

**SENIOR HOUSING  
MARKET ANALYSIS  
PART II: MARKET STUDY**

**PREPARED FOR**



**Submitted 08 October 2001**

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# Introduction

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## About the Market Study

The focus of this market study is to determine the potential need for Senior Housing with supportive services. The new community development would be a residential, social model community. Necessary zoning and planning board approvals will have to be obtained for the intended use.

### *The Senior Community/Campus should exemplify the following:*

- Design that is cost-effective
- Value-engineering that optimizes value to the senior consumer
- Flexibility that facilitates adapting to changing market needs
- Design that is complementary to surrounding neighborhood
- Appeal to potential residents and families

## About The Team

**James P. Carroll**, president of Asterhill Incorporated, has over 20 years of planning, development and project management experience. Carroll has worked with clients in government, private industry and not-for-profit organizations, as well as agencies including HUD, SBA, USDA, EPA and NYSEDC. An advocate for Sustainable Development, Carroll has authored materials to teach sustainability and the 3R's in corporate and youth organizations. Active in his community, he serves on the Monroe County Planning Board, Genesee Valley Veterans Housing Coalition and the boards of several homeless shelters.

**Joseph A. Crestuk**, President of The Crestuk Group and a licensed Architect and Planner, has specialized in Health, Long Term and Elder Care planning, design and development at local, national and international levels for over 27 years. A recognized authority on 21st Century healthcare and senior living communities, Crestuk has addressed the National Council on the Aging, the NYAHS Training Institute and Assisted Living Summit, the Healthcare Financial Management Association and the Adult Day Care Frontier.

His unique expertise led Crestuk to create an innovative consulting and design firm. Unlike traditional firms, The Crestuk Group integrates Information Technology, Architecture and planning to provide a full spectrum of development, design and infrastructure services.

The teams professional staff has decades of industry experience and, with our versatile group of supporting staff and professionals, create a true “one stop shop” service. We feel that we provide an edge in communication and teamwork that does not exist elsewhere in this industry.

Some of our core values are reflected in our operating behaviors, below:

- Listen and collect information to develop a program centered on your requirements
- Include key staff in the Planning, Design, and Development process
- Insure that project owners and end users are integral members of our team
- Generate ideas leveraging valuable experience and state of the art knowledge
- Building a team of professionals who have worked in the industry and, based on first-hand experience, can produce results

Our philosophy distinguishes us from traditional consultants. From Strategic and Business Planning through every stage of Financing, Design, Site Selection and Construction Management, The Crestuk Group provides a one-stop shop for all your needs. And we provide you with the opportunity to select the specific service/s you need for your planned project.

Central to any successful project is effective communication to facilitate the exchange of ideas and insure positive outcomes. Communication within our client and consultant teams is facilitated and reinforced through proven methods, including the following:

- Scheduled progress review meetings
- Programmed document exchanges
- Written documentation and confirmation of decisions
- CADD file conventions for standardized, coordinated documentation through construction
- Full-color, large-scale plotting and printing for lifelike quality in all designs
- Facsimile and e-mail technology for high-speed communication
- A website for additional resources
- Advanced hardware and software

Our Planning, Design, Finance, Marketing, Management and Construction professionals will work with you and your staff, board, attorneys and accountants to evaluate your needs. Our team insists on close communication among the project's participants, other consultants, and construction and operations teams. We believe that it is from this professional interaction that we best develop outstanding and cost-effective solutions to meet your current and future needs.

# Assumptions and Limitations

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## Use of this Report

- The possession of this report does not carry with it the right of publication.
- This document may not be used for any purpose by any person or entity other than the party for whom it was prepared without the written permission of The Crestuk Group.
- The information and opinions contained herein are applicable only to the time frame indicated in the report.

## Findings of the Market Study

- The statements of fact contained herein are believed to be true and correct insofar as they have been derived from sources believed to be reliable and accurate. No responsibility is assumed for legal description or matters that pertain to legal expertise.
- The findings of this market study are indicators of market trends. As such, these findings do not guarantee project success, but serve as a tool to supplement one's knowledge of the market.
- Realization of project marketability also requires competent project design, marketing, and management.

## Project Compliance

- No representations are made with regard to compliance of legal or regulating requirements applicable to this project, including zoning, environmental or other local, state, or federal regulations, permits and licenses.

## Financial Analyses

- Financial analyses contained as part of this report are based upon estimates, assumptions, and other information, public or private, developed from actual market research, knowledge of the industry or project-specific information provided and/or obtained.
- These analyses illustrate the financial expectations given the specific set of assumptions used. If any of the assumptions are altered, different financial expectations may result.

# Executive Summary

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The proposed project has the potential to have a major positive impact on the entire northern Ontario County and Southern Wayne County area by satisfying a need for a quality Assisted Living Facility with a Special Care community for those with early- to mid-stage Alzheimer's disease and related dementia. The following summary, based on the data gathered and compiled, is a brief outline of the information contained within the market study. This market study reflects the recommendation of professionals who have many years of experience in the senior care field plus an acute understanding of the products to be provided and marketed within Fredonia's Primary Market Area.

## **The Market**

There is sufficient size and depth in the Primary Market Area to support a 90-140 units Assisted Living Facility, with a minimum of 30 of these units being dedicated to early- to mid-stage Alzheimer's disease or related dementia. This Special Care community within the Assisted Living Facility would be based on the social model of care. The Alzheimer's care would be divided into small "households" to provide a more stimulating environment. This is a conservative market estimate based on penetration rates presented in this study. We also believe there may be an additional market for some Independent Living units and a small number of Patio Homes on the same campus. Please refer to the Project Concept and Penetration Rate sections for further details.

## **The Community**

In order to substantiate our findings, we conducted extensive interviews with key members of the Ontario, Monroe and Wayne County communities. We talked with local leaders, professionals, county residents, seniors and realtors. The consensus of opinion was positive. The area's need for mid-level housing options for seniors was a recurring theme in our interviews, and support for an Alzheimer's Special Care community was unequivocal and strong.

## **Key Factors**

- *Ontario and Wayne County are growing at a moderate rate and the senior population is increasing.*

The area's economy is growing—a fact supported by major re-investment by local industry. The senior population is expected to increase at a much faster rate than the remaining population. United States Census projections indicate that the number of elderly Americans will double by the year 2050. In addition, the 50-59 age group, often the age group responsible for helping an aging parent find Assisted Living, is expected to increase by 30% between 2010-2030.

- *Northern Ontario and Southern Wayne Counties have a solid population of working class residents who, while not considered wealthy, have both savings and equity in their homes.*
- *There is a critical need to educate potential decision makers, residents and the community on the services and products the project will provide.*

This education will be accomplished by implementing an aggressive, grass roots marketing and public relations campaign. Currently there is a great deal of confusion about the various options now available in senior living, among both the general public and various agencies.

- *The project already has a head start.*

Referral sources were enthused to hear that a new alternative may be available, as they have difficulty finding placement for some of their clients who often wind up at an inappropriate level of care. For example, Nursing Home social workers acknowledge that many of their patients should be at a lower level of care in order to free the Skilled Nursing Facility for more acute cases. Many health-related professionals acknowledge the critical need for a social model of care for Alzheimer's and related dementias.

- *Flexibility should be a key component of this project.*

A recurrent theme throughout our research has been the incidence of caregiver burnout in those dealing with Alzheimer's. While we envision two small households of Alzheimer's and related dementia residents in addition to traditional Assisted Living beds, there may be a need for additional Alzheimer's care, including respite or day care. We also suggest considering adding Independent Living to the product, because the area currently has little to offer those who desire independence, yet also would like to have meals and other amenities available.

## **The Competition**

In the Primary Market Area, there are no existing Independent Living units that meet the defined criteria other than Parkwood Heights Senior Living Community.

## **The Product**

This Market Study is based on a middle market product affordable to seniors with a minimum of \$25,000 annual income. This middle market product can be loosely translated into Assisted Living rates of \$60.00 to \$75.00 per day and Special Care Unit rates of \$100.00 to \$125.00 per day.

## **Projected Fill-Up**

Absorption rates will range from **4 to 6 per month** for Assisted Living Units and Special Care Units.

## **Project Success**

The project's success is contingent upon the following key components:

- The structures can be built on the site
- There is a significant and dedicated marketing plan and budget
- The program and design are the state-of-the-art, with consideration of the historical culture of Fredonia
- The whole program is implemented by qualified professionals
- Aggressive pre-market testing and consumer education are implemented
- The marketing is accomplished with an experienced marketing team
- An experienced and professional management company manages the project

# Senior Living: Program Comparisons

## Traditional Assisted Living vs. Assisted Living with Memory Care

<b>Characteristics</b>	<b>Traditional Assisted Living</b>	<b>Assisted Living with Memory Care</b>
<b>Licensure</b>	<p>By Department of Health, Office of Continuing Care (DOHOCC)</p> <p>As Adult Home (AH) or Enriched Housing Program (EHP)</p>	<p>By DOHOCC</p> <p>This is a waived program in a licensed AH or EHP</p>
<b>Building Design</b>	<p>Stand-alone or attached to other levels of care.</p> <p>Single or double rooms or apartment units.</p> <p>All meals are served in a large dining room and common areas are provided for socialization and activities.</p>	<p>Stand-alone or Dementia Care Program within an AH or EHP.</p> <p>Usually single rooms in a 'neighborhood' for 10-12 residents in each household.</p> <p>The household has a country kitchen for dining and common areas for activities and socialization.</p> <p>Areas for wandering are provided.</p>
<b>Unit Features</b>	<p>Lockable Resident rooms or apartments.</p> <p>May be private or shared rooms/suites</p> <p>May/may not include a private toilet/bath rooms.</p> <p>May or may not include kitchenettes.</p>	<p>Resident rooms are not locked and are generally smaller.</p> <p>DOH prefers private rooms with toilet/shower.</p> <p>Common tub room for baths.</p> <p>Generally no kitchenettes.</p>
<b>Safety Features</b>	<p>Egress system is not self-locking. Guest and residents use main entrance monitored by a receptionist.</p> <p>Residents may come and go at will using sign in and out system.</p> <p>Room Emergency call system.</p>	<p>Egress system is time-release locking. Codes and keypads are most often used for entering and exiting.</p> <p>Residents do not have access to exit codes.</p> <p>Enclosed outdoor wandering gardens.</p>

## Traditional Assisted Living vs. Assisted Living with Memory Care

Characteristics	Traditional Assisted Living	Assisted Living with Memory Care
<b>Staff &amp; Training</b>	<p>24-hour staff.</p> <p>Day and night time direct care staff AM/ PM direct care staff 1 to 40.</p> <p>40 hours DOH-approved orientation and training program required.</p>	<p>24-hour staff.</p> <p>Daytime direct care staff ratio 1 to 10 Direct care staff 1 to 15</p> <p>40 <i>additional</i> hours of Alzheimer's training plus quarterly in-services on dementia required.</p> <p>RN or LPN must be on duty for the day and evening shifts and on-call during nights.</p>
<b>Activities</b>	<p>Activities 5-6 days per week with some nights and weekends, ½ hour daily per resident required up to 40 hours per week.</p>	<p>Specially designed dementia activities 7 days per week, 10 hours per day.</p>
<b>Resident Care</b>	<p>Medication assistance available.</p> <p>Resident may or may not have POA.</p> <p>Additional personal care/services may be provided for an additional fee.</p>	<p>All medications are assisted.</p> <p>Appoint a POA for representation.</p> <p>Additional personal care and services are provided and included in rate.</p> <p>Special behavior modification and continence program.</p>
<b>Case Management</b>	<p>Case Manager completes initial and annual Care Plans.</p>	<p>Staff, care providers and families must provide input for Initial and six- month Care Plans</p>
<b>Meals</b>	<p>Three meals provided in dining room by wait staff.</p> <p>Snacks provided in evenings.</p>	<p>Three meals provided in country kitchen; care staff eat with residents.</p> <p>Snacks encouraged and provided on a 24/7 basis.</p> <p>Documentation is required after meals.</p>

## Enriched Housing vs. Adult Care Facility

<b>Characteristics</b>	<b>Enriched Housing</b>	<b>Adult Care Facility</b>
<b>Unit/Size Configuration</b>	<p>Single occupancy apartment.</p> <p>Full bath and kitchen.</p>	<p>Private or semi-private room.</p> <p>Usually full bath but no kitchen or cooking permitted.</p>
<b>Personal Care Supervision</b>	<p>Periodic.</p> <p>Available 12 hours per day.</p> <p>May provide up to 24 hours per day, determined by resident care need.</p>	<p>As needed.</p> <p>Available 24 hours per day.</p>
<b>Congregate Needs</b>	<p>One hot meal is required—usually two meals are provided.</p> <p>May provide three meals a day.</p>	<p>Three meals plus snacks are required.</p> <p>May provide special diets.</p>
<b>On-Site Supervision</b>	<p>Twelve hours per day are acceptable.</p> <p>May provide 24-hour supervision.</p>	<p>Twenty-four hour supervision required with minimum staffing regulations.</p>
<b>Resident Profile</b>	<p>Independent to moderately independent.</p>	<p>Dependent to very frail.</p>
<b>Sponsorship</b>	<p>Not-for-profit or for profit.</p>	<p>Not-for-profit or for profit.</p>
<b>Licensure</b>	<p>By DOHOCC</p>	<p>By DOHOCC</p>

# Senior Living: Levels of Care

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The concept of this project and its competitive environment requires a common understanding of Senior Living levels of care outlined below:

## **Nursing Homes/Skilled Nursing Facilities (SNF)**

- This level of care focuses on residents who require either long-term skilled care or sub-acute care. Typically, it is only after all alternatives to a nursing home have been explored that the individual, the family and the physician—assisted by an assessment tool called the Patient Review Instrument—decide that a Skilled Nursing Facility placement is needed.
- At this level of care, the resident will require frequent medical supervision and direct access to staff and equipment for continuous skilled nursing observation, sub-acute care, assessment, rehabilitative care and activity programs. These Facilities struggle with negative consumer reactions affiliated with the term ‘Nursing Home’ and have begun to adopt softer, more creative titles that include Care Center, Living Center, and Place. Due to the care needs and quasi-institutional setting of this level of care, nursing homes are seldom direct competitors and often referral sources to senior living alternatives with communal, homelike environments.

## **Assisted Living**

- Assisted Living is nationally used as a generic term for housing plus various components of supportive care for senior citizens. These housing choices include Adult Care Facilities (ACF), Enriched Housing (EH), Continuing Care Retirement Communities (CCRC) and Independent Living Communities (ILC). Resident dependence may be due to physical or other limitations associated with age, physical or mental disabilities, loneliness, security needs or other factors. Residents of Adult Homes and Enriched Housing programs are provided with personal care and services on a long-term basis.
- In the New York State Department of Health’s report to the Governor and Legislature (May, 1999), the term ‘Assistive Living’ was defined as independent living for seniors and look-alike unlicensed facilities that may utilize Licensed Home Care Services. If such facilities register their programs with the State, they may be called Assistive Living.

## **Adult Care Facilities (ACF)/Adult Home (AH)**

- In New York State, most residents of Adult Care Facilities are in need of supervision and personal care services to maintain good personal health and hygiene, to carry out basic daily living activities, and to participate in the facility’s on-going activities. Personal care includes direction and assistance with grooming (i.e., ordinary care of hair, nails, teeth and mouth),

dressing, bathing, walking and ordinary movement from bed to chair or wheelchair, eating and medication self-administration. Residents of Adult Care Facilities must not require the continual medical or nursing services provided in acute care hospitals, in-patient psychiatric facilities and skilled nursing homes. Since Adult Care Facilities are not licensed to provide any nursing or medical care, licensed programs such as Assisted Living Programs (ALP), Limited Licensed Home Care Service Agencies (LLHCSA), and Licensed Home Care Service Agencies (LHCSA) have emerged to provide many care components previously accessible only in a nursing home environment.

- The oldest form of formal, congregate supportive housing in New York State (NYS) is the Adult Home or Adult Care Facility (ACF), formerly licensed by the Board of Social Services “for the purpose of providing long-term care to five or more adults age 65 or older.” Services provided usually include room, board, housekeeping, case management, activities, transportation to medical appointments, and assistance with personal care and medication self-administration. Rooms typically are 120-square foot per resident and residents are not permitted to prepare meals in their rooms. The New York State Department of Health’s (NYSDOH) Office of Continuing Care licenses and supervises adult care facilities. ACFs provide respite and long-term, non-medical, residential care services to adults who are substantially unable to live independently.

## **Memory Care**

- The NYSDOH recognizes increasing needs and interest among ACF and Enriched Housing operators and applicants in providing services to persons with dementia and acknowledges the ability of certain operators to serve some segment of this population. A program for persons with dementia, whether in a certified facility or as part of a new application, must have NYSDOH’s prior written authorization. DOH has developed Dementia Program (1998) Guidelines that outline specific requirements to meet the needs of this special population. Given the nature of the proposed resident population, approvals for dementia programs will normally be limited to sprinklered or non-combustible/protected buildings.
- Licensed Memory Care communities may follow either a Medical model of care or a Social model of care. Medical models, most commonly found at Skilled Nursing Facilities, are generally for residents who have acute nursing needs, are a danger to themselves or others, or who have behavior problems. Social models of care, most often found in residential settings such as Assisted Living Communities and Adult Homes, provide helpful programs for those in early- to mid-stage Alzheimer’s or related dementia. These programs are often referred to as Special Care Units (SCUs), Dementia Care Programs, Special Care Communities (SCCs), and Alzheimer’s or Dementia Units.

# Senior Living: The Aging of America

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The senior population of the United States is growing—in the next decade; 5.4 million Americans will become seniors. However, this 65+ age group will surge to 69.4 million in 2030, and the senior share of the overall population will expand from 12.7 to 20.0 percent.<sup>1</sup> The increased presence of the elderly after 2010 is, of course, largely due to the aging of the Baby Boomers born between 1942 and 1964, plus nutritional and healthcare breakthroughs that have extended life expectancies. In fact, after 2030, the 85+ age group will be the fastest growing segment of the American elderly. Nearly one-quarter of the elderly population is expected to be at least 85 years old in 2050, compared with only one-seventh today.<sup>2</sup>

Seniors currently represent the largest group of homeowners.<sup>3</sup> However, the aging of the Baby Boomers will inflate the senior population into a major presence in housing markets across the country. This elderly population presents a large and growing potential market for housing combined with desired services. Although some seniors will require or prefer specialized environments such as Assisted Living facilities, others will want services furnished in their own homes. Today, approximately 9 out of 10 seniors prefer to remain in their own homes as long as possible.<sup>4</sup> The wide variety in characteristics of the elderly, however, suggests that responses to their changing needs must be equally varied—including in-home support services delivery, home modifications and new housing alternatives. These new market opportunities already are emerging as Baby Boomers attempt to find suitable housing and care for their aging parents.

The aging of America is not without challenges. The impact of several trends has just begun to be recognized and will escalate as the Boomers swell the senior ranks. Prolonged life expectancy presents new levels of demand for the delivery of services, a market that is not well developed at present. Ongoing innovations in healthcare technology will present ever-more difficult questions about who benefits from expensive new approaches. Seniors will begin to feel the strain on Social Security, Medicare and Medicaid by 2010.<sup>5</sup> Although reforms are being designed to address these problems, the impact clearly is current and established. The dramatic disparities in wealth among seniors aged 70+ years are increasing. About 20% of these seniors had over \$200,000 of net worth in 1993, while an equal percentage had a net worth of less than \$25,000. Renter households headed by a person 65 or older in 1995—one-fifth of the senior population—had median net wealth of only \$6,460, compared with \$141,300

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<sup>1</sup> Joint Center for Housing Studies. *The State of the Nation's Housing*. Harvard University; 1999.

<sup>2</sup> Ibid.

<sup>3</sup> Ibid.

<sup>4</sup> Ibid.

<sup>5</sup> Ibid.

for those owning homes.<sup>6</sup> Moreover, adequate funding for and appropriate structuring of entitlement programs serving the needy elderly remain politically sensitive issues. These issues—including the economic disparity trend—will track the Baby Boomers aging in the 21<sup>st</sup> century. Today’s seniors and aging Baby Boomers need services now. Clearly, the population trend data indicates that aging Baby Boomers will require significantly more services than are currently available.

Housing in the United States is setting many new records for growth, housing starts, residential values and homeownership rates. Overall, housing has benefited from the strong economy—and has positively impacted it. In 1998, home construction and remodeling generated over 300 billion dollars as housing production rose to its highest level in over a decade.<sup>7</sup>

This boom has re-ignited debate over growth and patterns of development as the economic gap between American homeowners and American renters continues to widen. Low-income renters spend *more than half* of their income on housing.<sup>8</sup>

According to a 1999 Harvard study, the cost burden for a two-bedroom rental within the “30% of income” standard requires two people working full time earning \$7.00 per hour. Adjusted for national variances, affording this rental housing requires 2.0–2.9 jobs in New York and California, and 1.5–1.7 jobs in Florida and Arizona.<sup>9</sup>

Affordable housing needs have grown as cost-burdens have remained high. Clearly, overall compensation in low- to moderate-income groups has not grown to keep pace with rents. For seniors living on fixed incomes, these high cost burdens significantly limit their housing choices. These choices may become severely restricted in rural areas where communities with low population density and limited resources are unable to address the range of senior needs. Typically such communities struggle to provide any type of subsidized housing and often can provide only limited or no services.

Low- to moderate-income seniors currently are facing heavier cost-burdens for housing based on fixed incomes and rising rental costs. Not only have their incomes failed to increase to keep pace with rents, senior income sources from Social Security, Medicare and Medicaid are facing an uncertain future.

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<sup>6</sup> Ibid.

<sup>7</sup> **National Low Income Housing Coalition. CDC Industry Profile. 2000 Advocate’s Guide to Housing and Community Development Policy; June 15, 2001.**

<sup>8</sup> National Low Income Housing Coalition. Rural Housing and Economic Development. 2000 Advocate’s Guide to Housing and Community Development Policy; June 15, 2001.

<sup>9</sup> Joint Center for Housing Studies. *The State of the Nation’s Housing*. Harvard University; 1999.

Although increases in homeownership rates and remodeling activities favor the aging population well into the next decade, they may add to the affordability problems of low- to moderate-income households. As housing costs increase, the ability to provide low cost housing and to retain other subsidized units will be challenging. The fastest growing segment of the elderly population, those aged 85 and older, is concentrated geographically in the northeastern U.S. The New England, Mid-Atlantic and Great Plains states have the highest concentration of seniors in the country. Reverse-migration from the south and southwest continues to increase these numbers.

The number of households headed by people aged 65+ years will rise 300,000 per year over the next decade. These households will create a dramatic increase in demand for services and their housing choices will exert tremendous market impact. Low- to moderate-income seniors will be challenged to find and retain housing with services. Today, these housing opportunities are limited or nonexistent. Affordable housing, currently existing or under development, offering some services is typically subsidized from federal, state and local sources.<sup>10</sup>

Approximately 9% of seniors are currently working. Even so, over half of the incomes of those aged 65 and over is derived from Social Security, with another 20 percent from pensions and only 5 percent from earnings. Earnings from other household members and other investment income each contribute another 8-9 percent of elderly incomes. Very little income comes from Supplementary Social Insurance (SSI) or food stamps.<sup>11</sup>

About 20% of seniors have net worth between \$100,000 and \$200,000, while another 18 percent have net worth between \$200,000 and \$500,000. At the same time, though, about 10 percent have net worth between \$25,000 and \$50,000 and 20 percent have net worth of less than \$25,000.

Of the households with members aged 70+ living outside institutions, only 3% reside in assisted living or congregate facilities that provide health, domestic or personal care services. Of the remaining 97%, 42% live alone, 34% reside with spouses, and 24% live with others.<sup>12</sup>

Senior living arrangements take three basic forms: 10% of households live with elderly members, either the senior has moved in with a caregiver or a caregiver has moved in with the senior; 20% are supported by friends or families who live separately and visit to provide help; and only 7% get assistance from outside organizations or unrelated individuals.

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<sup>10</sup> Joint Center for Housing Studies. *The State of the Nation's Housing*. Harvard University; 1999.

<sup>11</sup> Ibid.

<sup>12</sup> Ibid.

In general, seniors experience increasing difficulty performing independent living activities as they age. Whereas 19 percent of seniors aged 70-74 years have problems performing at least one daily living activity, 74 percent of those aged 90+ years have such problems. Similarly, the percentage having difficulty with at least one instrumental activity increases from 20 percent to 74 percent, respectively. Increasing age also increases the difficulty of walking several blocks, climbing stairs, moving heavy objects or lifting ten pounds. Picking up a dime is difficult for 18 percent of those aged 90+ years. In addition to ambulation, strength and dexterity abilities, cognitive skills show decline. Perhaps not surprisingly, depression increases.

Clearly, as seniors age, their need for services increases. Primarily, needed services encompass daily living activities such as bathing, dressing, medication dispensing, transportation, memory care, meals, etc. Although seniors prefer to age at home, it becomes increasingly difficult to obtain these needed services. As low- to moderate-income seniors age, their ability to pay for services and remain at home decreases. Typically, by the time seniors reach the age of 80-84, they or their families are seeking alternatives for housing and needed services.

Seniors have several choices for housing, although not every option provides needed support services. Assisted Living is the generic term commonly used nationwide to describe senior housing with various components of supportive care. These components can include Adult Care Facilities (ACF), Enriched Housing (ER) as a part of a Continuing Care Retirement Community (CCRC) and Independent Living Communities (ILC). Resident dependence may result from physical or other limitations associated with age, physical and mental disabilities, loneliness, security needs or other factors. Residents of Adult Homes and Enriched Housing programs are provided with personal care and services on a long-term basis. The elderly currently have the following housing options:

1. **Remain at Home.** While assisted communities have received widespread attention as the living arrangement seniors will most likely gravitate toward as they age, most surveys suggest quite the opposite. Seniors consistently state that they prefer to "age in place," and the percentage responding so increases with age.

Given this strong preference, it is no surprise that the elderly change residences less and less frequently as they age. For example, while one in three people aged 20-29 resides in a different house from the one he or she lived in a year ago, only one in twenty-five people aged 70-79 has relocated in the past year.<sup>13</sup>

Nevertheless, fully 39 percent of Americans do change residences after they reach the age of 60. At least four-fifths of the moves seniors make are local. In a typical year,

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<sup>13</sup> Joint Center for Housing Studies. *The State of the Nation's Housing*. Harvard University; 1999.

only about one percent of the elderly move across a state boundary, and even many of these moves are within the same metropolitan area.<sup>14</sup>

Seniors who make long-distance moves tend to be younger, healthier and somewhat better educated. They also have somewhat higher incomes. As their health declines and they become more dependent, however, some return to their home states or move to locations closer to their families.

Although they change residences less often than younger adults, seniors nevertheless are significant contributors to the for-sale housing market. With ownership rates of nearly 80 percent, seniors aged 65+ today account for about one-quarter of all homeowners and one tenth of new home buyers.<sup>15</sup>

2. **Assisted communities.** Residents of assisted communities tend to be older (i.e., with a household member over age 85) and/or have no children living nearby. Somewhat surprisingly, difficulties with activities of daily living or the instrumental activities of daily living have little relationship to the selection of assisted communities. Households lacking a driver or with a member having difficulty climbing stairs are more likely to choose this living arrangement.

The lack of a significant relationship between need for assistance and selection of assisted communities—expressly designed for a less independent population—is striking. There appears to be some demand from seniors who do not yet have difficulties with daily activities. This demand may be driven by the expectation of future disability, the absence of a spouse, the inability to drive, the desire to arrange for the future while still able to do so for oneself, or the desire to spend less time on household tasks. It also may reflect the trend towards allowing residents to select from a menu of services and to pay only for those they use.

Residences in assisted communities are modest in size, with 80 percent of the units having three or fewer rooms. Assisted communities primarily offer rental units (about 80 percent), with only 8 percent owner-occupied and the balance neither rent nor own.

3. **Unassisted communities.** Age-restricted communities that do not provide services are generally favored by healthy people, and particularly by non-Hispanic white households. This type of housing alternative is commonly located in metropolitan areas, and in the South Atlantic, Mountain and Pacific states. Unassisted 60-plus communities

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<sup>14</sup> Ibid.

<sup>15</sup> Joint Center for Housing Studies. *The State of the Nation's Housing*. Harvard University; 1999.

are about one-third owner-occupied and two-thirds rented. Residences in unassisted communities are small, with 43 percent of units having three or fewer rooms.

4. **Shared housing.** Households whose members have difficulties with daily living or instrumental activities, and those without children nearby, favor shared quarters. The willingness of adult children to share housing with a parent substantially increases the likelihood of selecting this housing alternative. Not all shared housing situations involve children, however, fully 35 percent do not.

Divorced or separated, widowed, and never married households tend to share housing more often than do married couples. Elderly households without a driver also are apt to choose this arrangement, along with non-Hispanic blacks and other non-Hispanic minorities (primarily Asians). The living space in shared quarters is relatively large, with about 45-50 percent of units having six or more rooms. Shared housing is about 43 percent owner-occupied and 15 percent rental; the remaining 42 percent is in the "other" category, including arrangements that often involve seniors living with their children.

5. **Supported housing.** Seniors who choose supported housing tend to have difficulties with daily living or instrumental activities, but still have good cognitive abilities. Divorced or separated and widowed seniors favor supported housing, as do households without a driver. The likelihood of selecting this alternative increases as the number of children decreases. Two-thirds of these units are owner-occupied and one-quarter is rented. Units in supported housing are larger than those in age-restricted communities, but somewhat smaller than shared or conventional units.
6. **Conventional housing.** Seniors who are younger, married with spouse present, and have children living in the home or near-by prefer conventional housing. These units tend to be owner-occupied (82 percent) and relatively spacious, with half having six or more rooms. A larger share of seniors in non-metropolitan areas live in conventional units than do seniors in metropolitan areas.

Looking to the choices that will be available in the future, most market research studies have focused on providing services to seniors with net disposable annual incomes of \$25,000 or more. Presently, for-profit groups such as Emeritus, Holiday and the Marriott Corporation are constructing most senior housing with services. These facilities cost between 80-110 dollars per square foot to construct and are tailored to seniors with high levels of disposable income. These very high-end, profit margin-based products seek to serve financially well-off seniors able to pay high entry fees and monthly charges for various types of services and living accommodations.

In contrast, the currently available, conventional low-income and subsidized housing products provide only housing and fail to provide the day-to-day services needed by seniors aging in place. The lack of an accessible yet appropriate product for low- to moderate-income seniors leaves many, particularly in rural and small communities, largely underserved. Unfortunately, the specific needs of this underserved senior segment are not meant to be served by conventional products designed to address the nation's escalating demand for affordable housing.

The research data indicates a growing need for housing with services for an underserved population of seniors with net disposable annual incomes of \$15,000 to \$25,000. In addition to the data, government officials, area senior care providers and the New York State Department of Health and Social Services have underscored that rural and small town seniors have a great need for affordable housing with support services—an alternative that appears to be almost non-existent at this time and likely to remain so given the current market focus.

Concerns over the graying of America are real. After 2010, the population aged 65 and over will grow dramatically and the balance between working-age adults and the dependent population will shift—twice. Healthier and better educated, tomorrow's seniors will likely continue working well past traditional retirement age, reducing the dependent population ranks—until these seniors reach their mid- to late-80's.

To be sure, the imminent growth in the number of seniors will add to the pressures on federal income support and medical insurance programs. The sharp disparity in wealth among the Baby Boomers will continue well into their retirement years, leaving many lower-income seniors with few housing and special care options. Elderly renters will face particularly onerous housing cost burdens.

# Project Concept

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## **Introduction**

Based on penetration rates, demand analysis and income qualification criteria, it is our belief that development of Assisted Living and Dementia Program are needed in the PMA.

**Functional flexibility has been factored into the design to accommodate future industry demands and to add value to this already appealing project.**

## *The “Household” Concept*

The “Household” Concept of Care is based on the country kitchen model, which uses the family kitchen, dining, living and activity areas to promote socialization and family-like living for the residents. The design of living room and dining areas promotes ease of use to create a focus for activities, based on individual and family home life experiences. Its philosophy is based on the fact that people are attracted to the kitchen/dining room for family interactions and the living room for socialization. It is recommended that the proposed facility be designed incorporating the Household Concept of Care.

## **Special Care Unit as part of an Assisted Living Facility**

Designed as part of the larger Assisted Living Facility, the Memory Care Unit will serve those with Alzheimer’s and related dementias. In the Memory Care Unit, each household will be designed with special features and an environment designed to maintain and promote memory functions. Each household will be a safe area, providing security plus opportunities for wandering on unique indoor paths and in secure outdoor gardens.

The unit should be designed to promote the self worth of the Alzheimer’s/dementia residents and to provide them with choice and control in their own daily lives. The original family caregivers also should be encouraged to continue to participate on an ongoing basis in their loved ones’ daily lives and activities. A specially-trained staff will provide supportive, loving care in the Memory Care environment. It is recommended that universal workers<sup>1</sup> provide the care and services to the residents.

Activity programs are planned for 10 hours a day, seven days a week, including evenings. This specially designed Alzheimer’s activities program provides needed structure and direction for memory care residents. Nesting areas<sup>2</sup> will be provided for residents who need occasional quiet space and areas to socialize with their families.

An in-house/attached Memory Care Unit will provide additional staffing resources and training opportunities. Other residents of the Assisted Living Facility experiencing the initial stages of Alzheimer’s disease will have opportunities to benefit from the special Day Time Activity Program in the Memory Care Unit. An in-house/attached Memory Care Unit can provide

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<sup>1</sup> Universal workers are cross-trained employees who provide all necessary care components to assigned residents in order to maintain familiarity for the residents.

<sup>2</sup> Nesting areas are areas where accessories and furnishings are kept in familiar settings to promote recognition of surroundings.

opportunities for reduced operational and construction expenses, such as a shared kitchen for meal preparation. Such cost savings can directly lower daily rates for residents.

### **Dementia Programs in Summary**

The Department of Health recognizes increasing needs and interest among Assisted Living Facility operators and applicants in providing services to persons with dementia, and acknowledges the ability of certain operators to serve some segment of this population. A program for persons with dementia, whether in a certified facility or as part of a new application, must have the department's prior written authorization. **As of 24 April 1998, the DOH has published Dementia Program Guidelines outlining the specific requirements recommended for meeting the needs of this special population.** Given the nature of the proposed resident population, approvals for dementia programs in Assisted Living Facilities normally will be limited to sprinkled or non-combustible/protected buildings.

### **Memory Care Design Features proven successful throughout the industry**

- Memory boxes outside each room
- Country kitchens in each household
- Handicapped accessible bathrooms with walk-in showers and grab bars in each room
- Secured exit controls
- Enclosed courtyards with gardens and walking paths
- Nesting areas<sup>1</sup>
- Defined indoor walking paths within the household
- Soothing color schemes
- Special lighting
- Modified fire and safety systems

### **Recommended Memory Care Services**

- All meals eaten in country kitchen with staff
- Availability of snacks 24 hours per day
- Specially-trained staff 24-hours per day
- LPN or RN on-duty and on-call 24-hours per day
- Enhanced staff-per-resident ratio for additional personal care, queuing and safety
- Care plans for each resident with input from each staff member, family member and care provider
- A fulfilling activities program, 10 hours per day, 7 days per week
- Fitness/exercise programs
- 24-hour security
- Apartment repair and maintenance
- Outside landscaping and maintenance
- Housekeeping and laundry

# Market Area Determination: Study

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## Introduction

The purpose of the Market Area Determination is to collect relevant data and illustrate potential target areas that offer the highest opportunity for senior living products. This analysis will examine the following:

1. Population and current trends to assess what the market may look like in the near future.
2. Transportation and market accessibility: Increasingly our senior population is becoming more mobile and remaining so for longer periods of time.
3. Growth Patterns can indicate potential shifts in population and availability of services.
4. Shopping for basics is increasingly important to seniors.
5. Availability of Senior Health Services is a necessity in today's market
6. Senior Care Facilities in the target area can identify the existing level of services already available.
7. Recreation and Culture: These opportunities are important because seniors are remaining active as they age.

The information will show some dynamic patterns and trends in our community. As we should realize, we live in a community that is growing, expanding and changing its composition. Each of the potential target areas offers opportunities for senior living products.

The Study Area for this Market Area Determination shall be defined as follows:

1. East side of Monroe County
2. West and Central Wayne County
3. North and East side of Ontario County

## Data Collection

The data collected for this Market Area Determination is for the purpose of identify target markets for senior living products.

### 1. Population and Current Trends

The population of the Northeastern US over the last 10 years has declined or stayed the same within each state. There are however specific pockets where there are increases. Upstate New York has seen minor shifts in both directions. The three counties in the study breakdown as follows:

<u>County</u>	<u>Pop.</u>	<u>% Change</u>	<u>Seniors</u>
Monroe	735,343	3.0% +	13.0%
Ontario	100, 244	5.4%+	13.2%
Wayne	93,765	5.2%	12.2%

The median household income ranges from \$40,181 to \$41,954. Income for these households has steadily been increasing by an average of 2-5% per year since the 1980's. This is reflected in lower employment levels, seniors working longer and increases in higher paying employment. These factors and more have impacted the growth patterns of our communities.

### 2. Growth Patterns

Growth patterns are typically defined with housing starts and permits issued. However, this data tells only part of the story. In our Study Area, we reviewed housing starts, permits, infrastructure improvements, retail and commercial growth, availability of recreational and cultural opportunities and level of federal and state grants. The increase in housing starts and permits is most notable in four corridors. The Webster-Williamson corridor has had aggressive growth over the last 7 years, partially reflected in improved access and quality school districts. The Penfield-Walworth corridor has experienced similar growth in upscale housing. The Fairport-Palmyra corridor has seen an increase in housing and, probably more visible, in retail and commercial growth. Finally, the Perinton-Canandaigua corridor has seen significant housing, retail and commercial growth. Route 96 from Victor through Farmington is being heavily developed and Route 332 is being re-built, reflecting the heavy growth. Finally, federal and state grants secured by the three counties exceeded 3.8 billion dollars in 1999.

### 3. Transportation

The availability of transportation in the Study Area has grown and changed over the last 20 years. The most significant changes have occurred in two areas. First, the highway system reflects the most visible changes. There have been significant improvements to I-90 between exits 45 and 44, and to Route 104. These highways are safer and able to handle more traffic. Second, Routes 441, 31 and 96 have had road surfaces improved,

traffic signals added and turning lanes enhanced. These improvements reflect the need to handle higher volumes of traffic.

#### **4. Shopping**

The availability of basic services as well other consumer goods and services is a key element in planning any senior living product. The development of these facilities are linked directly to the growth patterns in our communities. For the purpose of this Market Area Determination, we looked at grocery stores, pharmacies, restaurants, hardware stores, retailers and specialty shops.

The east side of Monroe County has significant shopping opportunities. The presence of Wegmans, Tops, CVS, many restaurants, Chase-Pitkins, Lowe's, Home Depot, Wal-Mart, Kmart and numerous specialty stores. The Webster-Williamson corridor offers many of the same shopping opportunities found on the eastside of Monroe County. There are specific concentrations of these stores in Ontario, Williamson and Sodus. The Penfield-Walworth corridor is significantly less developed. Most shopping opportunities will be found within 10-15 miles. The Fairport-Palmyra corridor has most conveniences but not all. A higher concentration of shopping opportunities can be found between Egypt and Palmyra. The Perinton-Canandaigua corridor has been heavily developed. Eastview Mall is located in Victor and the corridor offers all amenities. The concentrations are in Victor, Farmington and Canandaigua.

#### **5. Health Services**

In the Study Area, we identified the location and availability of Hospitals, Medical Practice Groups and Health Care Facilities. As expected, the Rochester Market and the eastside of Monroe County have a heavy concentration of these services. As expected, Hospital Facilities were identified in Canandaigua, Geneva, Sodus and Clifton Springs. Medical Group Practices were identified in Macedon-Palmyra, Victor, Clifton Springs, Canandaigua, Geneva and Seneca Falls. Health Care Facilities were identified in Victor, Clifton Springs, Newark, Canandaigua, Geneva and Seneca Falls. Medical offices were identified along each of the four corridors discussed above.

#### **6. Senior Care Facilities**

In order to better understand the Study Area and identify target market opportunities, we need to know what senior facilities are available. For the purpose of this Market Area Determination, we identified areas that had Nursing Homes, Intermediate Care, Assisted Living, Respite and Continuing Care facilities.

Typical to this Study, the east side of Monroe County has a high concentration of these facilities. The Webster-Williamson corridor has limited facilities. Limited services were identified in Sodus and linked to the Hospital. The Penfield-Walworth corridor offered no services outside of Monroe County. In the Fairport-Palmyra corridor there is a development offering Assisted Living facilities, several Nursing and Life Care facilities. The Perinton-Canandaigua corridor has services linked to the Hospital including Nursing Homes and Continuing Care. The Clifton Springs area has Nursing and Life

Care services linked to the hospital. The Geneva-Seneca Falls area, similar to Canandaigua and Clifton Springs, has services linked to the hospital and Assisted Living facilities.

## 7. Recreation and Culture

The recreation and cultural opportunities for seniors in the study area are increasing every year. The Rochester area offers numerous festivals, sporting events, museums, concerts, shows, historical sites, seasonal events and much more. The Erie Canal trail system is now a cultural park being redeveloped with the help of New York State. The trail system within the study area runs from Pittsford through Lyons, along Route 31, featuring many pockets of shops and restaurants. Lake Ontario offers many recreational opportunities from Irondequoit Bay to Sodus Bay. The Finger Lakes region offers numerous recreational and cultural opportunities similar to those found in Rochester. These opportunities are available within 10 miles of many of the target markets identified.

## Mapping

1. Transportation
2. Growth Patterns
3. Transportation
4. Shopping
5. Health Service
6. Senior Care Facilities
7. Recreational and Cultural
8. Target Markets
9. Recommendations

## RECOMMENDATIONS

### 1. Target Markets

The three target markets identified with the best and highest opportunity in the study area are 1, 3 and 5. The Target Areas breakdown per population statistics as follows:

	<u>Seniors</u>	<u>Population</u>	<u>County</u>
Target Area 1	12,229	58,163	Wayne/Ontario
Target Area 3	6,585	26,035	Monroe/Ontario/
Target Area 5	12,414	51,476	Ontario
<b>Composite Area</b>	<b>26,334</b>	<b>110,896</b>	<b>Monroe/Wayne/Ontario</b>

a. Features of the Recommended Areas

- ◆ Highest concentration of population in growing market
- ◆ High quality highway, roads and public transportation
- ◆ Proximity to Rochester and Canandaigua of 10-15 miles
- ◆ Diverse shopping opportunities
- ◆ Accessible medical services
- ◆ Limited senior living products
- ◆ Highly available recreational and cultural opportunities

b. Pros of the Target Areas

- ◆ Population group and income ranges
- ◆ Easily accessible
- ◆ Services available
- ◆ Limited existing competition
- ◆ Funding opportunities

c. Cons of the Target Areas

- ◆ Limited senior living products
- ◆ Single product limited
- ◆ Major Medical Service in Rochester and Syracuse

**2. Product Potentials**

Based on the initial data gathered and the potential market area (to be further defined), it is evident that a number of products could be developed. The products listed below will be qualified and further defined by the full-scope market study focused on the defined market area.

- ◆ Patio Homes
- ◆ Independent Living for Seniors with Services
- ◆ Congregate Living
- ◆ Continuing Care Retirement Communities
- ◆ Life Care Communities
- ◆ Holistic Communities
- ◆ Adult Care
- ◆ Enriched Housing
- ◆ Special Care (Alzheimer's, etc.)
- ◆ Group Homes (OMRDD)
- ◆ Adult Day Care (Social and/or Medical Models)

**3. Appendices**

- ◆ Study Area Population Tables
- ◆ County Census Quick Facts

- ◆ U.S Census Thematic Map-Health Care and Social Assistance
- ◆ Monroe and Ontario Profile Sheets
- ◆ RTS Transportation Enhancement Program Map
- ◆ RTS Wayne Area Transportation Services

# Market Decision Analysis

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## The Decision Makers

An important market segment with respect to Senior Living, especially Assisted Living and Memory Care, is the “decision influencer.” The strongest marketing impact on retirement living is wielded by seniors’ children aged 45-60. *These children are highly motivated to solve a personal and family health and logistics problem involving their parents in an effective and compassionate manner.* Decision makers often rely on established facilities with an excellent reputation for care giving.

### *Decision Influencers*

- Typically, it is the senior’s son or daughter who is responsible for providing care and decision making in later years.
- Sometimes, it can be a professional such as a member of the clergy, attorney, financial advisor or medical practitioner.
- Often it is a healthcare professional such as a hospital social worker, a case manager or physician.

## Impact on Market Penetration Rates

The impact of the 45-60 year-old decision influencers has been excluded from market penetration rates in this study even though the projected impact of those in that age group is larger in the PMA than the projected target area. It already has been assumed in penetration methodology that 25% of the absorption will come from outside the defined Primary Market Area. This impact is considered a **forecasting safety margin** for this development.

## National Performance

National marketplace performance has demonstrated that the decision influencer plays an instrumental role in selecting senior living facilities. **It our opinion that decision influencers will play a key role in the absorption of the proposed facilities and should be considered a key market target to be addressed in future marketing efforts.**

# Market Study Interviews

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## **Planning Technician, Ontario County**

“Demographics show an increasingly aging population, while the remaining population is stable. The mix is getting increasingly elderly. Alzheimer’s is a very serious problem as those clients are difficult to place in Nursing Homes.” Not aware of any new senior housing being proposed in area.

## **Community Liaison Officer, Ontario and Wayne County Office of the Aging**

Ontario County has a large elderly population in Western New York. “There is absolutely no doubt that the housing and service programs needs are unmet at this time. Presently, there is a growing need for 24-hour care and/or respite care for the Alzheimer’s victims that will provide caregivers some relief. There is no entity in the county that has a residential program for the Alzheimer’s population in an Assisted Living Facility.”

## **Director, Fingerlakes Region Planning Office**

She agreed that currently there are few residential options for persons with low to mid-stage Alzheimer’s and dementias. and was positive about plans for new Dementia Care and Assisted Living Facilities in the area.

## **Director of Planning, Monroe County**

The Director provided information about a current project being planned. He identified the need for more Assisted Living facilities in the Southeastern part of the county. He noted the saturation on the Northeast side of the county.

## **Executive Director, Alzheimer’s Association of Western New York**

“Ontario and Wayne County are not highly educated about the prevalence of [housing] products that are currently available. A strong program of education would help any provider succeed. We would support and assist them in any way that is possible. Even though the Alzheimer’s Association is [headquartered] in Buffalo, we could be a valuable resource.”

# Competition Overview

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The competition in the PMA is limited and underdeveloped. There is only one well-developed facility in Macedon, New York. The majority of developed housing is targeted for seniors 55 to 70 years of age. These facilities have limited or no supportive services.

- **None of the Assisted Living Communities in the PMA and SMA have specialized Memory Care or Dementia Programs.** Since current Assisted Living options for seniors in the market area fail to provide opportunities for residential Memory Care with Dementia Programs, there is an overwhelming demand for Alzheimer's care.
- **Seven Senior Housing facilities offer no supportive services.** These facilities provide only housing for seniors 55 to 70 years of age
- **Assisted Living Communities in the PMA are new and starting operations.** For this reason, each is included in the competitive analysis and may serve as a referral base for any new residential Memory Care setting.

It is important to note that residents of these communities are forced into Skilled Nursing, often too early, when they exhibit behavior that is not self-determining. This is a very expensive alternative for the residents and the counties. The proposed Memory Care Community would allow residents to remain at the Community until Skilled Nursing care was absolutely necessary.

- Memory Care Communities generally draw prospects from an even larger demographic area than do typical Assisted Living Facilities. Therefore, the **Market Area selected is conservative since market demand for this specialized type of care may drive prospects from demographic areas outside of the market area into the PMA to obtain the care needed.**
- There are five licensed Adult Homes, located primarily around the city of Canandaigua.
- During our interview process, substantial comments were made by present and former County Office of the Aging executive directors, adult care facility administrators, social workers and county planning administrators to support the need for memory care. (See preceding *Market Study Interviews*.)

# Alzheimer's Unit Demand Analysis

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## National Studies

National studies of Alzheimer's facilities have shown capture rates ranging from 30 to 35 percent.

## Industry Standards

Actual rates and industry standards that lenders and other professionals typically evaluate have led to an acceptable capture rate for an Alzheimer's facility in the range of 30 to 35 percent.

## Analysis of Need for Alzheimer's Beds

This analysis summarizes the required ages of 65-74 and 75+ PMA Alzheimer's capture rate, the minimum qualifying income criteria of \$25,000 and 75 percent of the unit absorption from the PMA.

- The rates are expressed in the year 2001 time frame and are based on the Income Qualifying Criteria Analysis provided in this section for seniors aged 75+, which gives consideration to the potential impact of home equity in the extended market area.
- Demographic information was obtained for the PMA through the Claritas, Inc. Senior Life Report. Only competitive units within the PMA were considered.
- The rate methodology calls for the proposed facility to be brought to stabilization at 95% occupancy.
- The maximum number of units required to reach saturation is 108.

This analysis also reflects need based upon residents currently residing in ALFs. Conservative capture rates were used in relation to the nationally recognized rates for those potentially affected by Alzheimer's.

**Note:** The capture rates in this Alzheimer's Unit Demand Analysis are conservative, realistic and within acceptable industry standards.

# Assisted Living Penetration Rates-Summary

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## **National Studies:**

**National studies of freestanding Assisted Living Facilities (ALF) have shown penetration rates to range from 1% to 7%.**

## **Industry Standards:**

Actual rates and industry standards that lenders and other professionals typically evaluate have led to **an acceptable penetration rate for an Assisted Living Facility to be in the range of 4% to 7%. The higher end of the range is more acceptable in rural areas.**

## **Exhibit A:**

Exhibit A summarizes the required age 75+ PMA Assisted Living penetration

- The required penetration rates assumes a minimum qualifying income of \$25,000 (\$21,845 after considering impact of home equity) and 75% of the unit absorption from the PMA.
- The rates are expressed in the 2001 time frame and are based on qualifying cash flow for seniors aged 75+ and give consideration to the potential impact of home equity in the extended market area.
- Demographic information was obtained for the PMA through the Claritas, Inc. Senior Life Report. Only competitive units within the PMA were considered. While there could be some seniors under age 75 who would be candidates for the proposed facility, they have been excluded for the sake of conservative forecasting.
- The rate methodology calls for the proposed facility to be brought to stabilization at 95% occupancy.

## **Note:**

*The penetration rates in Exhibit A are conservative and realistic .*