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## **Senior Housing and Senior Living Non-Recourse Financing Options**

### **Introduction**

Tim Cassidy, principal of Senior Consulting, LLC (SC), and its affiliates, has been a principal, manager, and advisor on HUD projects since 1991, when Tim was in the lead on an acquisition of a 220-bed Skilled Nursing Facility in New Jersey. The facility was purchased, utilizing the 232 HUD program as a purchase in combination with a substantial remodel of an older nursing home, Carriage House Manor.

Separate of the newly formed acquisition entity, Tim and a limited partner organized Elder Care, Inc., and engaged a third-party advisor to provide an additional depth of a management team and qualify as a manager based on HUD regulations, and the subjective opinion of a regional HUD office at that time.

### **HUD 221(d)(4) and 232 Programs**

In the many years since the ownership and management of Carriage House Manor in New Jersey from 1991-1999, SC has occasionally served in advisory capacities for consideration of HUD financing. In addition, SC, on behalf of its partners in various development projects in New York State and in metro Albany and metro Denver, conducted due diligence with major HUD brokers for consideration of new construction.

The market in metro Denver only supported an upper-middle-income targeted Independent Living, and not the Active Living type modeling or over-55 type housing requirements of the 221(d)(4) program. The Albany metro project, however, did suit a more middle-income Active Living project. Notwithstanding, SC did not identify an appropriate sponsor in that market to qualify for HUD financing. It is important to note that HUD expects sponsorship, particularly on new construction.

Even though HUD programs, like the 221(d)(4) for housing and 232 for care facilities, allow for non-rated financing on new construction that converts into a long-term permanent mortgage, the substantial majority of non-recourse financings as such are for refinancing, not new developments. While many reasons that is the case, HUD's requirement for Davis Bacon wages (Union Wages) can magnify costs in many markets. When we conducted an RFP/RFQ to builders in Albany in 2020, there was only an 8% higher construction cost, but when we did so in Westchester County (NYC Metro), costs were well over 40% higher.

## **Fannie Mae and Freddie Mac Refinance Options**

For Senior Housing or Independent Living, Fannie Mae and Freddie Mac offer very attractive non-recourse financing options by providing liquidity, stability and affordability to the mortgage market. **Fannie Mae** was first chartered by the U.S. government in 1938 to help ensure a reliable and affordable supply of mortgage funds throughout the country. Today it is a shareholder-owned company that operates under a congressional charter. **Freddie Mac** was chartered by Congress in 1970 as a private company to likewise help ensure a reliable and affordable supply of mortgage funds throughout the country. It, too, is a shareholder-owned company that operates under a congressional charter. (<https://www.fhfa.gov/about/fannie-mae-freddie-mac>)

These programs and options are a preferred choice for many multi-family, active living or independent living developers/owners.

## **Non-rated Bond Consideration**

Depending on a variety of factors, including the depth of the manager's/operator's experience, the developer's and/or other equity contribution, collateral and the amount of equity, non-recourse and/or limited-recourse financing can be available through non-rated bond issues. Underwriters have provided bond documents to SC in years past on non-rated private bond offerings. In addition, some counties or municipalities may provide support in the form of loan guarantees that would improve the rating of a typically non-rated bond issue or official.

## **Low Income Housing Tax Credits**

Low Income Housing Tax Credits (LIHTC) are another option for affordable to moderate to market-rate Senior Housing projects. Within the last two years, SC conducted substantial due diligence, including discussions with several experienced multifamily builders that also develop over-55 housing utilizing LIHTC 4% bonds, i.e., moderate income for either the entire project or 40% minimum moderate income to qualify for the program.

While the intent of the LIHTC program is to finance affordable and moderate income, the rental rates for apartments (senior or non-senior) are based on the Median Household Income (MHH) of a county. In New Jersey, as an example and as per Exhibit A, the MHH varies dramatically with many very income counties, a couple of which are anti-development. Hence, when we conducted due diligence for two types of products (40% moderate/60% market rate combined and 100% moderate), the development in Gloucester County, with a MHH on the higher end at approx. 98K, was a viable alternative for the LIHTC program on a site we considered. Cumberland County was not close to being viable when we looked at site on behalf of a church.

Based on the high MHH in several NJ counties that may have development opportunities for a 4% program, we started our proprietary site identification program in Morris County in the fall of 2024 and will begin a similar process in Somerset and Morris Counties in 2025.

The LIHTC financing has two program options, either 30% or 70% of the low-income unit costs for a project. The 30% subsidy, which is known as the so-called automatic 4% tax credit, covers new construction that uses additional subsidies or the acquisition cost of existing buildings. The 70% subsidy, or 9% tax credit, typically supports new construction.

9% LIHTC bonds require competitive bidding with perhaps one out of three projects receiving awards. In the past five years SC developed sites with partners in two markets that included a subdivided lot for potential affordable housing. They went to contract with a non-profit with 80+ facilities and a for-profit entity that is one of the top ten developers of all types of multifamily in the United States, both of which did not receive the awards for affordable housing. While many applicants apply over two to three years, SC and its partners did not grant an extension in its agreements as such.

## **Conclusion**

There are many funding options, but access depends on many factors, from market analysis to due diligence on new projects to forecasts and budgeting to a team from sponsor to owner to equity if third party to developer(s) to builders to managers and/or operators.

As an owner's representative or in some cases as a development partner, we can support all aspects of due diligence and team establishment/monitoring and can do so as advisor and/or developer for for-profit and non-profits alike that are committed to Senior Housing growth and development.

**Exhibit A**  
**New Jersey Counties Ranked by Per Capita Income**

Note: Data is from the 2020 United States census data and the 2018-2022 American Community Survey 5-Year Estimates.<sup>[8]</sup>

Rank	County	Per capita income	Median household income	Population	Households
1	<a href="#">Hunterdon</a>	\$73,936	\$142,518	129,777	50,515
2	<a href="#">Morris</a>	\$68,227	\$131,795	511,151	194,141
3	<a href="#">Somerset</a>	\$67,395	\$135,577	346,875	130,178
4	<a href="#">Monmouth</a>	\$63,610	\$118,194	644,098	253,767
5	<a href="#">Bergen</a>	\$58,150	\$114,336	952,997	354,937
6	<a href="#">Sussex</a>	\$56,363	\$113,640	146,084	58,885
7	<a href="#">Cape May</a>	\$54,906	\$84,870	95,634	48,563
8	<a href="#">Hudson</a>	\$52,911	\$83,056	703,366	304,526
9	<a href="#">Union</a>	\$52,208	\$98,028	569,815	202,575
	<a href="#">New Jersey</a>	\$51,272	\$96,346	9,261,699	3,516,978
10	<a href="#">Burlington</a>	\$50,960	\$100,478	466,103	176,334
11	<a href="#">Mercer</a>	\$50,652	\$95,668	380,688	144,989
12	<a href="#">Middlesex</a>	\$47,221	\$102,400	861,418	306,950
13	<a href="#">Essex</a>	\$47,158	\$74,994	849,477	321,371
14	<a href="#">Warren</a>	\$45,188	\$98,867	110,926	45,507
15	<a href="#">Gloucester</a>	\$44,186	\$98,301	306,601	111,781

Rank	County	Per capita income	Median household income	Population	Households
16	<a href="#">Camden</a>	\$42,651	\$81,768	524,907	203,530
17	<a href="#">Ocean</a>	\$42,474	\$81,101	655,735	241,983
18	<a href="#">Salem</a>	\$41,804	\$77,898	65,117	25,221
	<a href="#">United States of America</a>	\$41,804	\$74,755	333,287,550	129,870,930
19	<a href="#">Atlantic</a>	\$40,034	\$77,248	275,638	106,972
20	<a href="#">Passaic</a>	\$37,516	\$79,955	513,936	179,292
21	<a href="#">Cumberland</a>	\$30,214	\$60,755	151,356	54,961

Source: [https://en.wikipedia.org/wiki/List\\_of\\_New\\_Jersey\\_locations\\_by\\_per\\_capita\\_income](https://en.wikipedia.org/wiki/List_of_New_Jersey_locations_by_per_capita_income)