Progress Reports and Articles

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New Edition of the Consumer Guide

Great news to report: the Second Edition of WACCRA's Consumer Guide to Continuing Care Retirement Communities in Washington State was released on September 27. Since debut of the initial edition, we've received so many expressions of thanks. The document is helpful to anyone interested in senior housing opportunities and CCRCs in particular.

Items were discovered within the original document that lacked clarity or were in error. We thank our many readers for their comments and insights and give special thanks to Sally Soest, the editor of this significant effort, for her unwavering pursuit of excellence. Also, we want to recognize LeadingAge (LA), their Executive Director, their staff, and Board Members, who meticulously reviewed the document. LA represents the owners and managers of CCRCs and certainly know the rules and

regulations. We thank them for sharing their expertise.

To download the new edition, you can find it on the WACCRA website: www.waccra.com. A paper copy is also available for $5.00. Let me know if you want to purchase a copy, and I will put you on the order list. I can be reached at donna.kristaponis@gmail.com. You might want to consider ordering multiple copies to give to your friends considering a move to a CCRC.

WACCRA/Leading Age Mediation

During their two-day September road trip, the Washington State Senate Committee on Health and Long Term Care (Committee) visited four CCRCs. LeadingAge, the owners and managers of CCRCs, organized and attended the CCRC tours. The first day they met with management and residents at Judson Park, Tacoma Lutheran, and Heron's Key. The second day, the Committee met with Emerald Heights management and, then, with approximately150 members of WACCRA.

As a result of the visits and dialog, the Committee Chairman Senator Annette Cleveland requested mediation between WACCRA and LeadingAge to determine where we might be able to reach agreement on our concerns. The first session was held in Tacoma at the Center for Dialog and Resolution and led by its Director and staff. We convened on November 6th for four hours.

After setting ground rules and talking about expected outcomes, we identified and rank-ordered problems and, then, began working through the list. Up first was the identification of CCRC types. This was done because of concern that WACCRA shouldn't seek one-size-fits-all legislation. Most everyone understood the differences, but there were clarifications during the discussion.

Second, we discussed the first problem identified by LeadingAge: to understand why only legislation is acceptable to WACCRA to address our concerns. Our response was that we do not believe that all problems need to be resolved by legislation, however, we hadn't been given any alternative. One example we gave was to improve awareness and communication between management and residents. We recommended that a small group of directors and residents define what and how issues should come forward to residents for discussion and recommendation before management and/or

the board of directors promulgate major decisions or new policies. This process appears to be acceptable to both parties. WACCRA's presumption is that WACCRA and LeadingAge will discuss, tweak as needed, and concur with the recommendations, which would then be implemented at all CCRCs. If not, we will continue to seek resolution.

That discussion provided a good segue into what WACCRA representatives identified as a priority: how to resolve conflicts between management and residents, since most resident contracts provide only for dialog or arbitration. There was lengthy discussion to identify the types of conflict and the potential mechanisms for resolution. The next steps to be taken are to identify the scope of the problem and to determine what resources are available to educate and advocate for residents.

These are the only items we were able to discuss due to the four-hour time limit, and thank heaven the limit was established! The mediation is tentatively scheduled to begin again on December 6 and continue on December 17.

CCRC Survey Results

Recently, WACCRA members were asked to participate in a survey to determine the most important issues to pursue in the 2020 Legislative Session. Every other year, the Legislature has an abbreviated session, only 60 days, which could limit our success to gain all of what we need. Because 2020 is one of the short sessions, it's important to pursue what our members want most.

Here are the five things we asked you to consider in the order of your preferences. Note the tie between the last two.
24% - Decision-making by CCRC management should allow residents to have advance input prior to decisions being made that are important to their health, welfare, and financial well-being.
22% - An ombuds program for residents in independent living to help resolve management/resident disputes;
21% - Reimbursement to a resident's heirs or assignees should occur within two years of the resident's move or death;
16% - Disclose the actuarial study with assumptions for any CCRC which has obtained one. This will help residents with financial expertise to determine the long-

range financial health of the CCRC;
16% - Management fees should be for the direct and indirect benefit of the CCRC and disclosures about these fees should be required from management;

Thanks for all of you who responded so quickly. The results are closely clustered and suggest that each of our concerns share broad support. I think it's important to remember that if any of these items can be achieved without legislation, we will proceed in that direction. Please note that the survey results helped guide the mediation priorities.

WACCRA's Annual Meeting

The WACCRA Annual Meeting with be Saturday, March 7 at 10:00. This date works best for our outstanding keynote speaker: Professor Katherine C. Pearson, Professor of Law, Arthur L. and Sandra S. Piccone Faculty Scholar, Dickenson Law, Pennsylvania State University. Professor Pearson is considered the preeminent expert on CCRC law in the country. More news will be forthcoming on the location.

New Articles on Senior Housing

This week both the Wall Street Journal and the New York Times have featured articles on senior housing. Also included is an article from Senior Housing News about the need to reinvest in older senior housing projects to keep them competitive. They are reprinted here to keep you up to date on currents in the senior housing sector.

The Wall Street Journal: "Boomers Want to Stay Home. Senior Housing Now Faces Budding Glut."
Aging-in-place technology trend poses challenge to builders of living facilities for elderly
By Peter Grant, updated Nov. 12, 2019 5:07 pm ET
The rise of technologies that help the elderly stay in their homes threatens to upend one of commercial real estate's biggest bets: Aging baby boomers will leave their residences in droves for senior housing.

Developers and senior-housing companies have spent billions of dollars over the past five years to build facilities that provide housing, food, medical care and assistance for the elderly.

While these properties have been filling up with people born during the Depression or World War II era, real-estate investors are eagerly eyeing the massive baby-boomer generation: 72 million people born between 1946 and 1964, or about one in five Americans. Their needs would require hundreds of thousands of new units, if previous demand patterns persist.

But this wager on elderly care is falling short of expectations, and there are concerns that it could become one of the biggest real-estate miscalculations in recent memory, some analysts suggest.

That is in part because venture capital and other companies are expected to invest about $1 billion this year in these and other aging-in-place" technologies that are starting to enable seniors to enjoy similar living standards and access to care in their own homes.

That is about double the amount investors spent three years ago, according to 4Gen Ventures, a new venture-capital company focusing on such startups.

New products and services include sensors that respond to a range of medical conditions, facial recognition for identifying visitors and houses with malleable fixtures that can be adjusted as residents age.

Driving these efforts is the belief that seniors would prefer to remain at home near their families and friends than live among others their own age or older. "People don't want to go to a place where there's only a bunch of other old people," said James Crispino, head of health and wellness at design firm Gensler.

Senior-housing developers added 21,332 new units in 2018—more than double the number added in 2014, according to the National Investment Center for Seniors Housing and Care, or NIC, an industry organization.

That has made senior housing one of the fastest-growing commercial real-estate sectors, ahead of office, retail, hotels and apartments, according to Green Street

Advisors, a real-estate research firm.

Development is expected to accelerate because in about one decade, boomers will start reaching their mid-80s, the typical move-in age for senior housing. New senior housing is expected to hit 3.5% in 2023 of the total supply, compared with 3.2% this year and 2.5% in 2015, Green Street said in a report.

Occupancy is still strong but has been ebbing and could fall further as more facilities come to market. Senior-housing occupancy rates dropped in the third quarter of 2019 to 88% compared with 90.2% in the fourth quarter of 2014, according to NIC.

Some companies specializing in senior housing are suffering. Shares of Ventas Inc., a big health-care real-estate investment trust, fell close to 9% one day last month after it said the occupancy rate of its senior-housing communities declined for the 17th straight quarter, on a year-to-year comparison basis.

Moreover, the average age that people enter senior housing has been rising, partly because of improving health. It is about 84 to 85 years today, compared with 82 one decade ago, according to Green Street analyst Lukas Hartwich.

Senior housing isn't about to go away. It remains a compelling option for people with medical problems, loneliness and the need for assistance in eating, shopping and other daily activities.

But the new aging-in-place movement could undercut demand further. If seniors are able to stay at home later in life, "that could drain away the younger new customers for senior living," said Dominic Endicott, co-founder of 4Gen Ventures. "Then your base population is older and you're even less attractive to younger seniors."

Aging-in-place advocates think innovations will make it easier for seniors living at home to be less dependent on others.

One startup, LifePod Solutions Inc., is launching this month a new voice-recognition service that initiates conversations with seniors about their health or their plans for the day, makes suggestions and then sends caregivers alerts depending on their responses.

Design firm Gensler is looking at ways to create homes with features like height-

adjustable bathroom sinks and living rooms that can easily convert into bedrooms and cabinets that enable people to see what is inside of them with the touch of a hand.

U.K. developer Tolent Construction Ltd. is planning to break ground early next year on South Seaham Garden Village, a 1,500 home and mixed-use development south of Sunderland, in the Newcastle region. The homes will include cutting-edge sensors and other technology so that seniors can live next to families and younger single people.

Three hundred of the homes will be for people over 55 years old. South Seaham Garden will also have a village square, health center and 20,000 square feet of office space for startups and others studying new technology to help seniors age in place.

"You're discouraging social isolation because you've designed the development in a way that brings people together," said Hugh Daglish, associate urban designer at IDPartnership, the architecture firm working on the South Seaham Garden development.

Senior-housing companies said their facilities have a lot to offer that technology can't match.

"Loneliness has a negative impact that can't be solved by technology," said Cindy Baier, chief executive of Brookdale Senior Living Inc., which owns and manages about 800 senior-housing communities.

Other senior-housing developers are trying to modernize their services. PGIM Real Estate, which has $1.6 billion invested in the senior-housing sector, has been buying and developing properties that include new amenities like pools, gyms and cafes.

"We're seeing rapid evolution of the product," said Steve Blazejewski, managing director of PGIM Real Estate.

The New York Times: "A Retirement Community That Comes to You."
In continuing care at-home programs, members live in their own houses for years, with regular health check-ins.
By Paula Span, published Nov. 8, 2019, updated Nov. 10, 2019.

Carole Ann Basso had spent years tending to her ailing parents and disabled husband; at one point, all three were receiving hospice care in her northern New Jersey home.

"It was so incredibly stressful," recalled Ms. Basso, a retired high school history teacher. "I didn't want to give my children that craziness."

So when she relocated to the small bayside town of Lewes, Del., in 2012, after her parents' and husband's deaths, her own future weighed on her mind. At 69, Ms. Basso had a long-term care insurance policy and a modest pension, but scant savings, which had prompted her move to a lower-cost region.

She wondered, "How am I going to take care of myself?"

In Lewes, she heard about another option in long-term care offered by a few pioneering continuing care retirement communities: a C.C.R.C. without walls.

Typically, a C.C.R.C. operates a complex or campus where residents shift from independent living to assisted living, a memory-care unit or a nursing home if their health and mobility decline.

But in continuing care at-home programs, members essentially spend the independent living years in their own houses.

In 2015, Ms. Basso joined a program called Springpoint Choice that allows her to stay in her comfortable ranch house with an also-aging English setter named Princess Leia. Diane Willoughby, her "care navigator," checks in regularly to monitor her needs.

With luck, Ms. Basso, now 76, may remain in her home for years — or for good. If she eventually requires help with bathing, dressing or other so-called activities of daily living, the program will provide home aides.

If she can no longer live safely at home, Ms. Basso can move onto the campus of The Moorings at Lewes, the affiliated continuing care retirement community a few blocks away. Her one-time entrance fee and monthly fees will cover her long-term care costs, at home or on campus, while Medicare and her supplemental insurance pay for

medical care.

“It gives you a feeling of security,” Ms. Basso said.

Though some at-home programs date to the 1990s, there are still very few. Across the country, nearly 2000 C.C.R.C.’s, mostly nonprofits, serve about 745,000 residents. Only 32, in about a dozen states, have added at-home programs.

But more senior living organizations are considering this approach, a possible answer to a perpetual conflict: Older Americans are very likely to need long-term care, but often loathe the thought of leaving their homes.

“Most people want to age successfully in place; they don’t want to transition to a community,” said Kevin Ahmadi, who heads Senior Choice at Home, connected to Gulf Coast Village, a C.C.R.C. in Cape Coral, Fla. “We believe there’s a strong future for at-home programs.”

To enroll, applicants must provide years of medical records and extensive financial documents showing that they’re healthy and can afford the fees. Progressive neurological diseases, like dementia or Parkinson’s disease, will disqualify applicants.

“We assume they won’t be needing any services for at least five years,” said Cecily Laidman, executive director of Springpoint Choice. But that need could arise in 15 years or the next month.

Such programs work financially, Ms. Laidman said, because many members enroll in their 70s, instead of waiting to move to a community in their 80s. They’re paying into the program for a longer period than if they had moved into a facility, allowing the programs to invest for members’ later years, when they’re more apt to need care.

Traditional C.C.R.C’s operate under an assortment of contractual arrangements. Some have high buy-in fees, refundable to varying degrees after a resident’s death; others function more like rentals. Depending on luxury and geography, they tend to serve seniors who are financially comfortable.

Often, residents sell their houses to pay entrance fees that average $107,000 to $427,000, according to a report from LeadingAge, the trade association representing

nonprofit senior care providers. (LeadingAge has rebranded these entities “life plan communities.”) Monthly fees range from $2,100 to $4,200.

“It’s a great solution for people who either have means or good retirement plans, some wealth built up,” said Ruth Katz, senior vice president of public policy and advocacy at LeadingAge.

So far, the at-home programs carry lower price tags, though members still pay for housing and other living costs. At Senior Choice at Home in Florida, Mr. Ahmadi said, a 75-year-old would probably pay $55,000 to $60,000 in entrance fees and about $525 a month.

At Springpoint Choice, which has about 270 members in New Jersey and Delaware, initial fees run $30,000 to $65,000, with monthly charges of $300 to $500. All the fees are tax deductible.

“If in a year they have a life-changing event, they could be paying $400 a month for skilled nursing, which on the East Coast typically costs $13,000 a month,” Ms. Laidman said.

Ms. Basso joined Springpoint Choice at a bargain rate. Because she has good long-term care insurance, her entrance fee was a discounted $25,790; she paid it with the sale of her New Jersey house and her parents’ condo. Her $128 monthly fee has since increased to $146.

She needed help far sooner than anyone had foreseen. Months after signing her contract, she had open-heart surgery at Johns Hopkins, followed by two weeks in intensive care.

Ms. Basso then spent five weeks in rehab at The Moorings, doing physical therapy twice each day, with daily visits from Ms. Willoughby, her care navigator. Finally strong enough to go home, Ms. Basso still needed an aide for three weeks to help with shopping, laundry and meals.

“They took total care of me, and I never had to pay one cent beyond my monthly fee,” said Ms. Basso, now back to her independent life. “I’m not as agile as I was, but my

goodness, I'm blessed."

She's also discovering another advantage to a C.C.R.C. without walls: Members are encouraged to join community trips, participate in activities, use the campus gyms and pools and get to know residents and staff.

"They're connected," Mr. Ahmadi said of at-home members. In his program, one woman changed her mind and, at 86, left her home to move into Gulf Coast Village with her newfound friends.

Though the number of continuing care retirement communities is once again growing, after taking a hit during the recession, it's unclear whether at-home options will gain popularity. Some state regulations won't allow them, so advocates are working to amend the laws, as has happened in Florida.

And these communities have to explain how it all works to prospective members. "Educating the public is probably the biggest challenge we have," Ms. Laidman said.

Moreover, the at-home versions don't provide all the services — like scheduled transportation, meals and housekeeping — that members would have if they moved onto a campus.

But at-home arrangements may be more appealing to those older adults — not a paltry number — who vow that the only way they're leaving their home is feet-first.

With an aging population, "the bottom line is, we're going to need lots and lots of long-term care options," Ms. Katz said. "We need to be experimenting and finding new models, and this is one more."

Senior Housing News: "Older Senior Housing Properties Show Strong Occupancy But Investments Needed."

By Chuck Sudo, November 13, 2019.

Conventional wisdom states that consumers are attracted to shiny new senior housing product that has flooded certain markets in recent years, putting older properties at a disadvantage and eroding their occupancy.

This is not necessarily the case, as statistics show that top-performing senior housing

properties tend to be between 10 and 17 years old. However, the data also show that U.S. senior housing properties in primary markets are on average are 21 years old. (Editor's Note: the Seattle and Portland markets average 24 years old.) This is past those years of prime performance, lending credence to concerns that obsolete buildings — perhaps even more than oversupply — are a major problem facing the industry.

Given the combination of aging stock and increased new development, it's increasingly crucial that capital expenditures are made in a timely way and that communities take larger repositioning projects or even find alternative uses for aging buildings.

The good news is that the current financing environment is favorable for these types of projects, but the bad news is that too many communities — particularly nonprofits that have served their markets well for many decades — may still be dragging their feet.

Buildings, markets maturing in tandem

There is a relationship between a building's age and the maturity of its market, National Investment Center for Seniors Housing & Care (NIC) Senior Principal Lana Peck told Senior Housing News. The average age of senior housing stock in the 31 primary markets tracked by NIC was 21 years in the third quarter of 2019. Buildings between 10 and 17 years old are in peak ranges for peak occupancy and performance, Peck noted.

The exact reasons for this are various, but it's likely that the first couple years are focused on lease-up, followed by a period where providers are still getting their feet on the ground and building a reputation in the neighborhood. Then, they hit their stride.

"[Buildings] between 10 and 17 years have built up [operational and staff] efficiencies to keep resident satisfaction high and word of mouth good," Peck said. NIC's data also found that younger markets with occupancy pressures such as Houston, Atlanta, Las Vegas and Denver also have some of the highest levels of new inventory growth. In these markets, such as Houston, it is actually the newer inventory dragging down the overall occupancy numbers, Peck noted in a NIC Notes

post on Wednesday.

The data suggests that a lack of new supply allows developers and communities to meet market demand without having to invest in wholesale renovations. As new inventory comes online in mature markets, however, communities with available resources should be able to maintain occupancy if they are proactive and strategic in how they invest CapEx and reposition their properties.

Casa de Las Campanas is one example. This continuing care retirement community in Rancho Bernardo, California, received its first move-ins in the mid-1980s and was the only community of its kind in its market near San Diego for nearly 20 years. Indeed, San Diego is one of the oldest senior housing markets in the country in terms of the average age of its properties.

Five years ago, the Casa de Las Campanas board decided it needed to reposition the community in order to compete with new competition in the market and enlisted LCS Development to help draft a master plan to update its campus and maintain its share in the market, LCS Development Senior Vice President/Director of Project Development Ted MacBeth told SHN. The Des Moines, Iowa-based developer is part of Life Care Services, Casa de Las Campanas' longtime operator. Members of the community's board initially approached LCS about ways to reposition the campus during a retreat.
"[The board were] concerned about emerging competition and felt the community was showing its age. They asked us to conduct a master plan so that it could maintain its relevancy in the market," he said.

LCS Development's assessment of Casa de Las Campanas' campus determined several issues. Amenities were modest, poorly situated and outdated to meet demand. The community was built into a hill — units and common areas faced inward, away from natural light . The original health center was antiquated and undersized to meet the modern needs of its residents. And there was no purpose-built assisted living; independent units were converted into assisted living over the years but were inadequate to meet the needs of residents.

LCS Development crafted a four-phase redevelopment plan for Casa de Las Campanas, Project Development Manager Ross Nichols told SHN. The first phase, now completed, involved relocating the salon and art room near the community's

entrance, tearing down a bank teller office, and building a bistro in their place. The bank teller was replaced with a more convenient ATM, and an antiquated convenience store was into the bistro, offering a la carte services.

This allowed LCS to integrate the spaces, create new communal space for seating and congregation, and allow natural light to enter.

“[Casa de Las Campanas] were doing a good job of maintaining what they had. They weren’t replacing what they had,” Nichols said.

The second phase of repositioning — the construction of a new health center on the former site of staff parking — is nearing completion. It will include 72 units, most of them private. Phase III involves razing the old health center and building a new five-story mixed-use building including 50 independent living units, 44 assisted living units and 22 memory care units, along with a library, theater, multipurpose space and resident lounges.

Not all boards are as attuned to market conditions, Cain Brothers Managing Director Bill Pomeranz told SHN. The New York City-based investment bank advises, and provides debt and equity to, nonprofit and for-profit long-term care providers and developers.

Pomeranz sees nonprofit providers, in particular, lagging behind their for-profit counterparts in developing repositioning plans.

“Our experience that there is a number of [nonprofit communities] that are older and antiquated, thinking those are still high-end, middle class-sites when they aren’t. Now they are struggling to stay competitive with obsolete product,” he said.

No risk incentive

The view is emblematic of the larger pattern within the nonprofit space to explore new markets to build, or to reinvent their existing communities, which Pomeranz classifies as a lack of incentive for risk on the part of boards and CEOs.

“A board doesn’t reward you to take a risk if you’re a CEO. Many CEOs feel this is the best job they’ll get and why shake things up,” he said.

Last month, Cain Brothers and Chicago-based health care industry consultant 4Sight Health published a report exploring how developers and providers can repurpose tired and underperforming long-term care facilities into new uses, notably affordable housing.

As advancements in home health care allow seniors to age in place more gracefully in their homes, affordable housing is one option providers should consider, 4Sight Health CEO David Johnson told SHN. This proposal ties into the fact that components of the CCRC model such as skilled nursing are ripe for repositioning. This product was built to meet a specific need in target markets that is no longer there, as a result of demographic shifts. Yet the demand for middle-market and affordable housing will continue to grow, and there is an opportunity to repurpose underused buildings to meet that demand.

The problem is particularly acute with faith-based providers.

“A SNF was built to serve a specific population that is now gone. The religious basis is not there,” Johnson said.

Favorable lending environment

Nonprofits’ aversion to risk — and repositioning communities to meet greater, future need — comes amidst one of the most favorable lending environments in recent memory. Well capitalized providers are well-positioned to take advantage of the lending environment but are not, Pomeranz told SHN.

A contributing factor to this is investment banks promoting favorable credit ratings because it is easier to sell debt. For-profit providers and developers can move forward with repositionings while only having weeks of cash reserves on hand in the event of an operational downturn. Nonprofits, on the other hand, may be sitting on a year or more of cash reserves.

Pomeranz believes well capitalized, multi-site nonprofit providers should entertain alternatives to bond financing to fund repositionings of lesser performing segments, such as agency debt, and deploy the tax-exempt financing to the well-performing segments.

“So many nonprofits are addicted to tax-exempt debt,” he said.

Placing agency debt on non-core product allows for more upward cash flow and the flexibility to do more creative things with mid-performing properties. The cash-to-debt ratios of agency tronches are split between parent organization and the facilities that don't have those applied to them.

"Nonprofits need to think about their balance sheets differently," Pomeranz said.

CCRCs, particularly in more urban infill locations, may be able to access other funding mechanisms such as low income housing and new market tax credits. But the market for these credits is competitive, and some states like California provide density bonuses for senior housing renovations, compared to a pure multifamily development.

Opportunity zones are another option, and inventive developers will find ways to leverage their redevelopments to tap into these funds as the guidance for opportunity zone funds evolves, Johnson said.

"It's a way for the cities creating the zones to make neighborhoods more vibrant. Each project and neighborhood is specific," he said.

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