



**CAMPUS IMPROVEMENTS TO
MAXIMIZE FINANCIAL
PERFORMANCE**
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Presenters

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Experienced professionals in over 100 senior living projects

- 25+ CCRCs
- 35+ Assisted Livings
- 25+ Memory Support Projects
- 35+ Skilled Nursing Homes



INDUSTRY TRENDS

- **Demographics/Economics**
 - Leading Age of Baby Boomers is 74 in 2020 – The wave is almost here
 - Demand is expected to outpace supply through 2040
- **Market Expectations**
 - Baby Boomers want flexibility and choice aligned with lifestyles
 - Senior living options without nursing care are appealing
- **State of Physical Plants**
 - Average age of nursing facilities is over 35 years
- **Regulations**
 - Increasingly significant unfunded liabilities created for providers



INDUSTRY TRENDS

- **Changing Business Models**
 - Increased consolidation to increase economies of scale
 - Strong Entities Merge to increase quality of service
 - Life Plan Communities are replacing CCRC's
 - LPCs may not have a nursing component
 - Referral sources are narrowing their post-acute network of providers
- **Staffing**
 - Providers ability to pay is decreasing, recruitment is difficult
 - Millennial generation is more focused on being cared for vs. caring for others
 - 90% of Millennials feel they will be better off than their parents.
 - 40% live in their parents homes.



INDUSTRY TRENDS

- **Reimbursement/Funding**
 - Medicaid Loss Per Patient Per Day
 - Iowa: 2015 - \$15.94; 2017 – (\$19.45)
 - Nebraska: 2015 - \$34.34; 2017 – (\$36.07)
 - Average Annual Reimbursement Changes
 - Medicaid: 1.6%
 - Medicare: (.4%)
 - Private Pay: 1.8%
 - Migration to least cost senior environments (Nursing>AL>IL with services)
 - Baby Boomers have insufficient assets for Market/Private Rate housing and care
 - Average net worth has fallen since 2007
 - 40% have no retirement savings



PROVIDER CHALLENGES/OPPORTUNITIES



- Increasing and continually changing regulations (ACA, CMS)
- Changing resident and family expectations
 - Consumer choice of products, services
- Continued aging of existing facilities Staff retention and recruitment
- Capability to provide specialized care (Dementia, Rehabilitation, Hospice, Bariatric, Vent)
- Emerging technologies
- Financial viability if maintaining status quo



Facility and Campus Improvements

- **Renovation vs. New Construction**
 - Driving force behind renovations
 - Move toward residential vs. institutional environments
 - Households vs. double loaded corridors
 - Competition/Marketability
 - Expansion/Change of Services Lines
 - Memory Care
 - Medicare/Rehabilitation
 - Add AL and IL with Services with reductions in Nursing Beds



Facility and Campus Improvements

- **Renovation vs. New Construction**
 - Key Improvement Components to Focus On
 - Addition of Multipurpose/Activity Space
 - Upgrade Finishes
 - Improvement of Staff Site Lines and Efficiency
 - Increase resident privacy and dignity
 - Increase size of resident bathrooms, add European Showers
 - Households with Country Kitchens with Living and Dining Areas
 - Increase open concept
 - Improve natural lighting



Facility and Campus Improvements

- **Renovation vs. New Construction**

- Interior Improvements

- Residential in Nature
 - Comparable to Residential Homes
 - Opulence does not sell, Impression of overly expensive

- Age of Facility (Rule of 50s)

- Tipping Point is approximately 50 years
 - Obsolescence of Building Systems (Heating, Electrical, Plumbing)
 - Building Envelope is Compromised
 - Marketability Erosion vs. Newer Competition
 - When remodeling is 50% or more of new construction cost



Facility and Campus Improvements

- **Renovation vs. New Construction**

- Increasing Staffing Efficiencies

- Existing Facilities are often T, X, or L layouts with dead end corridors
 - Add connector to building wings to create more efficient travel for staff members and create interior courtyards
 - » Accomplished staff efficiency and marketability
 - » Ability to introduce household spaces

- Decentralize nursing stations, med rooms, charting stations.
 - Add advanced technologies including new nurse call systems with
 - Design for Universal Care Giving



Facility and Campus Improvements

• Renovation vs. New Construction

– Current Cost Ranges for New Construction

- Nursing Homes \$170 to \$190 per square foot
 - Add \$40 to \$50 per s.f. for Site, FF&E, and Soft Costs
- High Acuity Assisted Living
 - Deduct \$10 to \$15 per square foot from Nursing Home Costs
- Assisted Living Apartments \$135 to \$165 per square foot
 - Add \$20 to \$25 per s.f. for Site, FF&E, and Soft Costs
- Senior IL Apartments \$125 to \$150 per square foot
 - Add \$20 to \$25 per s.f. for Site, FF&E, and Soft Costs

– Current Cost Ranges for Remodeling

- \$35 per s.f. to \$120 per s.f.

– Current Construction Inflation is between 4% and 6% annually



Affordable Housing: "Quiet Crisis"

SUMMARY OF SUPPLY AND DEMAND FOR THE NEENAH MARKET AREA VALLEY VNA SENIOR SERVICES, NEENAH, WISCONSIN 2018							
	SUMMARY OF SUPPLY AND DEMAND FOR THE MARKET AREA			SUMMARY OF SUPPLY AND DEMAND FOR INDIVIDUALS FROM THE MARKET AREA AND FROM OUTSIDE THE MARKET AREA			UNMET DEMAND OR (EXCESS)
	Demand For the Market Area	Number of Units Serving the Market Area	Additional Demand (Oversupply) To Serve the Market Area	Additional Demand To Serve Individuals Outside the Market Area	Demand For the Market Area and Outside the Market Area ¹	Number of Units Operating Within the Market Area	
Nursing Home at 3.1% Demand ²	852	628	224	284	1,136	897	239
Intensive Assisted Living - Market Rate (CBRF)	223	381	(158)	74	298	300	(2)
Intensive Assisted Living - Subsidized (CBRF)	247	311	(64)	82	329	98	231
Memory Loss Assisted Living - Market Rate	108	70	38	36	144	100	44
Memory Loss Assisted Living - Subsidized	196	19	177	65	261	27	234
Independent Congregate Housing With Services - Market Rate (RCAC)	337	359	(22)	112	449	513	(64)

¹ The demand assumes 75 percent of the total units will be filled by persons from the market area and an additional 25 percent will be filled by persons from outside of the market area.

² Nursing Home demand reflects the 3.1 percent utilization rate, which is the lowest anticipated percent of the senior population (65+) who will need nursing home beds at any given time when other housing options are available.

³ Only market rate was considered; most persons who are relatively independent will not qualify for Family Care and are more likely to have sufficient funds; otherwise, they will be eligible for subsidized funds



Affordable Housing: "Quiet Crisis"

- Affordable Housing Market
 - Lack of Affordable Housing is a "Quiet Crisis" or more often referred to a "Demographic Time Bomb"
 - National and Local Demand is significant
 - Needs to assure Resident Access to High Quality Services and Environment and the ability to Age In Place
 - Alignment with Mission Driven Priorities
 - Financially Attractive to Providers



Affordable Housing Conversions

- Iowa Finance Authority/Nebraska Investment Finance Authority through Tax Reform Act of 1986: Housing Tax Credits
 - Benefits
 - Sell non-performing, market rate IL and AL apartment units to new partnership.
 - Selling provider will be Managing Member and maintains control
 - Units will receive high quality renovation with no cost to the Provider
 - Provider will receive an management fee for management of the units
 - Ownership reverts back to Provider in 15 years at a cost of \$1.
 - Housing Tax Credit Process
 - Engage Tax Credit Consultant
 - Perform a Preliminary Feasibility Study to determine potential for Award
 - Proceed with Application Process
 - Competitive Process
 - Resident Income Restriction : 30% to 60% Area Median Income (AMI)

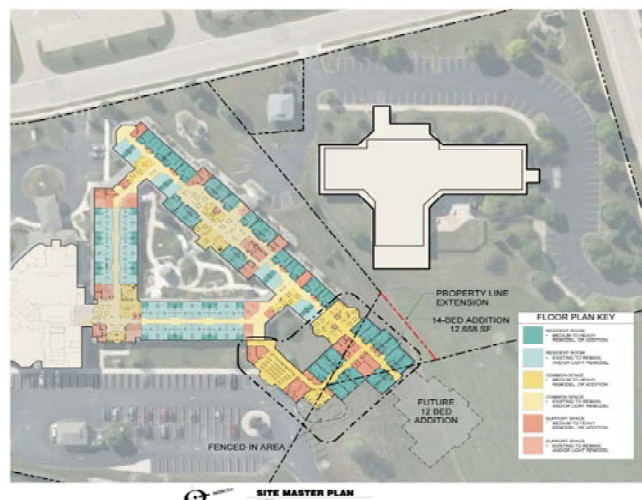


Case Study: Valley VNA Assisted Living

- Main Goal: Maintain Competitiveness and Marketability
 - Related Improvements
 - Existing Building Remodeling
 - Increase Size of Existing Units
 - Increase Open Spaces and Natural Light
 - Increase Site Lines for Staff Members
 - New Lighter Finishes to replace Outdated Dark Interiors
 - Add Private European Showers
 - Establish Household Designs with Residential Living Spaces
 - New Construction
 - Add Memory Care Focused Household
 - Add Multi-Purpose Room
 - Add Namaste Room for Memory Care



Case Studies: Valley VNA Assisted Living



Case Studies: Valley VNA Assisted Living



Case Studies: Valley VNA Assisted Living



Case Studies: Valley VNA Assisted Living



Case Studies: Valley VNA Assisted Living

• Financial Information

- Date of Original Construction: 1996 (23 Years Old)
- Construction Comparison Budget
 - Remodel and New
 - 35,698 s.f. of Extensive Remodeling
 - 12,658 s.f. of New Construction
 - 48,356 s.f. of Total Construction
 - Total Budget: \$5,396,000 or \$112 per square foot
 - Replacement Facility
 - 48,356 s.f. of New Construction
 - Total Budget: \$10,928,000 or \$226 per square foot
- Projected Financial Performance
 - Baseline EBIDA: 2.9%
 - First Year of Completion EBIDA: 5%
 - Fifth Year EBIDA: 8.9%



Case Study: WISH Geneva Lake Manor

- Main Goal: Increase Rehab Marketability and Medicare Revenue
 - Related Improvements
 - Existing Building Remodeling
 - Privatize Existing Units
 - New Lighter Finishes to replace Outdated Dark Interiors
 - Improve Front Door Impression, Add Porte Cochere for safety
 - Enhance Public Spaces
 - Establish Household Designs with Residential Living Spaces
 - New Construction
 - Add Dedicated Rehab/Medicare 14 Unit Addition
 - Add Enhance Rehabilitation Space
- Financial Information
 - Medicare Days increased 75% in first 4 years
 - Comparable 60 Bed Facility in same market increased 15% in the same time period



Case Study: WISH Geneva Lake Manor

Rehabilitation



Case Study: Eastern Star Masonic Home

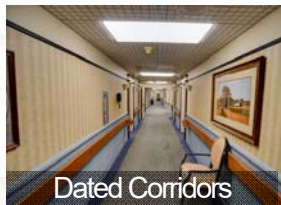
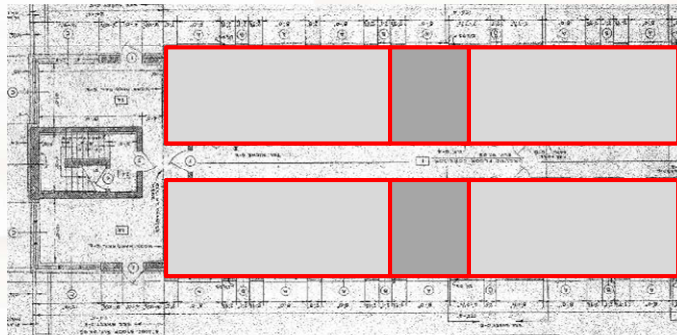
- **Residential Care Apartments - Improve marketability & physical environment**
- **Capitalize on Market Analysis recommendations**
- **Develop solutions that improve financial sustainability**
- **Provide creative solutions on a confined site, within aged buildings**



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Case Study: Eastern Star Masonic Home



Dated Corridors



Small Apartments



No Common Areas

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Case Study: Eastern Star Masonic Home

PROGRAM USE

- RESIDENT ROOM
- COMMUNITY SPACE
- SUPPORT SPACE
- EXISTING COMMUNITY SPACE
- EXISTING SUPPORT SPACE
- EXISTING WALLS

Update Corridors Larger Apartments Interior Makeover

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COMMUNITY LIVING SOLUTIONS

Case Study: Eastern Star Masonic Home

- Financial Information
 - Date of Original Construction: 1925 to 2005 (95 to 15 Years Old)
 - Construction Comparison Budget
 - Remodel and New
 - 30,640 s.f. of Extensive Remodeling or \$127 per square foot
 - 9,860 s.f. of New Construction or \$345 per square foot (Wellness Center and Therapy Pool)
 - 40,500 s.f. of Total Construction
 - Total Budget: \$7,285,000 or \$180 per square foot
 - Replacement Facility
 - 9860 s.f. of New Wellness Construction at \$345 per square foot
 - 30,640 s.f. of AL Apartment New Construction at \$175 per s.f. Total Budget: \$8,764,000 or \$216 per square foot
 - Projected Financial Performance
 - Construction Completed in Summer of 2020

COMMUNITY LIVING SOLUTIONS

Case Study: Eventide Lutheran Home

- Market Study Findings

- Nursing Home Demand to decline by 5.5% over the next five years. Eventide Lutheran Home is downsizing from 100 Beds to 80 beds to respond to the Market changes.
- Other existing Nursing Homes will not be competitive without a new, resident focused facility
- Eventide is the top referral source for Crawford County Memorial Hospital
- The caregivers in the Market Area is projected to decline from 2019 to 2024 as the ratio of caregivers decreases relative to the number of seniors likely to need care. This could indicate an increase in demand for care in a formalized setting.



Concept 1-Existing Building

- o More private rooms with private baths.
- o Add community Wellness Center
- o Improved Dining Experience
- o Outpatient Therapy and Activity Space



Concept 2-New Building

- o 84 private rooms with private baths-4 distinct households
- o Community Wellness Center Main Street
- o Improved Dining Experience
- o Outpatient Therapy and Activity Space



Eventide
A Senior Living Community

COMMUNITY LIVING™ SOLUTIONS



Main Entrance



Bird's Eye

Eventide
A Senior Living Community

COMMUNITY LIVING™ SOLUTIONS

Case Study: Eventide Lutheran Home

- Market Study Findings
 - Date of Original Construction: 1961 (59 Years Old) and 1965 (55 Years Old)
 - Construction Comparison Budget
 - Remodel and New (Concept 1)
 - 41,728 s.f. of Extensive Remodeling
 - 14,200 s.f. of New Construction
 - 55,928 s.f. of Total Construction
 - Total Budget: \$7,850,000 or \$140 per square foot
 - Replacement Facility (Concept 2)
 - 69,298 s.f. of New Construction
 - Total Budget: \$15,380,000 or \$222 per square foot
 - Projected Financial Performance
 - Construction Completed in Summer of 2021



QUESTIONS?

