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Senior Housing Rental and Sale Development within One Project or Master Plan

Introduction

Senior Consulting, LLC (SC) is an affiliate of GC Management, Inc., with companies organized in 2001 and 1998, respectively. Both are owned by Timothy B. Cassidy, who has over 35 years of history in ownership, operations, management, development, and advisory for a myriad of types of healthcare providers and in Senior Housing ranging from hospitals to Skilled Nursing Facilities to Senior Living to retirement communities to affordable/moderate-income Senior Housing, and more. Our current focus is Senior Housing development, with projects in four states currently.

SC's Principal Tim Cassidy has personally mystery-shopped approximately 2,000 Senior Housing projects of varied types in the last 15 years alone, gaining a unique perspective on common and alternative development and operational modeling.While usually standalone sites are developed for Senior Housing or Senior Living, Assisted Living/Memory Care to Independent Living to Active Adult communities are sometimes built within Master Plans as part of appropriate regional planning, but also part of obtaining rezoning on a variety of uses that include Senior Housing. Hence, when we see more traditional Senior Housing in larger Master Plans, we also will see multi-family, retail/commercial, and sometimes for-sale housing.

Markets in combination with potential sites that may be available dictate master planning and entitlements. Therefore, please see information on the potential to combine for-rent Active Living or Independent Living with for-sale over-55 housing and other uses, depending on market size and other factors.

Markets in Large Metros

Projects of 140-160 units of Independent Living or Active Living are somewhat common in the top 50-75 major metros nationwide. That said, there are substantial differences in considering development in a top75 market versus a top 10-20 market. SC's focus on development is in the top20 markets, although our company currently has a couple of projects in the top75 markets, based on market demand and a compelling location. One example is our 160-unit Independent Living project in a compelling Master Plan in the #1 city for home values and MHH, Metro Kansas City, the 31st largest MSA in the United States.

Below are a couple of examples of two top ten markets where SC is serving as a lead developer for a combination of a rental and sale Senior Housing model:

- New York City is the number one market by size in the United States, with first-tier suburbs of the city in NJ, CT, and NY, having virtually no properties available for development sans a tear-down. After substantial due diligence on at least 25 properties in suburban north New Jersey, SC has identified a property of approximately five acres that isrectangular, has paths for re-zoning, and is literally across the street from an outdoor shopping center that includes a major supermarket, movie theaters, and 20+ mainly national chain restaurants.

  Within an eight-mile ring of the Subject Property, there are well over 1.2M in population. Hence, SC has engaged team members to address site work budgets and afford paths for entitlements to develop three buildings/related uses: i)100 units of market-rate Active Living or Independent

Living with three storefronts including a restaurant, salon/spa and medical wellness center; ii) 60 units of over-55 condos with amenities and common areas; iii) 40 units of affordable/moderate income. New Jersey COAH mandates require 20% of the units to be predominantly moderate income, but some affordable income as well. These units would be smaller and in a standalone building with residents having access to some amenities on site, including common areas and fitness center but also to the amenities/services in the Active Living/Independent Living building.

- Miami-Fort Lauderdale-West Palm Beach is the sixth-largest MSA in the United States. Sites in Dade, Broward, and Palm Beach Counties are few and far between. As such, SC is conducting further due diligence and negotiations currently for a combination of for-sale and for-rent Senior Housing with secondary retail components.

  As such, we are looking at various properties for our Master Plan that would include the following:

  - Limited amount of retail/commercial including on the frontage of the overall property. This may include pad sites for restaurants or medical.
  - 140-160 units of Active Living and/or Independent Living in a four-story structure withsubstantial amenities and common areas.
  - Clusters of 18-36-unit buildings in three to four stories, with 96-120 units total. With phased development, our partner and SC will have less risks and benefit from higher pricing as each building within the cluster of for-sale buildings is developed.

Our Enhanced Active Living branding typically includes two restaurants, salon/spa, and a medical wellness center on the ground floor that are available to residents. In this model, these spaces would be expanded, as would a best-of-class fitness center, so that the residents of the senior condos within the Master Plan could utilize these spaces.

Based on the development plan, SC expects two separate partnerships/entities, a co-developer/sponsor and operator combined for the Active Living and/or Independent Living with SC, and a local developer that will develop the condominiums. While the condominiums will have a Homeowners Association (HOA), the HOA will have a contract with the for-rent project so that the condominium residents will have access to a platform of included and optional services and amenities within the rental project.

Smaller Metros Require Flexibility in Product Offerings

While the above two examples are high-density and high-income primary market areas (PMAs), SC has identified sites in several smaller Florida metros,and in metro Charleston, SC, and Savannah, GA, which are all fast-growing markets. These markets have lower barriers to entry and therefore do not check all the boxes for market-rate Senior Living without added layers of risks in development or potential operations.

In these markets, we’re considering a combination of 80 units of Independent Living/Active Living with an additional 80 units of for-sale condos in three-to four-story structures that share common areas and amenities including a fitness center, activity areas, restaurant(s), wellness center, salon, spa, and much more.

In this product, the ownership of the Active Living/Independent Living would have the economiesofscale benefits of the residents of the condominiums using the amenities and services for a collective fee between the HOA and the ownership entity of the rental community as described above.

Continuing Care Retirement Communities Provide Examples of Lessening Risks in Rentals with Entry Fees

Over the last 10 to 15 years, we haveseen many Continuing Care Retirement Communities(CCRCs) that are typically owned by nonprofit and faith-based organizations concurrently offering for-rent and entry fee models vs. just entry fees as they've offered historically. In effect, the entry fees help subsidize the rental offerings in a community.

While it is less common to see for-profit CCRCs, Erickson Senior Living develops large CCRCs where they depend much less on presales like a typical nonprofit CCRC. They develop many Independent Living buildings on a phased basis to lessen the risks of development in general, but also for projects that have four times or more the number of Independent Living units than most new CCRCs.

Touchmark at Emerald Lake, near Frisco in McKinney, TX, is a great example of mixing entry fees with for-rent product in a highly successful best-of-class project. In July 2023, Tim mystery shopped this soon-to-be-opened community, which was then mystery shopped again in the spring of 2024 after the project had opened.

While prices had substantially increased by the time of the second visit to the retirement community, at the initial visit the "residency deposit" on a first-floor 2BR unit was $758,000, with an annual deposit credit of $45,480 (or $3,790/month), which reduced the rent from $8,525 to $4,635. The somewhat elongated building was built on a slope with most of the units on one side facing a small lake, an added premium. Hence, the units on that side were "buy-in," while units elsewhere were rental. During the second visit, almost all the premium units were rented after payment of the aforesaid entry fees.

The success of this program allowed the developers to substantially increase their available equity for much more favorable financing on their Phase Two development of Assisted Living/Memory Care.

Mixed-Use Urban Modeling

While SC's focus is on large markets, we have worked in advisory capacities in urban settings, including assessing comparables for mixed-use high-rise modeling within a single high-rise structure, including projects in Chicago's North Shore, to consider in other metros. In one award-winning project,a high-rise included i) retail/commercial on the lower levels; ii) designated parking decks above for various uses; iii) multiple floors for a hotel; iv) small apartments for rent aimed at Millennials and Gen-Z; v) with the last "development" or use in the upper floor being large penthouse units that were rented but also had the flexibility to be sold.

In this development model, the Master Developer's risks were lessened as it brought in partners for the different uses within different blocks of floors, much like a horizontal development would have separately deeded properties within a Master Plan.

We are in the process of seeking the right partners and the right site for development of a high-rise model in Broward or Palm Beach Counties that would be within half a mile to a mile of the ocean so that the majority of the upper floors' units would have outstanding views. We strongly believe that separating uses as described above on different floors will both lessen developer risks and increase profits.

Conclusion

Land and development costs have skyrocketed, yet demand is still outstanding in most major markets, particularly for best-of-class projects. As an example, in western Palm Beach County, where there are five over-55 for-sale communities developed by GL Homes alone, typically with its Valencia brand, that have homes starting at $1.1 to $1.8M in each of these communities and exceeding $3M or more, offering alternative products in a combination of for-rent and for-sale condominiums offers a better value with much closer access to amenities and common areas.

The combination of for-rent and for-sale products in Senior Housing provides a myriad of benefits to developers, including lessening the risks in smaller markets or major markets. In addition, the higher valuation for a portion of the site for sale units adds value to properties. Last but not least, projects with some degree of mixed uses in the retail and restaurants, let alone over-55 residential, that don't impact schools, can gain favor in re-zoning and approvals with increased density and therefore valuations and benefits for communities, sellers and developers alike.