

Creating Affordable Assisted Living: A Coming Home Case Study



Garden Place: Affordability with Distinction Providing Elders in Milwaukee, WI with a New Alternative

Developed by the Wisconsin Coming Home Program,
a partnership between:

- The Wisconsin Housing and Economic Development Authority
- The Wisconsin Department of Health and Family Services
- NCB Capital Impact
- The Robert Wood Johnson Foundation

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Creating Affordable Assisted Living: A Coming Home Case Study

This case study describes the development of Garden Place, one of the first apartment-style assisted living facilities in Wisconsin designed to serve a low- and moderate-income population, with a significant number of the project's residents funded through the Medicaid waiver program. An overview of this project's development, financing, and operations is provided here, with a full report (titled "Affordable Assisted Living Case Study: Garden Place Assisted Living") available at www.ncbcapitalimpact.org. We hope that telling the story of how one project was able to develop affordable assisted living will help public policy makers, developers, and/or potential project sponsors who are interested in the development of additional affordable assisted living projects.

Garden Place was developed under the Coming Home Program, an eight-state initiative created to expand the supply of affordable assisted living in rural and underserved communities. The vision of this program, as reflected in Garden Place, is to provide high-acuity models of assisted living with private apartments and 24-hour staff to seniors with modest incomes in affordable yet distinctive settings.

■ Project Overview

Garden Place is a new building licensed as a Residential Care Apartment Complex (RCAC) with 50 licensed assisted living units and 12 independent living units. Fifty-seven of the units are designated as affordable through Wisconsin's Low-Income Housing Tax Credit (LIHTC) Program, with 27 of the assisted living units targeted to Medicaid-eligible individuals. Garden Place is a stand-alone facility (i.e. not part of a larger campus), located in a residential neighborhood in northwest Milwaukee. The project is located in one of five counties served by Wisconsin's Family Care program, which provides an entitlement to Medicaid Waiver funding for home and community based care in a managed care environment.



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■ The Sponsoring Organization

SunStarr Real Estate Group, LLC, served as both the sponsoring organization and the developer of Garden Place. SunStarr and its affiliates have developed over 40 multi-family projects and have provided quality affordable housing for families and seniors under the Low-Income Housing Tax Credit program since 1995. SunStarr is committed to meeting the needs of the residents and communities they serve through innovation, quality and detail, bringing together a team of real estate professionals to develop projects with vision, value and distinction.

SunStarr developed Wisconsin's first Residential Care Apartment Complex under the LIHTC program. This 51-unit project, One Penny Place, opened in 2001 in Woodruff, Wisconsin, with 100% affordable units. The development of Garden Place built on SunStarr's experience with One Penny Place and utilized many of the same partners involved with this first project.

■ Building Design

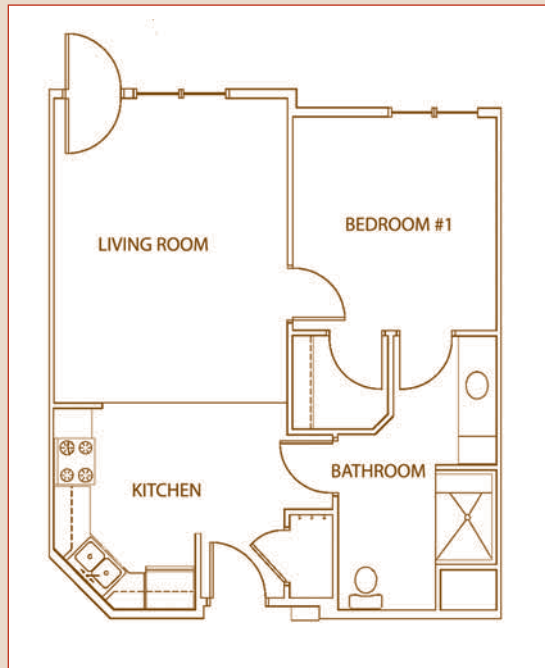
Garden Place is a three-story residential building configured in a "U", with the dining room overlooking a landscaped courtyard. The facility includes a mix of studio, one-bedroom, and two-bedroom units. Units range in size from 396 to 1,128 square feet. Each private apartment includes a full kitchen with a refrigerator, range, dishwasher and

microwave; walk-in closet; and a bathroom with a large roll-in shower. In addition, each unit has individually controlled heating and air conditioning, cable television and telephone availability, and a personal emergency response system.

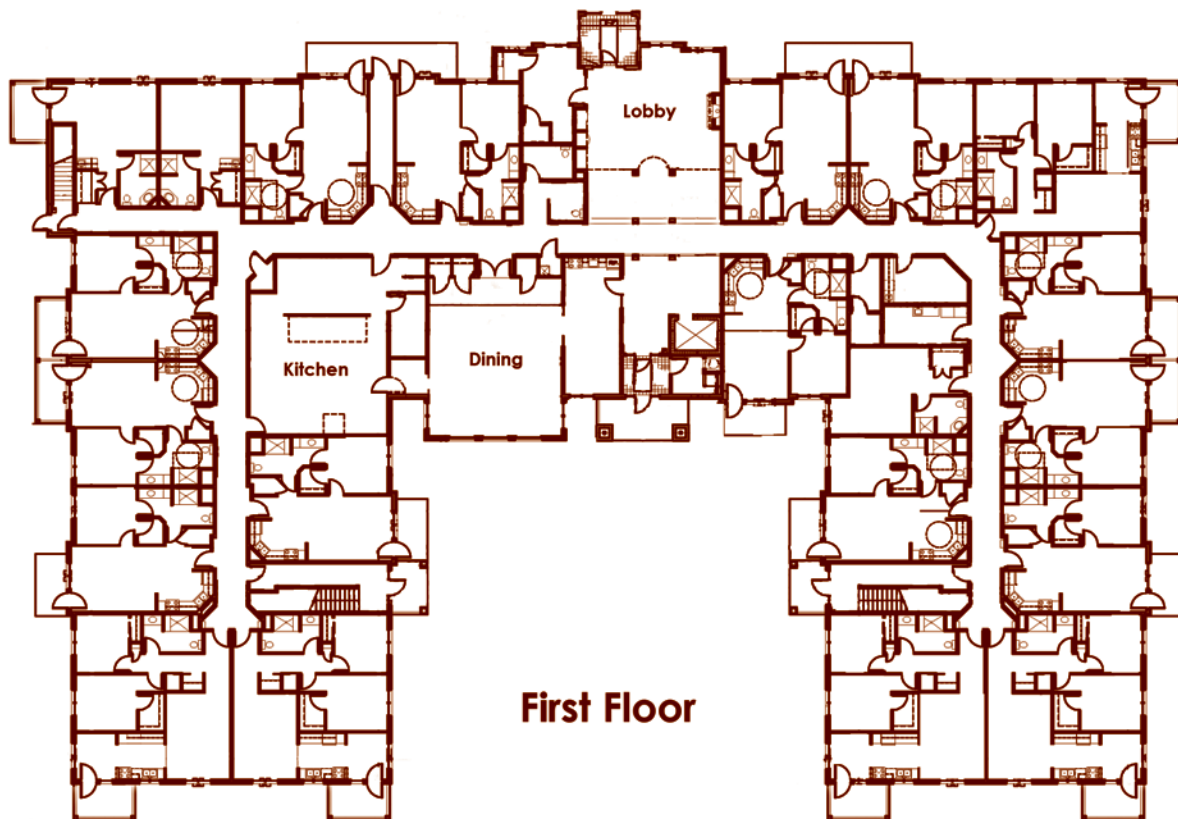
Common areas include a family room, fitness center, wellness clinic, library/technology space with two computers, and several sitting rooms. Other spaces include the main dining room that is also used for large group activities, a

beauty/barber shop, medication room, commercial kitchen, administrative offices, and laundry facilities located on each floor. According to Garden Place staff, the library is a popular spot where residents gather after meals, watching the activity in the entry way below, working on puzzles, and taking turns using the computers. The outdoor courtyard is also popular, particularly with residents who enjoy gardening.





One Bedroom Apartment
690 Square Feet*



First Floor

**Floor plans vary according to size.*



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■ Service Availability

The following services are available at Garden Place:

- Supportive services - meals, housekeeping in resident units, laundry services, and arranging access to medical services;
- Personal services - daily assistance with all activities of daily living including dressing, eating, bathing, grooming, toileting, transferring and ambulation or mobility; and
- Nursing services – health monitoring, medication administration, and medication management.

■ Fee Structure

The assisted living fees at Garden Place are based on a flat rate for a basic service package with additional services available on an a-la-carte basis. The basic service fee is \$1,178 for Medicaid clients and \$1,350 for private-pay clients. This service package includes weekly housekeeping and linen service, medication administration three times per day, three hours per week of personal assistance, RN health management, and participation in a wellness program.

Service fees for Medicaid clients are reimbursed by Wisconsin's Family Care program, with the remaining residents paying privately. In the Family Care program, Medicaid rates for assisted living are negotiated between the individual facility and the local managed care organization. The strong relationships that Garden Place (through SunStarr and the service provider) developed with the Milwaukee County Family Care program have been critical to the success of the project.

Residents pay a "market rate" monthly rental charge if their income is greater than 60% of the county median income (or \$28,200 per year). Rent charges for those with incomes below that level are discounted depending on the type of unit and whether their personal income falls below 30%, 40%, 50% or 60% of the county median income per rules established under the LIHTC program. All rent charges are paid directly by the residents.



■ Resident Profile

Ninety-one percent of all residents at Garden Place who are receiving assisted living services are Medicaid clients, with the remaining nine percent paying privately. Of the current assisted living residents, 61% have annual incomes less than \$14,999, 30% have incomes between \$15,000 and \$19,999, and 8% have incomes greater than \$20,000. To qualify for the Medicaid waiver program, residents must have been determined by the Family Care Program to be at a nursing home level of care. Of the current assisted living residents, 91% receive assistance with medications, 78% receive assistance with one or more Activity of Daily Living (ADL), and 26% receive assistance with 3 or more ADLs. Fifty-two percent of the current assisted living residents use a walker, 17% use a wheelchair, and 9% have a cart or a scooter. A number of Garden Place residents were successfully relocated from nursing homes.

■ Market Analysis

The market study completed for Garden Place evaluated the need for affordable assisted living in northwest Milwaukee. Market analyses conducted for assisted living projects are more complex than is typically required for independent senior housing. That is, the level of frailty in the service area population must be estimated, with different age, income and need criteria applied for each market segment that may be included in a project (e.g. the analyses for private pay residents would differ from that for Medicaid residents, as would the analyses for independent living, assisted living or memory care). Sample market study guidelines for affordable assisted living projects are available at www.ncbcapitalimpact.org. Market studies conducted for projects seeking LIHTCs in Wisconsin must follow WHEDA's market study guidelines, available at www.WHEDA.com.

■ Pre-Development Funding

Because of SunStarr's prior relationship with the equity investor for Garden Place, this firm was willing to provide a pre-development loan of \$600,000 for the project. This loan funded the purchase of the project's site, a market study, site work, WHEDA fees, and architectural design services. The project also received a \$15,000 pre-development grant through Wisconsin's Coming Home Program, which was used to refine operational projections and develop a staffing plan and personnel policies and procedures.

Other sources of predevelopment funds for affordable assisted living projects include sponsor equity, other regional or state-based sources of grant funding, and at-risk architectural fees. In addition, unsecured pre-development loans of up to \$100,000 are available through NCB Capital Impact to projects located in Coming Home states that serve at least 25% Medicaid-eligible residents.



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■ Financial Feasibility

Separate property and service projections were developed by SunStarr to address the LIHTC-related requirement that the property be shown to be financially viable if the services were no longer provided. Assistance in developing the service projections was provided by a consulting firm with extensive experience in the assisted living industry. This firm was instrumental in setting rates for the project, estimating appropriate staffing patterns, developing lease-up projections, and identifying the project's service provider.

SERVICE PROJECTIONS:	Average Per Month	Average Per Resident Per Month
Gross Revenue*:		
Private-Pay Residents	46,179	1,350.00
Family Care (i.e. Medicaid) Residents	36,130	1,300.00
Total Gross Revenue	82,309	n/a
Less 6.45% Vacancy	5,309	n/a
Net Revenue	77,000	n/a
Personnel Costs:		
Administration	4,167	71.84
Direct Care	18,132	312.63
Dining Services	8,753	150.91
Other	3,900	67.24
Taxes, Benefits, etc.	11,954	206.10
	46,905	808.71
Food Services:		
Raw Food	5,110	88.10
Other	2,518	43.42
	7,628	131.52
Resident Services:		
Healthcare Supplies	75	1.29
Housekeeping/Laundry Supplies	250	4.31
Resident Activities	150	2.59
	475	8.19
Administrative/Other:		
Office-Related Expenses	782	13.48
Advertising/Marketing	375	6.47
Staff Recruitment/Development	2,584	44.55
Liability Insurance	2,067	35.63
Professional and Management Fees	5,786	99.76
Miscellaneous	305	5.26
	11,898	205.14
Total	75,011	1,293.29
Net Operating Income	10,093	174.02

*These figures are based on pre-opening operating projections and therefore may not reflect actual operating revenue and expenses.

PROPERTY PROJECTIONS:	Average Per Unit Per Month	# Units	Total Per Month
Gross Rental Revenue:			37,520
Plus Manager's Unit	730	1	730
Less 6.5% Vacancy			-2,486
Net Rental Revenue			35,764
Garage Income	40	15	600
Other Income	60	57	3,420
Effective Gross Income			39,784
Personnel Costs:			
Administrative & Marketing	29		1,798
Personnel	63		3,906
Utilities	77		4,774
Operating & Maintenance	38		2,356
Property Management (@ 5.50%)	32		1,984
Property Taxes	71		4,402
Insurance	20		1,240
Audit and State Compliance	8		496
	338		20,956
Replacement Reserve	17		1,054
Total Operating Expenses	355		22,010
Net Operating Income			17,774
Debt Service			14,948
Cash Flow			2,826

■ Project Financing

Garden Place was financed with a blend of debt and equity investments, both public and private. WHEDA provided LIHTC's worth \$5,200,000 to the project, awarded under its competitive nine percent tax credit cycle. Debt financing was provided through Bank Mutual, with \$2.3 million financed at an interest rate of 6.77%, a term of 15 years, and a 30-year amortization.

Many affordable assisted living projects use a greater number of debt and equity sources than Garden Place required. Other funding sources typically used include loans from the Federal Home Loan Bank's Affordable Housing Program, U.S. Dept. of Housing and Urban Development HOME funds, grants from local or regional organizations, and deferred development fees. Some projects have also received financial support from public entities and state- or locally-funded supplements to Medicaid Waiver service payments.

PROJECT COSTS:

Land:	\$500,000
Construction Costs:	\$5,250,000
Furnishings:	\$250,000
Soft Costs and Developer Fee:	\$1,300,000
Reserves:	\$200,000
Total:	\$7,500,000

SOURCES OF FUNDS:

LIHTC Equity (Richman Group):	\$5,200,000
Conventional Debt (Bank Mutual):	\$2,300,000
Total:	\$7,500,000

■ Property and Service Management

At Garden Place, property and service management functions are performed by separate entities. The property manager is responsible for building maintenance, leasing activities, LIHTC compliance, and the collection of rent. The service provider holds the operating license, provides all personal and health-care services, and collects service payments. Separate budgets are maintained for the property and service functions. According to SunStarr, ongoing communication between all parties has been key to the project's success. Other affordable assisted living facilities (including SunStarr's first assisted living project) have one management firm overseeing both the property and service functions.

■ Lease-Up Experience

Marketing activities conducted for Garden Place have included networking with the Medicaid Waiver agency and other potential referral sources; advertising in a senior referral directory, a 50+

magazine, and the local yellow pages; a direct mail campaign; and holding "sneak peak" and grand opening events. The lease-up of the project is slightly ahead of schedule, although current residents include a greater number of independent residents than was originally envisioned due to the upfront marketing that was targeted at independent residents (to fill the non-licensed units).

■ Project Successes

SunStarr reports being pleased with the experience they have had with their first two assisted living projects, and have plans to develop additional affordable assisted living facilities. Garden Place was possible because of SunStarr's vision of "Affordability with Distinction", coupled with its development experience, network of

relationships, and ability to identify and involve key individuals who brought needed expertise to the project. As a result of this successful development, lower-income individuals who might otherwise be placed in nursing homes can receive the care they need in private apartments located in a quality residential setting.



The Coming Home Program: Making Affordable Assisted Living a Reality

Most families who have had a parent or grandparent in a nursing home know that people usually prefer residential alternatives to institutions when unable to remain at home. Unfortunately, with rates averaging more than \$100 per day, most assisted living facilities are not an affordable option for the majority of older Americans. The Coming Home Program was developed to fill this gap, creating high-acuity models of assisted living offering private apartments and 24-hour staff to serve seniors with modest incomes. With funding provided by the Robert Wood Johnson Foundation, NCB Capital Impact worked with nine states (AK, AR, FL, IA, MA, ME, VT, WA, and WI) through the Coming Home Program to expand the supply of affordable assisted living in underserved and rural areas.

Coming Home Program Accomplishments

Assistance provided by NCB Capital Impact has contributed to the development of more than 1,500 affordable assisted living units. Through the Coming Home Program, NCB Capital Impact has provided direct technical assistance to sponsoring organizations, access to pre-development loan funds, and extensive resource development (including feasibility analysis tools, development manuals and trainings, best practice guidelines, and underwriting training modules). In addition, NCB Capital Impact worked with states and federal agencies to implement or modify policies and programs essential to the creation of affordable assisted living facilities.

Wisconsin's Affordable Assisted Living Program

Wisconsin's Coming Home Program was a partnership between the Wisconsin Housing and Economic Development Authority (WHEDA) and the Department of Health and Family Services (DHFS), with assistance provided by NCB Capital Impact. Wisconsin's Affordable Assisted Living Program fostered a supportive policy environment for the creation of affordable assisted living, provided technical assistance to demonstration projects through consultation and conferences, and supported the development of a feasibility analysis manual, best practice guidelines, a state-specific financial feasibility tool, and a web site dedicated to affordable assisted living.



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