

Senior Consulting, LLC
1789 State Route 27, #112 Edison, NJ 08817
www.seniorlivingdeveloper.com www.churchseniorliving.com
www.seniorlivingmarketanalysis.com www.assistedlivingmarketanalysis.com
Phone: 732-233-4625 Fax: 631-498-0026

**Cottage Style Senior Living
Modeling and Opportunity(ies)**

Introduction

The Cottage Style Senior Living model consists of 10-16 homes or cottages that can be phased in smaller markets and is one of several growing trends in senior living development. One of the champions of this type of senior living development (and more so skilled nursing) is The Green House Project®. They profess to be “a radically new, national model for skilled-nursing care that returns control, dignity and a sense of well-being to elders, their families and direct care staff. In the Green House model, residents receive care in small, self-contained homes organized to deliver individualized care, meaningful relationships and better direct care jobs through a self-managed team of direct care staff working in cross-trained roles. The Green House Project homes aim to meet all state and federal regulatory and reimbursement criteria for skilled-nursing facilities.” (<http://thegreenhouseproject.org/>)

The Green House Project

After working a part-time job in a nursing home when he was in his 30's, Dr. Bill Thomas decided there had to be another way to care for the elderly and frail. This Harvard-educated geriatrician “disrupted the status quo” for the long-term skilled nursing care institutional model and founded The Green House Project with Steve McAlilly of Mississippi Methodist Senior Services.

Their mission is to provide high quality care to seniors in a small scale, intimate residential setting; incorporate innovative ideas into design to achieve superior quality of life; keep development sustainable and environment friendly; be affordable and cost effective and empower staff and provide opportunities for their growth. Some of the homes are licensed as nursing homes and others are Assisted Living (AL) communities.

Care is financed by Medicaid, Medicare or private funds, although Medicaid is limited to states that have sufficient reimbursement. The cottage style homes are designed to accommodate 10-12 residents and have private rooms with a bathroom. The focal point of each home is the open common space that includes a living room, dining room and open kitchen that provides residents with a family-like atmosphere in a non-institutionalized environment. Residents are encouraged to participate in meal preparation and dine at a communal table. Unlike meal service at a conventional nursing home, residents are free to choose when to eat. The homes are staffed by a “Shahbazim” team that performs the duties of a Certified Nursing Assistant (CNA). They also provide a wide range of resident assistance, including personal care; activities; meal planning, preparation, and service; and light housekeeping.

Senior Consulting, LLC (SC), reviewed available information on The Green House Project. Befitting their honorable mission (typically affordable housing that sometimes includes Medicaid), the substantial or overwhelmingly majority of operators who choose a Green House Project do so as a Skilled Nursing Facility (SNF) and a non-profit. While the model itself is geared to be either a SNF or AL facility, the affordability aspect is much more viable in a SNF where Medicaid reimbursement is both substantially and proportionally higher than AL reimbursement. While Medicaid rates for nursing vary significantly from state to state, this is much more so the case for AL. As an example, the only licensed Green House Project in Virginia is Woodland Park Green House Homes located within the Virginia Mennonite community in Harrisonburg, VA, where they have three SNF's. The rate differential in Virginia is substantial and therefore a model with even a partial Medicaid population would not likely be feasible to develop unless it was subsidized by a non-profit.

Tim Cassidy, SC's President, had discussions with Robert Simonetti, AIA, of SWBR in Rochester, NY (www.swbr.com) whose architectural firm designed Green House Projects and small house projects nationwide. One of their clients is Jewish Senior Life in Rochester, NY, who has a Rochester campus with traditional senior living and also developed cottage style AL in a Rochester suburb with a third planned. As a further example of typical non-profit utilization, another Mennonite organization in Ohio has developed several Green House SNF's and the southern Illinois Veterans Administration developed six projects. There are two SNF Green House facilities in Indiana, one with six cottages in Carmel and another with three in Goshen.

When SC's CEO visited The Green House Cottages of Carmel (www.greenhouseseniorliving.com) and interviewed the owner (a local residential and mixed-use community developer), he very quickly implied that his company's Green House Project was a "ministry" from a quality of care standpoint, but also that it is not a profitable business enterprise compared to his typical expectations of other development projects. The Green House Cottages of Carmel were very well appointed and more upscale than most Green House projects based on their Carmel location in the affluent suburb of Indianapolis. The builder incorporated higher end finishes such as crown molding, marble countertops and other upscale finishes that are more costly, let alone developed a project in an area where construction costs are 10%-15% higher for most (if not all) of the other Green House Projects SC studied in the Midwest, including projects in Pennsylvania, Virginia, Kentucky, Ohio, Illinois and Missouri. There are two Green House communities in Texas, both non-profit, church affiliated facilities.

Cottage Style Senior Living

The Cottages of Lake St. Louis (www.cottageslsl.com) is a for-profit SNF Green House Project locally owned and operated by Focused Senior Communities. The six well-appointed cottages house ten residents in each building. Focused Senior Communities very much appear to operate the Cottages of Lake St. Louis at a profit and seem positioned to further grow Green House Projects and expand within the bedroom community of Lake St. Louis.

SC's initial research was focused in Texas where they identified two growing cottage style Assisted Living/Memory Care (AL/MC) chains. The two companies, Mustang Creek Estates

(www.mustangcreekestates.com) and New Haven Assisted Living and Memory Care (www.newhavenassistedliving.com) are subjects of this white paper.

SC reviewed the location of existing and pending facilities using Google Earth (imagery updated approximately every one to three years), as well as conducted site visits to select facilities of each chain and conducted additional research to compile a high-level assessment of the types of markets, number of buildings and variances in footprints at those facilities.

Both companies have made efforts to replicate their building design after initial designs were tested and tweaked. Tim Cassidy, SC's CEO, has had conversations with the CEO of New Haven Assisted Living, Justin Yarmark, a Utah-based operator with several other facilities. Separately, SC confirmed that this operator has been able to use financing from sources in senior living such as REIT's that bodes well from the fiscal success of the company and the model.

New Haven Assisted Living & Memory Care

www.newhavenassistedliving.com

Justin Yarmark, CEO

In addition to small house developments in Utah and Idaho, New Haven Assisted Living and Memory Care has six existing facilities in Texas and three soon to break ground or in development. New Haven facilities are a "home-like" model with a centrally-located kitchen. Residents have easy access from their private units (studios) within a few steps to the kitchen, dining and living rooms. The facilities are located in very different types of markets – from the fast-growing bedroom community in Kyle not too far from Austin, to a suburban San Antonio location in Shertz, to the small communities like Floresville and a pending facility in Bastrop.

SC has had previous discussions with New Haven's CEO, Justin Yarmark, and others who knew of the company. While Justin's other company developed traditional AL in the past, he proceeded to develop cottage style housing in Utah and Boise, ID. They have a facility in the small city of Floresville located in the greater San Antonio area that is some distance from San Antonio in what would not be considered a suburb. Their Schertz facility is located in a stable (but not fast growing) town approximately 30 minutes from downtown San Antonio. Another facility is located in the fast growing, second tier market of Kyle that is another suburb of San Antonio.

SC visited three New Haven facilities. SC had a call with Justin on April 16, 2018, whose FYI's included the following:

- The Shertz project has struggled with occupancy as a result of a couple of larger, new competitors who are undercutting the facility on price.
- Other facilities near Dallas have also suffered against the competition in an overbuilt market. Consumers are price shopping. They often come into the New Haven facilities referencing Brookdale's rates since Brookdale offers lower rates and occupancies and are undercutting the New Haven facility rates in the Dallas metro.
- That said, the rate structure of New Haven (i.e., a point system similar to a much larger competitor even though they are a cottage style type of project) hampered occupancy for

the New Haven operating model in a competitive market, but also could still be profitable at lower occupancies.

- Justin twice stressed that while there are slight advantages of being a cottage style project in a more competitive area, the local competition trumps the cottage style advantage.
- Justin warned of Department of Health delays in that they require two inspections – the second taking place after a facility opens. At one facility where he only had three residents in each of the AL/MC, he had to wait another 90 days for an additional inspection while being fully staffed. This may have been the case in the Floresville facility visited by SC.
- New Haven hired a licensing consultant to help navigate the process, but many employees in the Texas Department of Health had retired (and some fired) and the Department has not kept pace with the growth. The Department of Health's priorities are SNF, Medicaid, then private AL and hence the delays.
- While they have other projects in the queue, there are a couple they will not proceed with (including Denton) since the markets are saturated. In addition, 16 unit predominantly full AL homes require two caregivers. AL staffing is better suited to one staff member for every 12 residents. For this reason and other economies of scale, Justin would build future developments with 16 unit MC cottages and 24 unit AL cottages.

New Haven of Kyle
107 Creekside Trail, Kyle, TX

- County: Hayes
- Population: 28,016 (2010 Census); 6,153 (2000 Census)
- Median Household Income: \$72,191 (2012-2016)
- 21 miles south of Austin in a fast-growing, extended suburb
- Two existing buildings with similar footprints and the potential for two additional
- Type of community where a cottage style AL facility can be phased and can grow with the community for the adult children's parents
- 16 AL; 16 MC
- Units ranged from 312SF to 390SF
- Monthly fee: \$5,500 plus levels of care and a one-time community fee of \$1,500
- There is an Executive Director for each buildings as well as a house manager for each and a nurse (Peggy)
- After several requests to understand pricing, the Executive Director provided a Level of Care Assessment Form at a cost of \$35/point/month. (Note: This form was not made available at their other facilities.) While this type of structure is a disadvantage in a competitive market, that would not be the case in the fast growing suburb of Kyle where the facility had few vacancies.

New Haven of San Angelo
2501 Sawgrass Drive, San Angelo, TX

- 15 AL; 15 MC
- County: Tom Green
- Population: 93,200 (2010 Census)

- Median Household Income: \$38,777 (2010)
- 225 miles west of Austin
- Two buildings with similar footprints with space for one to two additional buildings

New Haven of Care Spring
21327 Falvel Road, Spring, TX

- 16 AL; 16 MC
- County: Harris
- Population: 54,298 (2010 Census); 35,385 (2000 Census)
- Median Household Income: \$56,662 (2010 Census)
- 24 miles north of Houston
- Newer facility with two buildings with space for two to three additional buildings

New Haven of Schertz
2300 FM3009, Schertz

- 16 AL; 16 MC
- County: Guadalupe, Bexar and Comal
- Population: 31,465 (2010 Census); 20,777 (2000 Census)
- Median Household Income: \$55,156 (2010 Census)
- 19 miles northeast of San Antonio
- Located on busy Roy Richard Drive
- Two buildings with space for one or two additional buildings
- Numerous competitors within a short distance
- The tour was conducted by an Administrator/Marketing person who had only been there for two months. When questioned several times about the add-on fees, she was quite vague.
- Units range from 312SF to 425SF for studios with four larger corner units.
- MC rates were \$5,500; AL rates \$3,500 plus levels of care based on point system. The community fee is \$1,500.

New Haven of Floresville
107 Veterans Drive, Floresville, TX

- 16AL; 16 MC
- County: Wilson
- Population: 6,448 (2010 Census)
- Median Household Income: 30,093 (2000 Census)
- 40 miles southeast of San Antonio
- Two sixteen unit buildings with room for added building
- The facility opened in November or December, 2017. The AL had four residents and the MC was not open yet. There was only a CNA and a cook on staff at the time of the visit at 11:30am in April, 2018.
- MC was not likely not open due to waiting on licensing as per a later call with the CEO.

- The facility is located next to a Department of Veterans Affairs home and accepts veterans as a supplement to private pay

New Haven of Tomball
609 South Pine Street, Tomball

- 16 MC
- County: Harris
- Population: 10,753 (2010 Census)
- Median Household Income: \$37,787 (2000 Census)
- 33.5 miles north of Houston
- Older, smaller, single building that was likely a purchase and not developed

New Haven of Bastrop
2604 Highway 71 East, Bastrop, TX

- 16 AL; 16 MC
- County: Bastrop
- Population: 7,218 (2010 Census)
- Median Household Income: \$40,212 (2010 Census)
- 30 miles southeast of Austin
- Opening early 2018
- Two buildings

New Haven of Beeville
N.Highway 181, Beeville, TX

- 16 AL
- County: Bee
- Population: 12,863 (2010 Census); 13,129 (2000 Census)
- Median Household Income: \$25,475 (2000 Census)
- 104 miles southeast of San Antonio
- Opening Fall 2018
- One building

New Haven of Wylie
800 West Brown Street, Wylie, TX

- 16 AL; 16 MC
- County: Collin, Dallas and Rockwall
- Population: 41,427 (2010 Census)
- Median Household Income: \$58,393 (2010 Census)
- 20 miles northeast of Dallas
- 2 buildings

Mustang Creek Estates Residential Assisted Living & Memory Care

www.mustangcreekestates.com

John H. Roach and Renee Roach, Principals

Mustang Creek operates five residential style AL and MC facilities in Texas. Each facility consists of six homes/cottages each accommodating 14-16 residents at all-inclusive rates. The first facility was built in 2005 in Allen and is somewhat hidden in a residential neighborhood. Approximately five years ago the second facility was built in Keller and was followed by the Frisco, Burleson and Sachse facilities.

When visiting the Frisco facility the Sales Coordinator, Vikki Goodson, was out and Samantha Blossom, Director of Sales and Marketing for the entire company, filled in for her. Samantha has been with the company for eight years, opened all four of their newer communities and was *extremely* informative. She indicated that the first facility in Allen proved a concept and was slightly different in design and layout. The four facilities that followed are identical. Each campus has six buildings.

Two facilities are AL (Type A) that includes private rooms with full bath, assistance with bathing/showering, dressing, grooming, medication management, room and board. The Type A building has 15 units at a rate of \$3,300 plus a \$2,500 community fee. The Type B building includes the same services, but there is 24 hour incontinence care, two hours routine nighttime care check-in and transfer assistance. There are 14 units/home with half baths versus private baths since the Type B building houses a frailer population. The monthly rate is \$3,800 plus a one-time community fee of \$2,500. The MC buildings include all Type B services and are locked down and secure. There are 16 residents/MC building with monthly rates of \$3,450 for a limited number of semi-private rooms, \$4,600 for a private room and \$5,175 for larger private units plus a community fee of \$2,500.

With a total of two buildings each of the three types, there are a total of 90 residents in each of the communities. While the interior spaces were nicely appointed, there were less common areas than the New Haven model. Plainer finishes/trim are somewhat of a step down in cost and therefore a flat rate affordable model, whereas the New Haven model is not targeting the affordable market since they have a better appointed building that includes a larger kitchen open to residents, more common areas and larger units that typically range from 315SF to 390SF, Units at Mustang Creek are estimated at 290SF to 300SF. Mustang Creek does not provide a floor plan, even though it SC requested one a couple of times. Their response was that “they focus on getting residents out of their units.” That is admirable operationally but not the best approach from a marketing standpoint in competitive markets.

Mustang Creek Estates Allen

710-720 Creek Valley Court, Allen, TX

- County: Collin
- Population: 84,246 (2010 Census)

- Median Household Income: \$93,392 (2007. Source not cited)
- 26 miles northeast of Dallas
- 6 buildings

Mustang Creek Estates Burleson
1155 NW John Jones, Burleson, TX

- County: Johnson and Tarrant
- Population: 36,696 (2010 Census); 21,685 (2000 Census)
- Median Household Income: \$50,432 (2010 Census)
- 16 miles south of Fort Worth
- 6 buildings

Mustang Creek Estates Frisco
1200 West Main St., Frisco, TX

- County: Collin and Denton
- Population: 116,989 (2010 Census)
- Median Household Income: \$108,868
- 28.5 miles north of Dallas
- 6 buildings

Mustang Creek Estates Keller
675 Rapp Road, Keller, TX

- County: Tarrant
- Population: 39,627 (2010 Census); 27,388 (2000 Census)
- Median Household Income: \$107,518 (2007 estimate)
- 18.5 miles northeast of Fort Worth
- Seven buildings (possibly two or three are interconnected)

Mustang Creek Estates Sachse
3900 Ranch Road, Sachse, TX

- County: Collin and Dallas
- Population: 20,329 (2010 Census); 9,854 (2000 Census)
- Median Household Income: \$70,333 (2000 Census)
- 26 miles northeast of Dallas
- Six buildings

Quincy Village

6596 Orphanage Road, Waynesboro, PA

www.presbyterianseniorliving.org/quincy-village

Quincy Village is located in a rural area five miles from downtown Waynesboro, a borough of 10,754 people and located in Franklin County with 152,707 people. The median household incomes are \$38,964 for Waynesboro and \$55,751 for Franklin County. It is a predominantly rural area.

Quincy Village is a large Presbyterian sponsored campus, built over an extended period of time, having an older original building with a SNF. Senior apartments adjoin the SNF, as well as over 100 duplex and quad homes. A multistory senior living facility is also located on the campus. Their latest senior living addition is three “small house” (or cottage style) residential buildings of 16 units each. Two are AL and one is MC. SC was not able to fully tour the cottage style buildings since the Marketing Director was not available at the time of the visit. The buildings were constructed in the last several years.

SC was given a brief tour of the Parker House Assisted Living, and Memory Support at Quincy Village, a cottage style residential building. The layout has two eight-unit neighborhoods on either side of the common area after the entryway. The entry led into an open space in the center, with several seating areas. The open common area had two dining room tables seating approximately 12 people. A counter with seating for six faced the kitchen. All cooking was done within each cottage in a homelike commercial kitchen with two range tops. While unable to tour the units, the 16 units are AL style with a microwave and small sink, but no kitchen. See floor plan of cottage attached as Exhibit B.

Others:

- Sonoma House Assisted Living & Alzheimer's Care:
<http://dev.sonomahouseal.com/our-community/sonoma-house-difference/>

Sonoma House operates a 16 unit AL/MC facility in Carrollton, TX. Individual bedrooms have a private bath and are centrally located to the dining room and living area. Meals are prepared in the kitchen that is open to the living area. Residents and caregivers dine at one large table.

- The Woodlands at John Knox Village, Pompano Beach, FL
www.woodlandsjkv.com/green-house-advantage

Their Green House Project within the John Knox Village complex consists of twelve homes with twelve residents in each. Each private suite has a large bay window and an in suite bathroom. The “convivium” concept is embraced as residents share meals and socialize around the open kitchen. Residents are encouraged to take advantage of the resort-style amenities offered in their building and throughout John Knox Village.

- Potomac Homes, New Jersey – Over an 8 year period ending in 2009, Potomac Homes successfully developed and operators nine 25 unit Memory Care facilities in NJ. These facilities were sold in 2012 and owned by a senior living fund that primarily has traditional senior living facilities.

Summary Findings

Cottage style, small house or Green House Project modelling is predominantly non-profit, although there are many successful for-profit operators that include New Haven, Mustang Creek, the former Potomac Homes facilities.

Texas For-Profit Modelling

From the initial assessment of New Haven and Mustang Creek, it is clear that both companies are developing in established, major suburbs; growing second tier suburbs of major markets and smaller towns not in a major metro area. New Haven develops two 16 unit buildings: one AL and one MC and in some cases has additional land for expansion. Mustang Creek develops six buildings that average 15 units up front.

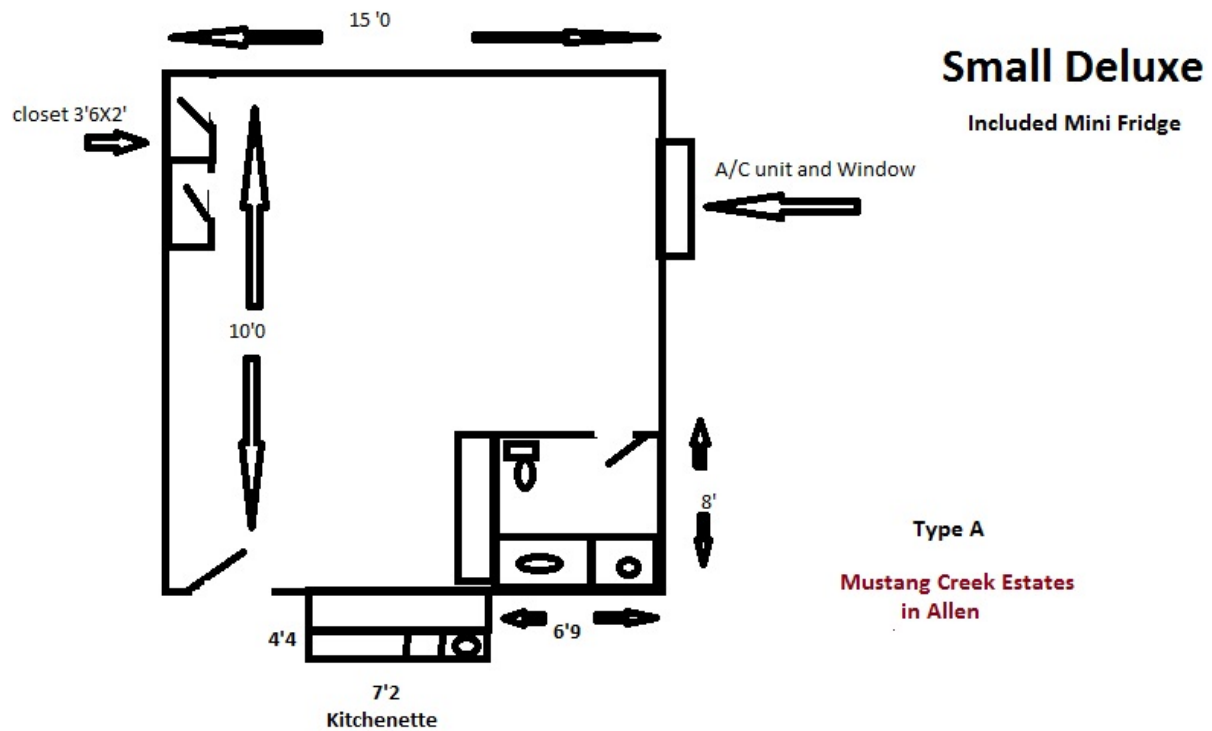
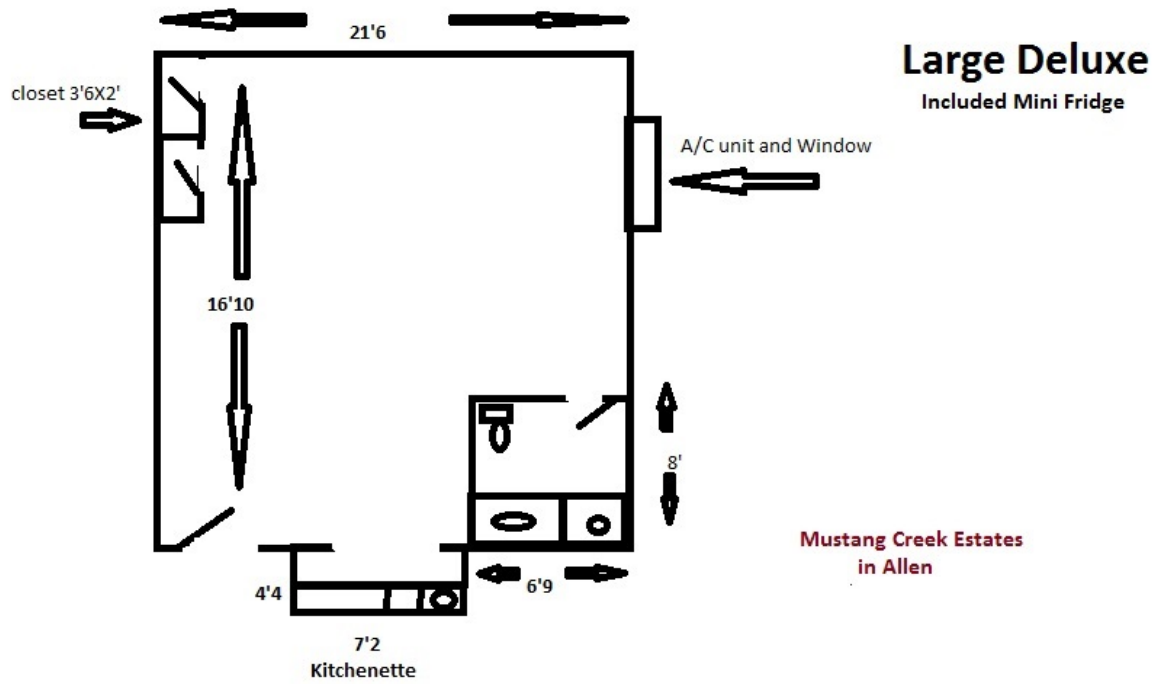
While both companies are for-profit that appear to be successful based on their recent and ongoing expansion and visits for some of their facilities, they have very different operating models. With Mustang Creek's economies of scale in developing 90 units (versus typical 32 units), they are able to provide an affordable product at a flat rate ranging from \$3,300 to \$5,175 plus a one-time community fee. New Haven operates with higher rates and a point system that determine additional costs for levels of care and not likely an affordable product in most of their markets.

In addition, Mustang Creek offers three types of buildings with two of each allowing for economies of scale in staffing on several levels. The New Haven model does not have the economies of scale from a staffing standpoint. Therefore, from an operational standpoint the Mustang Creek model is very closely aligned to typical AL/MC facilities.

Conclusion

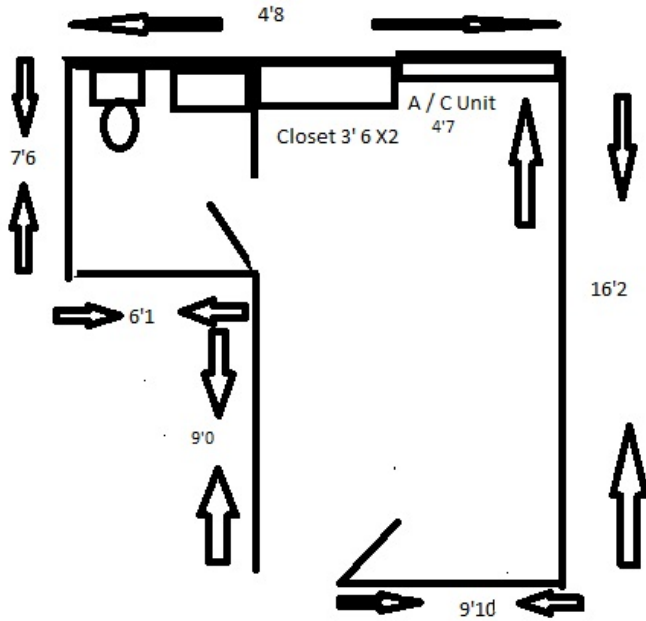
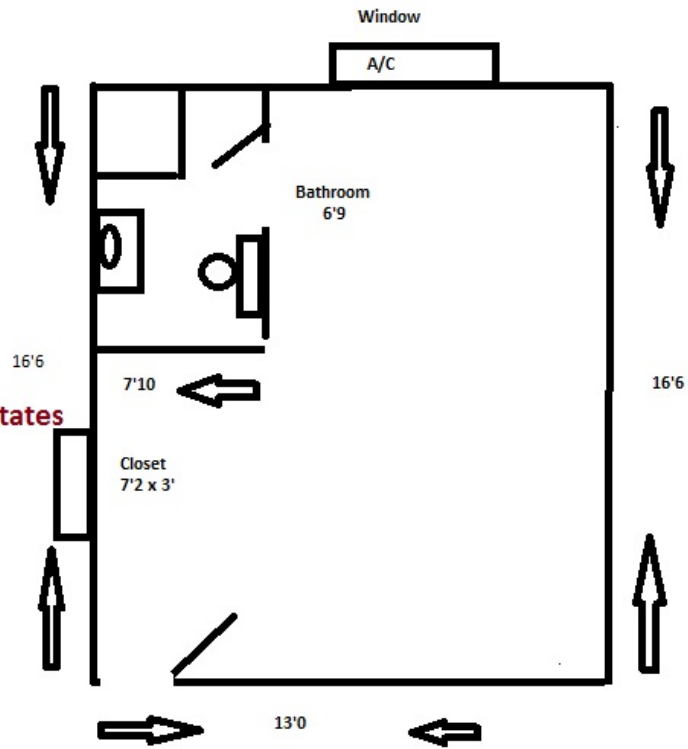
While SC looked in detail in 10-12 states including Texas, it is likely that there are not more than 10-15 additional US operators growing and operating multiple facilities like Mustang Creek and New Haven. SC has spent a significant amount of time in the Northeast, Mid-Atlantic and Midwest markets, including Pennsylvania, Ohio and Indiana with county seats that often have 5,000-20,000 or more residents and county populations of 35,000-50,000 or more, that have seen little or no growth in new AL/MC offerings. SC sees outstanding opportunity for small house growth in these types of markets, but also very strong opportunities in larger markets than have multiple senior living options providing there is supporting market demand and design reflects the competitors offerings in unit size/mix and in common area/services, albeit to a lesser degree as a small house alternative.

Exhibit A
Mustang Creek Estates Allen Room Layouts



Type A
Standard

Mustang Creek Estates
Allen



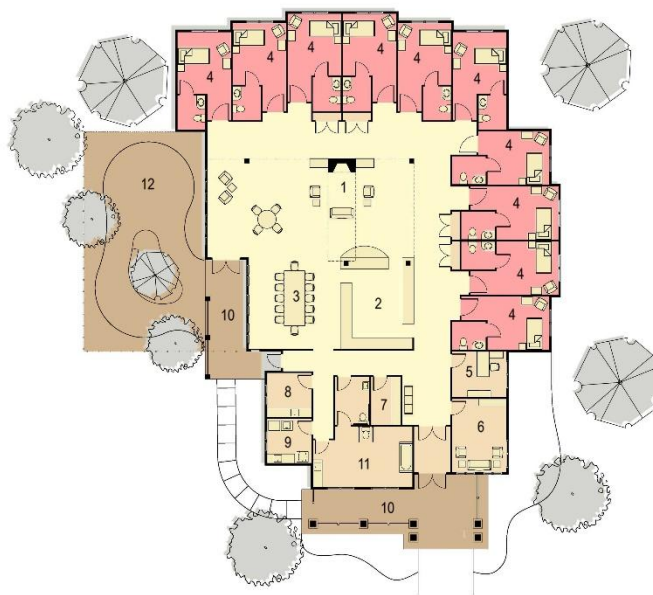
Type B

Mustang Creek Estates
in Allen

Exhibit B
Parker House Assisted Living, and Memory Support at Quincy Village



Exhibit C Woodland Park Floor Plan



LEGEND

- 1 Hearth
- 2 Kitchen
- 3 Dining Room
- 4 Bedroom
- 5 Office
- 6 Sunroom/Den
- 7 Pantry
- 8 Utility - Clean
- 9 Utility - Soiled
- 10 Porch
- 11 Spa
- 12 Garden Courtyard

- Common Area
- Bedrooms
- Service Space
- Exterior Living Space



Enlarged Unit Plan
12'-0" x 18'-0"



Virginia Mennonite Retirement Community
1501 Virginia Avenue
Harrisonburg, VA 22802
(540)564-3400 www.vmmc.org

Floor Plan
Woodland Park
A GREEN HOUSE® Community

THE TROYER GROUP
Planning • Design • Construction
550 Union St. Mishawaka, IN 46544
(574) 259- 9976 www.troyergroup.com

Exhibit D
Green House Floor Plan Example



GOUDREAU & ASSOCIATES, INC. ARCHITECTS + BUILDERS 131 S. MAIN STREET MT. PLEASANT, MI 48858
P(989)773-0146 F(989)400-4989
WWW.GARCHGRP.COM

© copyright 2007

*Welcome to Pine Grove
Come live with us*