a package of services in return for their monthly fee. These services include:

- All utilities, including heat, electric, water, sewer, trash and wireless internet service
- Meal services, including a \$75-per-month dining and services credit (IL), two meals per day plus continental breakfast (AL), or three meals per day (MC)
- Access to the fitness center and monthly wellness clinic
- Housekeeping, including monthly housecleaning (IL), weekly housekeeping and linen change (AL, MC), and daily bed making (MC)
- Pastoral care
- Emergency pendant system
- Priority access to other Saint Therese care and housing options as available
- Professional management by Saint Therese Home, Inc.

Additional services are also included in the monthly fee of residents, depending on where they live. These services include:

- Scheduled transportation (IL) or transportation for scheduled community events and activities (AL)
- Complimentary laundry facilities (AL), or two loads per week of personal laundry (MC)
- Month-to-month residency agreement (IL, AL)
- Apartment and building maintenance, including lawn and snow removal (IL, AL)
- Controlled-entry access (IL, AL)
- Monitored smoke and carbon monoxide detectors (IL, AL)
- Social programs and events (IL) and staffed social activities (AL)
- Nurse-maintained resident medical files (AL, MC)
- Reassurance and problem-solving support (MC)
- Escort to meals (MC)
- Medication management (MC)
- Nurse-provided care (MC), including:
  - Access to a registered nurse on duty 40 hours per week
  - On-call support
  - Liaison with health care professional

- Supervisory visit every 14 days
- Coordination with physician and laboratory

## ***Additional Fees***

Additional services and other conveniences are available for additional fees:

- Concierge service (IL)
- Underground heated parking (IL)
- Restaurant-style dining and bistro (IL)
- Some home care services (IL)
- Beauty and barber services (IL)
- Cable/satellite television (IL)
- Guest suites (IL)
- Telephone (IL)
- Menu of personal care services (IL)
- Access to around-the-clock personal care (AL)
- Assistance arranging transportation to medical and social service appointments (AL)
- Assistance with accessing community resources and social services (AL)
- Additional housekeeping and laundry services (AL)
- A third meal (AL)
- Guest meals (AL)

## **Construction Costs**

Construction funds totaling \$59.5 million came from Series 2014 bonds, equity transfer and interest income on trustee-held funds. The organization used these funds to acquire, develop, construct and equip the new senior living campus.

Total project-related costs were \$47.2 million. Other costs, including development fees, funded interest, working capital and debt service, totaled \$12.3 million.

## **Project Management**

Saint Therese forecasted that approximately 37.91 FTEs would be required to manage the Woodbury project in 2016, with an average hourly rate of \$17.16. These estimates rise to 90.98 FTEs and an average hourly rate of \$17.90 in 2018.

# The Homestead at Rochester

Rochester, MN

## Overview

Developed by Volunteers of America (VOA), The Homestead at Rochester is located in Rochester, MN, approximately 80 miles southeast of the Twin Cities metropolitan area. Surrounding the site is open land and a mix of housing that includes the High Pointe Senior Community, an affordable housing apartment community for adults aged 62 and older.

The project has been constructed in three phases.

Phase I of the project consisted of a senior housing campus of approximately 230,000 square feet located on an 8.5-acre parcel of land. The project features 77 independent living (IL) apartments, 44 assisted living (AL) residences and 16 memory care (MC) units. The first phase of the project was financed in 2005 and opened in November 2006. The project consists of two buildings connected by a 21,500-square-foot Town Center.

This project profile focuses on development of Phase II and Phase III of the Homestead at Rochester project.

## Scope of Phase II

During Phase II of the project, VOA constructed a 140,000-square-foot, 108-unit building featuring 52 independent living apartments and 56 skilled nursing beds. The new structure, built on a three-acre site adjacent to existing buildings, brought the total number of residential units on campus to 245. Additionally, VOA added additional square footage to the Town Center. Phase II of the project was completed in February 2015.

Phase II features two housing options: independent living (IL) and skilled nursing (SN).

### *Independent Living (IL)*

In order to qualify for residency, a prospective resident generally must be at least 55 years of age and must be able to live independently. VOA assumes that 80% of the residents moving to the new independent living apartments will pay an entrance fee, and the remaining 20% will rent their apartments.

**Basic Features:** The independent living apartments feature individually controlled heat/air, fully equipped kitchens, washer and dryer, wood cabinetry, and private decks and patios, where possible. The project includes heated underground parking for the IL residents.

**Target Income:** An IL resident is projected to have an annual household income (in 2015) of approximately:

- **\$28,800 or more**, based on the monthly service fee of the smallest one-bedroom apartment available, or
- **\$35,700 or more**, based on the weighted average monthly service fee of the new independent living apartments.

### *Skilled Nursing*

Each wing of the skilled nursing center is designed as a small house/neighborhood with its own dining area.

## Phase II Service Packages

Monthly service packages range in price, depending on the size of the residence. The weighted average monthly service fee at opening was:

- \$1,699 under the new entrance deposit model
- 1,963 for the new rental model

### *Services Included in Monthly Fee/Rent*

The following amenities are included in the monthly fee/rent for new IL apartments:

- All utilities, including heat, electric, central air conditioning, water, sewer, trash, basic cable service and telephone
- Continental breakfast Monday-Friday
- Monthly health and wellness program
- Personal pendant emergency call system
- Leisure activities and educational programs
- Scheduled transportation
- Lawn care and snow removal
- Property tax and building insurance
- Apartment and building maintenance
- Controlled-entry access
- Month-to-month residency agreement
- Apartment and building maintenance, including lawn and snow removal
- Pet policy
- Priority access to other programs offered by VOA National Services
- Professional management by VOA National Services

### *Additional Charges*

Additional services and other conveniences are available for additional fees:

- Underground heated parking
- Second occupant fee
- Restaurant-style dining

- Guest meals
- Guest suite
- Storage
- Select personal home care services
- On-site emergency response
- Remote monitoring by the WellAWARE system
- Barber and beauty shop
- High-speed internet
- Housekeeping

## Phase II Construction Costs

Construction funds totaling \$48.1 million came from Series 2013 bonds, interest income on trustee-held funds and cash. Proceeds from the bonds will be loaned to the company in order to:

- Refund certain outstanding revenue notes issued with respect to The Homestead's existing senior housing campus
- Finance the campus expansion
- Fund a debt service reserve fund
- Pay certain costs associated with issuing the bonds

## Phase II Project Management

VOA forecasted that 26.59 FTEs would be required to manage Phase II in 2014, with an average hourly rate of \$14.14. Staffing levels were expected to rise to 95.35 FTEs in 2018. Average compensation was expected to rise to \$19.16 per hour by 2018.

## Scope of Phase III

Phase III of The Homestead will be constructed on an adjoining site of approximately 13.7 acres. The new, 194,000-square-foot building will add 110 units to The Homestead, bringing the total number of units on the campus to 354. The project is expected to be completed in 2017.

Specifically, Phase III will add:

- 48 independent apartments, for a total of 176
- 30 assisted living residences, for a total of 74
- 32 memory care units, for a total of 48. Sixteen of the existing memory support units will be converted to enhanced assisted living.

The new independent living apartments and the new assisted living community will be connected by an enclosed, climate-controlled walkway.

### *Independent Living (IL)*

In order to qualify for residency, a prospective IL resident generally must be at least 55 years of age, be able to live independently and meet additional criteria established by the organization.

**Target income:** Management assumes that prospective residents will have an annual pre-tax income (in 2017) of approximately:

- **\$42,600 or more**, based on the monthly service fee of the smallest one-bedroom apartment available within the new independent living building; or
- **\$45,300 or more**, based on the weighted average monthly service fee of the existing independent living and the new independent living buildings.

### *Assisted Living (AL)*

Prospective assisted living residents will generally be 75 years of age or older, live alone and require some assistance with activities of daily living and/or instrumental activities of daily living.

**Target income:** Management assumes that that prospective AL residents will have an annual pre-tax income (in 2017) of:

- **At least \$41,700**, or
- **\$25,000 or more** if they own a home.

## Phase III Service Packages

Monthly service packages range in price, depending on the size of the residence and the scope of the service package. The average monthly service fees for Phase III are as follows:

- **Independent Living:** \$3,107 (compared to \$2,012 for existing units)
- **Assisted Living:** \$3,478 (compared to \$3,343 for existing units)
- **Memory Care:** \$3,372 (compared to \$3,361 for existing units)

### *Services Included in the Monthly Fee/Rent*

The following services are planned to be included in the monthly rent paid by all residents of Phase III, including independent living (IL), assisted living (AL) and memory care (MC):

- All utilities, including heat, electric, central air conditioning, water, sewer, trash, basic cable TV service and telephone
- Meals, including continental breakfast Monday-Friday (IL), breakfast and lunch or dinner (AL) or three meals and snack (MC)

- Controlled-entry access
- Month-to-month residency agreement
- Apartment and building maintenance, including lawn and snow removal
- Priority access to other housing and care options provided by VOA National Services
- Professional management by VOA National Services
- Pet policy

Additional services are also included in the monthly fee of residents, depending on where they live. Those services include:

- Leisure activities and educational programs (IL, AL)
- Scheduled transportation (IL, AL)
- Property tax and building insurance (IL, AL)
- Monthly health and wellness program (IL)
- Personal pendant emergency call system (IL)
- Lawn care and snow removal (IL)
- One assigned parking space in the underground parking garage (IL)
- One storage locker in the underground parking garage (IL)
- Complimentary laundry facilities (AL)
- QuILT Memory Care Program (MC)
- Weekly light housekeeping (MC)

### *Additional Fees*

Several services are available for an additional fee:

- Second occupant (IL, AL)
- Guest meals (IL, AL)
- Guest suite (IL, AL)
- Restaurant-style dining (IL)
- Barber and beauty shop (IL, AL)
- High-speed internet (IL, AL)
- Additional underground heated parking (IL)
- Additional storage (IL)

- Housekeeping (IL)
- Select personal home care services (IL)
- On-site emergency response (IL)
- Remote monitoring by the WellAWARE (IL)
- Access to personal care 24 hours a day (AL)
- Specialized nursing and therapy visits (AL)
- Laundry and linen services (AL, MC)
- Third meal option (AL)
- Additional housekeeping and maintenance services (AL)
- Individualized daily comfort checks (MC)
- Basic nail and foot care (MC)
- Monthly blood pressure and weight checks (MC)
- In-house escorts (MC)
- 24-hour on-site staffing by a home health aide (MC)
- Nurse-provided services (MC), including:
  - Liaison with health care professionals
  - Coordination of clinic appointments and hospital transfers
  - Maintenance of clinical records
  - Coordination of laboratory requests
  - Bimonthly review

## Phase III Construction Costs

Construction funds totaling \$34.4 million came from Series 2015 bond proceeds, equity and the Phase II project fund.

## Phase III Project Management

VOA forecasted that a total of 117.22 FTEs would be required to manage Phase III in 2017. Staffing levels were expected to rise to 132.54 FTEs by 2020. The average hourly wage was projected to be \$18.78 in 2017. Compensation was expected to increase to an average hourly rate of \$20.27 in 2020.

# Woodland Hill Senior Housing Project

Hudson, WI

## Overview

Woodland Hill is a senior housing project developed by Presbyterian Homes and Services (PHS) on approximately 12.4 acres in the city of Hudson, WI. The 276,000-square-foot project features 95 senior apartments, 46 assisted living units and 19 memory care units, as well as a medical suite that is leased to a tenant offering dialysis services. The site also allows for the future construction of a 50-bed skilled care center.

A two-story Town Center connects the residential units and offers residents a sense of community. The Town Center includes a commercial kitchen, independent and assisted dining rooms, library, café/bistro, wellness fitness center, theater, clubroom, hearth room, barber/beauty shop, general store, lobby and offices.

## Scope of the Project

Woodland Hill Senior Housing features three housing options: independent living (IL), assisted living (AL) and memory care (MC).

### *Independent Living (IL)*

The four-story apartment building features 95 senior apartments that range in size from 718 to 1,705 square feet and offer one or two bedrooms. Many apartments have a sunroom. Residents park in a heated, underground garage.

**Basic Features:** Each of the independent living apartments features individually controlled heat/air, fully equipped kitchens, washer and dryer, oak or maple cabinetry, and a private deck or patio.

**Targeted income:** Management estimates that prospective residents will have an annual pre-tax income (in 2016) of approximately:

- **\$32,900 or more**, based upon the monthly fee of the smallest one-bedroom apartment; or
- **\$50,100 or more**, based upon the weighted average monthly fee of the community's IL units.

### *Assisted Living and Memory Care*

The three-story AL building features 46 assisted living residences and 19 memory care apartments. Management anticipates that prospective AL and MC residents will be 75 years of age or older, live alone and require some assistance with activities of daily living and/or instrumental activities of daily living.

**Basic Features:** The assisted living residences are private apartments with individually controlled heat/air; kitchens with refrigerator, stove/oven, microwave and oak/maple cabinetry; and a bathroom with roll-in shower and grab bar. Studio, one-bedroom, and two-bedroom apartments range in size from 392 to 1,050 square feet.

**Targeted income:** Management assumes that prospective residents will have an annual pre-tax income (in 2016) of:

- **At least \$46,400**, or
- **\$25,000** or more if they own a home.

The building's first-floor memory care floor is designed as a neighborhood with central dining and activity/living areas. The other two assisted living floors are built along a corridor and feature dining in the Town Center dining room.

## Service Packages

Monthly service packages range in price, depending on the size of the residence and the scope of the service package. The weighted average for a monthly service fee is as follows:

- **Independent Living:** \$2,503
- **Assisted Living:** \$4,776 (\$3,622 monthly fee, plus an estimated \$1,154 in fees for additional services)
- **Memory care:** \$6,901 (\$3,889 monthly fee, plus an estimated \$3,012 in fees for additional services)

## *Services Included in the Monthly Rent*

The following amenities are included in the monthly rent for all residents:

- All utilities, including heat, electric, central air conditioning, water, sewer, trash, basic cable/satellite service and Wi-Fi internet access
- Meals, including continental breakfast (IL), two daily meals (AL) or three daily meals (MC)
- Scheduled transportation to shopping and outings
- Emergency call system
- Monitored smoke and carbon monoxide detectors
- Controlled-entry access
- Month-to-month residency agreement
- Apartment and building maintenance, including lawn and snow removal
- Property tax and building insurance
- Professional management
- Smoke-free environment
- Pet policy

Additional services are included in the monthly fee of residents, depending on where they live. Those services include:

- Priority access to other PHS housing and care options based upon availability (IL, AL)
- Complimentary use of laundry facilities (AL) or three loads of personal laundry per week (MC)

- Weekly housekeeping and linen change (AL)
- A third meal daily (MC)
- Secured and landscaped outdoor plaza area (MC)
- A program focusing on life skills, life enrichment and self-care (MC)

## *Additional Fees*

Several services are available for an additional fee:

- Phone service
- Guest meals
- Underground heated parking with indoor heated car wash bay (IL)
- Restaurant-style dining (IL)
- Availability of third daily meal (AL)
- Personal home care services (IL)
- Banking services (IL)
- Handyman services (IL)
- Housekeeping services (IL)
- Additional housekeeping (AL)
- Laundry service (AL)
- Access to around-the-clock personal care (AL, MC)
- Assistance arranging transportation to medical and social service appointments (AL)
- Assistance accessing community resources and social services (AL)

## Construction Costs

Construction funds totaling \$48 million came from Series 2014 bonds, equity contributions and investment earnings on trustee-held funds. As of Sept. 30, 2014, PHS has guaranteed \$4 million of debt for Woodland Hill.

## Project Management

PHS forecasted that a total of 25.99 FTEs would be required to manage Woodland Hills in 2016. Estimates for 2018 rise to 47.19 FTEs. Average hourly wage was projected to be \$16.76 in 2016, rising to \$17.37 in 2018.