

# UNIVERSITY-AFFILIATED RETIREMENT COMMUNITY DEVELOPMENT: A RESOURCE FOR UNIVERSITIES

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## MASTER OF SCIENCE IN REAL ESTATE DEVELOPMENT

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## **ABSTRACT**

The primary purpose of this thesis is to provide universities with a resource for understanding university-affiliated retirement community development. The initial chapters provide a brief introduction to the trend, including a summary of macro-level demand factors, synopsis of the components of the typical development model, and general outlook.

Thereafter, three university-affiliated retirement communities are studied: Oak Hammock at the University of Florida, The Village at Penn State, and Lasell Village at Lasell College. For each case, factors explored include project background, marketing strategy, financial structure, design, programmatic synergies with the university, tenure, services, operations and organizational structure. Research conducted includes interviews with university administrators, developers and other project participants as well as site visits, and reviews of project documentation. Case studies also include a summary of the university's role in the project and an analysis of critical success factors for each.

The thesis concludes with an overview of lessons and observations believed to be important for universities contemplating or presently engaged in such a project.

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## 1. INTRODUCTION

According to the US Census Bureau, the number of individuals between the ages of 50 and 69 will increase by approximately 87% over the next 15 years. As the Baby Boom generation enters retirement, nearly 6 of 10 are expected to move to a new home, according to a recent Del Webb survey. Results appear to indicate that this generation will be more attune to lifestyle and quality of life issues than previous retirees, demanding a different retirement experience.

University-affiliated retirement communities offer an attractive alternative for this growing segment of the population, providing a vibrant community of diverse ages with unique access to cultural and educational activities and, in many cases, high quality local medical services. University towns also tend to provide a slower paced and more affordable alternative to traffic-congested metropolitan areas with skyrocketing home prices. Furthermore, retirees may value the nostalgic, youthful effects of returning to one's alma mater to enjoy their "golden years." Universities may also benefit from alumni retirees going "back to school," adding diversity and experience to the classroom, and maturity, wisdom and mentorship to the campus. Universities may also discover a financial benefit to these communities, either through direct financial participation or increased alumni giving from residents.

The purpose of this thesis is to provide universities with a resource which includes an overview of the trend, an assessment of critical success factors, and observations relevant for those contemplating such communities. In the subsequent chapters, an overview of the macro-level demand factors contributing to the university-affiliated retirement community trend is provided, including statistics on the staggering demographic segment known as the "baby boom." A general overview of the university-affiliated retirement community model is also provided, including a brief introduction to the trend, a synopsis of typical components of the model, and a trend outlook. Next, thesis research methodology is described, along with a detailed outline of the case study organization.

Critical success factors are derived from case study analysis. Three university-affiliated retirement communities are considered: Oak Hammock at the University of Florida, The Village at Penn State, and Lasell Village at Lasell College. For each community, the unique physical characteristics, financial structure, marketing techniques, programmatic synergies, and tenure structure are investigated. In each project, the university played an integral role as "partner" in the project, either through land contribution,



financing or marketing support, operational involvement or educational resources. Through research entailing interviews of university administrators, developers and other project participants, site visits, and reviews of project documentation, an in depth understanding of each project is provided. Case studies conclude with a summary of the university's role in the project and an overview of the critical success factors for each community.

Finally, the thesis concludes with an overview of success factors for university-affiliated retirement community development as well as other noteworthy observations related to the product type. The thesis is intended as a resource for universities either contemplating or already planning a retirement community.

## 2. DEMAND CHARACTERISTICS

The “Baby Boom Generation,” defined as those born from 1946 to 1964, represent a period of unparalleled population growth in our nation’s history with over 78 million born during this period. Along with this staggering statistic, evidence supports the fact that healthier Americans are living longer and will enjoy a more active retirement. Surveys also suggest that recent retirees and baby boomers adhere to a lifestyle vastly different from previous generations. They will demand new standards in retirement living and unique product types, such as university-affiliated retirement communities.

### From Pyramid to Pillar - the Shift in US Population

According to the US Census Bureau, the number of individuals between the ages of 50 and 69 will increase by approximately 87% over the next 15 years, ballooning to 77 million people by 2020. At that point, over 114 million Americans will be at least 50 years or older, in comparison to 75 million today.<sup>1</sup> While the baby boom plays an important role in this shift, there is a second factor also at work; Americans are living longer.

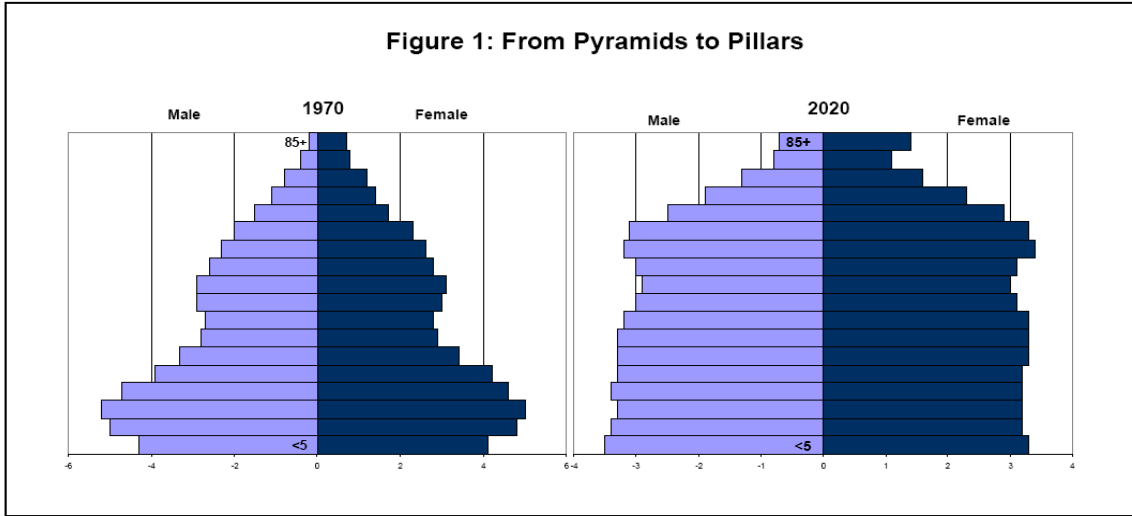
Historically, the age distribution of the US population resembled a pyramid, the base represented by a large number of newborn babies with a narrowing effect caused by deaths in early childhood, extending through adulthood and rising to a pinnacle, representing the small population who lived to be elderly. Under this model, the few elderly could be cared for by the larger population of people in the middle stages of life. This population structure was in effect until 1970 and serves as the basis for the majority of our nation’s housing stock.

In the future, the age makeup of our population will more closely resemble a pillar, as shown on the right side of the following graph. People are living longer, and fewer will die before they reach old age; hence, the graph bars representing the older segments of the population are expected to become much wider in the coming years. The graphs illustrate the expected shift in age distribution from 1970 to expected levels in 2020.<sup>2</sup>

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<sup>1</sup> Riche, Martha Farnsworth. *The Implications of Changing U.S. Demographics for Housing Choice and Location in Cities*, Farnsworth Riche and Associates, p.5, March 2001.

<sup>2</sup> Ibid.



Naturally, the aging of the US population suggests continued change in the form of our nation’s housing types. The sheer numbers alone support increased demand for a wide variety of product types catering to the aging population. Furthermore, as Americans live longer, they will likely spend a greater number of years in retirement, potentially creating the opportunity to enjoy a number of housing options, and thus causing greater demand for retirement communities that offer a truly unique and satisfying experience.

Relocation During Retirement

A burning question for retirement housing demand remains, “*Will Baby Boomers relocate during retirement, and if so, will they flock to warm weather states or will they stay close to home?*” Recent polls indicate mixed results. According to a 2000 study by the American Association of Retired Persons, over 85% of respondents said they prefer not to relocate for retirement. And, as noted by many retirement community experts, up to 70% of sales for a given community typically come from residents within a 50 mile radius.

However, Del Webb’s 2003 “Baby Boomer Report” found that nearly 6 of 10 boomers plan to move during retirement, a dramatic increase from the same 1999 survey in which only 31% of respondents indicated a preference to relocate. The 2003 study also addressed the distance boomers are willing to relocate from their current residence, and again found mixed results, with 31% indicating they would move more than three hours from their current location. Geographical preferences still support warm weather climates such as Florida and Arizona, attracting 39% of those surveyed. However, moderate climate states

such as Tennessee, Colorado, Virginia, Washington and Oregon also achieved relatively high marks. While the traditional view of “snow birds” flocking to Florida and Arizona for retirement may hold true for some baby boomers, the survey results indicate demand for geographically diverse retirement communities in the future. With a significant number of baby boomers expressing a preference to stay closer to “home” and a tolerance for varying climates, active adult community housing developers outside of the nation’s “sunbelt” should realize continued demand for otherwise desirable projects.<sup>3</sup>

#### The “Not-So-Traditional” Baby Boomer Household

While many boomers are products of the “traditional” family of the 1950’s, recent studies indicate that this generation will alter previous definitions of the typical family “household,” likely leading to changes in the preferred characteristics of retirement housing. Studies show baby boomers have a significantly higher divorce rate (14.2%) in comparison to those currently 65 and older (6.7%).<sup>4</sup> According to a 2003 report by the Joint Center for Housing Studies of Harvard University, the number of people living alone will increase by 5 million over the current decade and many will be “relatively affluent, middle-aged, baby boomers.”

Along with an increased number of single retirees, studies show that people are living a greater portion of their adult lives outside of the typical child raising years. In a 2001 paper for the Brookings Institution, Martha Farnsworth Riche reported that in 1999, married couples without children at home became the nation’s most common family household type. She also reported that adults only spend 35% of their time from age 20 to 70 in a “parenting” capacity.

The increasing number of single retirees and those with a greater number of “empty-nester” years may result in significant changes to the retirement community industry. As singles, a greater number of retirees may search for truly “active” communities, placing ever higher value on social interaction. For some, a shortened number of child raising years may translate into a continued desire to further satisfy paternal and maternal instincts, preferring to spend retirement surrounded by diverse age groups.

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<sup>3</sup> Del Webb and its affiliate, Pulte Homes, Inc. are among the nation’s leading active adult retirement community developers.

<sup>4</sup> Mature Market Institute. *Demographic Profile of American Baby Boomers*, Metropolitan Life Insurance Company, p.2, 2003.

### Prospects for Wealth in Retirement

While publications continue to note the potential strain on our nation's social security as baby boomers enter retirement, recent studies indicate a slightly rosier picture when it comes to their personal wealth. The Joint Center for Housing Studies of Harvard University 2003 Report predicts that baby boomers will set a new record for wealth for people over age 55 and will stay in the workforce longer in preparation for retirement. The report also predicts that by 2010, older boomers will reach their peak wealth while younger boomers will reach their peak earning years of 45 to 54. Furthermore, the report notes that baby boomers are expected to inherit "record amounts" over the next twenty years. A March 18, 2004 summary from The Congressional Budget Office painted a generally positive picture as well. While the study predicts that 25% of baby boomer households have "failed to accumulate significant savings" for retirement, it also found that "compared with their parents at the same age, baby boomers typically have higher incomes, are preparing for retirement at largely the same pace, and have accumulated more private wealth."

Of course, ballooning medical expenses and longer life expectancy may force boomers to place greater control on spending during retirement. However, while difficult to predict and certainly not universal, studies seem to indicate that a significant portion of baby boomers will have sufficient net worth to spend on housing throughout their retirement years. This suggests that they will be in a position to choose retirement alternatives based on personal preferences, rather than financial constraints.

### Homeownership and Retirement

Reports indicate that baby boomers and older Americans generally prefer homeownership to rental housing. According to Riche's Brookings Institute Report, only 22% of 45 to 64 year olds are renters. The US Census Bureau's "Demographics Trends in the 20<sup>th</sup> Century" found that home ownership rates are also high for current retirees, with 78% of those 65 and older listed as homeowners.

The reasons for baby boomers' and older Americans' preferences for homeownership are varied and may be fueled by years of built up equity investment or perhaps recent record low interest rates. Another interesting theory supporting homeownership argues that fixed-rate mortgages offer a certain level of "insurance" against rising housing costs during an inflationary period, as opposed to apartment rents which typically adjust annually to changes in the market.

### A New Definition for the “Active Adult” Retiree

Recently nicknamed the “Zoomers” for their energetic, youthful approach to life, the baby boom generation is expected to carry a healthier, more active lifestyle well into their retirement years. As noted by demographer Ken Dychtwald, “most boomers would prefer to take their youth with them into old age”.<sup>5</sup> The 2003 Del Webb Survey found that 85% describe their health as either “good,” “very good” or “excellent” and 93% of those surveyed expect to exercise as much or more during retirement as they do now. Thus, it is expected that baby boomers will seek out retirement living arrangements that promote an active lifestyle and cater to their needs by providing a variety of fitness-oriented amenities.

### The Growing Demand for Education in Retirement

Along with a healthier, more active lifestyle, studies support an ever-increasing interest in educational programs for retirees. Dr. Ronald J. Manheimer, Executive Director of the North Carolina Center for Creative Retirement, noted in his 2002 paper “Older Adult Education in the United States: Trends and Predictions,” the growing popularity in adult continuing education programs such as Elderhostel, whose participants recently increased to approximately 300,000 annually. He also cited the National Education Surveys which found that the percentage of those ages 66 to 74 who participated in at least one adult education class in the previous year more than doubled from 8.4% in 1991 to 19.9% in 1999. Finally, he noted that the “degree of prior education remains the chief predictor of educational participation for adults”.<sup>6</sup> Given that baby boomers enjoy a higher level of education than any previous generation, with 28.5% holding a Bachelor’s Degree or higher, an increasing demand for education-based retirement programs is likely.<sup>7</sup>

### The Need for University-Affiliated Retirement Communities

As the nature of “retirement” changes, so will housing product types adjust to meet new demands. Research indicates that retirees are enjoying longer, healthier retirements, affording them the opportunity to experience a number of different retirement living options in a single lifetime. Some will continue to flock to Sunbelt states such as Florida and Arizona. But a significant number will continue to prefer var-

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<sup>5</sup>Dychtwald, Ken. *Boomer Wake Up Call*, In Support of Testimony to the US Senate Committee on Aging, p. 2, November 8, 1999.

<sup>6</sup> Manheimer, Ronald J. *Older Adult Education in the United States: Trends and Predictions*, North Carolina Center for Creative Retirement, p.2, 2002.

<sup>7</sup> Mature Market Institute. *Demographic Profile of American Baby Boomers*, Metropolitan Life Insurance Company, p.4, 2003.

ied climate locations, focused on the prospect of staying closer to home and family or attracted to other unique features of a community. Projections indicate that many boomers will enjoy unprecedented wealth and spending power during retirement, that they will seek a healthy, active, retirement lifestyle, and that they will value educational opportunities. These factors point to substantial demand for the university-affiliated retirement community model described in this thesis.

### **3. THE TREND**

#### Background

The university-affiliated retirement community trend began primarily in the mid-1980's with a few pioneer communities such as Meadowood in Bloomington, Indiana, which is affiliated with the University of Indiana. The trend continued into the 1990's with development of a number of projects including The Colonnades in Charlottesville, Virginia affiliated with the University of Virginia; Kendal at Oberlin in Oberlin, Ohio affiliated with Oberlin College; College Harbor in St. Petersburg, Florida affiliated with Eckerd College; and others.

By some estimates, there are currently over 50 retirement communities "affiliated" with US schools and approximately 30 or more schools currently considering new projects. These statistics, however, may be misleading in that they reflect a very loose definition of school "affiliation," ranging from projects which happen to be in college towns and may have the occasional student-resident, to projects which are developed, owned and operated directly by the schools. Using a more stringent definition of "affiliated," whereby the schools and projects have a more meaningful and deliberate relationship, the current number appears to be 15–20 communities.

These communities vary widely among numerous criteria including size, location, affordability, depth of school affiliation, services offered and entrance requirements. They are located in nearly all regions of the country, some in small, sleepy college towns, others near campuses in large, metropolitan areas. Some communities are linked to small, private liberal arts colleges, others to some of the largest public universities in the country. Communities also differ in the form of tenure offered, ranging from standard condominium ownership structures with no medical services, to "Type A Lifecare" agreements, whereby housing is only a portion of an extensive package of services.

#### The Impetus

As described previously, today's retiree and the baby boom generation to follow are healthier, more active and wealthier than their counterparts from previous generations. They are more active physically and mentally and are expected to be more engaged in their communities. They will likely redefine the traditional idea of the retirement lifestyle.



In considering those things most valued by retirees, the natural fit with universities appears obvious. Proponents note that there are a number of significant synergies between retirees, schools and college communities, providing the basis for the university-affiliated retirement community trend.

### Benefits to Retirees

University-affiliated retirement communities are marketed as a housing alternative combining amenities typically only available in a large city with the conveniences and safety of a more tightly-knit community.

The model is touted as offering a number of benefits to retirees, with the following regularly cited:

- *Intellectual Stimulation*: access to classes, lectures, conferences and other educational resources on a variety of topics and at varying levels of commitment and workload;
- *Access to Cultural, Arts, Athletic Events*: schools traditionally provide a selection of cultural-, arts- and athletic-related events and entertainment, to an extent which is generally unparalleled outside of large, urban environments;
- *Sense of Community*: the small town feel and cohesive environment of a typical college town engenders a unique sense of community and identity; even schools located in larger metropolitan areas tend to foster their own sense of community revolving around the campus;
- *Safety, Security*: college campuses and towns are generally very safety-conscious due to the importance of providing a safe environment for the student population;
- *Availability of Quality Healthcare*: many larger schools are associated with world-class teaching hospitals, a vital resource for many elderly;
- *Interaction with Youth*: rather than segregating retirees from younger people like many traditional retirement options, school-affiliated communities offer both formal interaction through mentoring programs and classroom interaction, as well as informal interaction in the community, providing ample means for retirees to maintain a connection with youth;
- *Quality of Life*: many university locations offer the conveniences associated with a small town lifestyle (low traffic, slow pace, low density/scale, good public transit);
- *Nostalgia*: many existing university-affiliated retirement communities report that a large percentage (some average 50%+) of their residents have some prior affiliation with the school (alumni, retired faculty or administration) indicating that retirees may place value on personal connection or nostalgia associated with the school communities.

### Benefits to the Schools

University-affiliated retirement communities also offer a number of unique benefits to the sponsor schools. Many of these focus on re-engaging an eager population not currently or traditionally involved on an active level with students or administration. Among the advantages typically mentioned are:

- *Improvement of Alumni Relations*: retired alumni living on or near campus provide schools with the opportunity to strengthen the connection to those individuals and engage them in the current issues facing the school;
- *Increased Publicity*: cutting edge communities may provide added national and international publicity, especially vital for small colleges seeking to gain increased exposure;
- *Revenue Sources*: schools benefit from added potential sources of revenue such as naming rights, ground rent payments and marketing fees;
- *New or Enhanced Source of Philanthropy*: schools may benefit from increased financial contributions from retirement community residents;
- *Fee Services for Various Departments*: various school departments (i.e. medical, nursing, dental, physical therapy) may benefit from opportunities to provide fee services to the communities;
- *Intergenerational Relationships*: through formal and informal programs, opportunities exist for students to form relationships with potential mentors, adding a unique perspective and resource to students' college experience;
- *Unique Diversity in the Classroom*: the life experiences and unique perspectives which can be offered only by an older population adds value to the classroom experience, creating a richer learning environment for students;
- *Pool of Research Subjects*: university-sponsored research programs benefit from an increased pool of subjects for studies related to topics such as aging, nutrition and exercise;
- *New Hospital Patients*: university hospitals may benefit from an influx of new patients.

### Benefits to the Greater Community

Communities with school-affiliated projects are thought to benefit in a variety of meaningful ways from the addition of an engaged and active retiree population to their citizenship.

Arguments in support of the projects from the city's perspective include:

- *Addition of Low Cost / High Consumption Population*: retirees are traditionally categorized as relatively low cost citizens as they consume fewer public services (school system, roads) than

younger residents, yet they add substantially to the local economy as they are a relatively high consumption population (medical services, dining out, retail goods and general services), potentially providing a positive net economic value to the city/town;

- *Creation of Service Jobs*: particularly in communities offering on-site medical care, retirement communities create valuable, well-paying professional and service jobs;
- *Volunteer Base*: a population with ample free time and a desire to be actively involved in the community potentially adds to the existing volunteer base, a valuable resource for any community;
- *Recruiting Competitive Advantage*: the rare amenity package enjoyed by school-linked community residents provides towns a unique retiree recruiting tool which they can use to compete with traditional retirement destinations which enjoy other competitive advantages such as weather or tax laws.

## 4. THE MODEL

### Development Team Structure

Currently, there is no dominant organizational model among university-affiliated retirement communities. By nature of the fact that universities are typically singular entities in a fixed location, many projects are carried out by one-time, unique partnerships which are not likely to be replicated by the same combination of parties. Often times, communities will set up an independent, not-for-profit 501(c)(3) organization where universities retain control through board level participation. Seeking expertise in all phases of the development process, universities usually partner with experienced outside developers who are compensated on a fee basis. Regional and national firms specializing in retirement community development have been involved in university-affiliated communities, including Co-Operative Retirement Services of America, PRAXEIS, Kendal, Greystone, Life Care Services, Inc., Sunrise Assisted Living and Hyatt Corporation. While large, national developers bring expertise to the process, local and regional developers often provide unique contributions, such as the ability to navigate local zoning and permitting issues. Given their complementary skills, national and local developers sometimes partner on projects, providing universities with the benefits of both.

### Financing

University-affiliated retirement communities have embraced a number of different financing techniques to raise capital for projects, incorporating various forms of debt and equity structures. A common form of financing for not-for-profit communities is the issuance of tax exempt municipal bonds. This financing mechanism provides a number of advantages, primarily allowing communities to finance up to 100% of total project costs with non-recourse debt, and a relatively low cost of capital. However, this method typically subjects communities to strict operating covenants, substantial initial fees and significant pre-sales requirements that often lead to long development periods.

### Tenure Structure

Among the existing university-affiliated projects, four primary tenure structures exist:

- *Fee Simple*: resident retains absolute legal title (ownership) to the property, some fee simple retirement communities have a restriction associated with ownership such as minimum age or prior school affiliation;

- *Condominium*: a standard condominium format whereby common areas and shared expenses are maintained and paid for through an association;
- *Cooperative*: residents are shareholders in a corporation which holds title to the property; shareholders hold a lease to their unit; expenses are shared by residents; new cooperative shareholders typically must be approved by a representative board;
- *Leasehold*: a standard rental agreement whereby residents lease units and pay a fixed monthly rental rate; many include an “entrance fee” for the right to lease, some of which are at least partially refundable; excludes healthcare;
- *“Life-Care” or Similar Contracts*: includes housing and medical services; typically a partially refundable, yet substantial, “entrance fee” is accompanied by monthly fees; assisted living services and nursing care are usually provided.

### Health Care Services

Another category by which communities can be differentiated is healthcare services. Communities can generally be categorized by the following health care service types:

- *Independent Living*: includes communities ranging from no services to those with limited, unskilled services which may be contracted independently or included in the housing;
- *Assisted Living*: communities offering assistance with ADL (activities of daily living), which may include services such as meal preparation, laundry, bathing, dressing, toilet use and IADLs (instrumental activities of daily living) include handling finances, shopping, and medication administration. Services may also may include minor, limited medical care;<sup>8</sup>
- *Skilled Nursing / Acute Care*: communities offering specific disease care, non-ambulatory care (bed ridden), and intensive medical care;<sup>9</sup>
- *Continuing Care Retirement Community (“CCRC”)*: communities offering a spectrum of some or all of the above products.

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<sup>8</sup> Anikeef, Michael A. and Glenn R. Mueller. *Senior Housing and Long -Term Care: Defining Projects by Measuring Performance*, p. 2, June, 2000.

<sup>9</sup> Ibid, p. 3.

## School Participation

Perhaps the most interesting and defining structural typology is the nature and extent of school affiliation and participation. This component is what truly separates school-affiliated communities from other retirement community models and provides a unique context for retirement housing. Among the methods of school participation in existing projects are:

- Marketing
  - *Branding*: schools lend their names to brand the projects, providing immediate recognition and credibility to the projects;
  - *Direct Marketing*: most schools either participate in or sanction direct marketing to their alumni and/or school faculty and administration, providing a built-in, qualified prospect target market; use of the alumni database and product licensing are often provided;
  - *Grassroots Approach*: school administrators and board members often lend their time and support, traveling the country raising awareness and speaking to prospective residents.
- Financing
  - *Direct Involvement as Principal and/or Operator*: some schools develop, own and operate communities themselves, through wholly-owned nonprofit entities;
  - *Contribution of Land or Ground Lessor*: as many schools own the majority of the land surrounding their campuses, many participate in the projects by contributing or leasing the land to the community;
  - *Early Stage Capital*: schools may consider providing much needed “startup capital” for preliminary feasibility studies, market surveys, design and marketing;
  - *Construction Loan Guarantor*: some schools utilize their balance sheets to provide construction loan guaranties for development entities;
  - *“Implied” Financial Backer*: university sponsorship often plays a critical role in providing added financial credibility to a project, based on the perception that, while not directly liable, a university will not allow a project fail.
- School Resource Access
  - *Classes*: most communities with formal school affiliations offer residents access to classes;

- *Cultural, Arts, Athletic Events:* admission to university-sponsored cultural events, priority treatment for event ticket sales and special programs with school music departments are among the social amenities offered through some schools;
- *Libraries, Museums, Galleries;*
- *Fitness Centers and Other Athletic Facilities;*
- *Students as a Resource:* intergenerational interaction, volunteers, employees.

## 5. THE OUTLOOK

While the university-affiliated retirement community trend has been underway since the mid-1980's, it has been gaining substantial momentum and garnering attention recently, as the retirement housing world expands to meet the needs of a new generation of retirees. Many of the existing and proposed communities have been initiated by alumni, faculty or administration members that recognize the benefits of returning to their alma maters for retirement.

Given the diversity among formats and the relative youth of the trend, it is likely that many schools are simply waiting for a proven model to emerge before launching a new project. It remains to be seen what the preferred role of the school will be, whether active participation in development and operation, or a more passive form of cooperation with alumni or developers. There are risks in active participation, as Eckerd College Trustees learned when they reportedly lost \$21 million when the developers for whom the school guaranteed a construction loan went bankrupt.<sup>10</sup> On the other hand, there are benefits of active participation, including financial reward and quality control assurance. Schools also must clarify their motivation for participation in such projects, whether financial gain, service to alumni, community benefit, or other...and whether they're willing to subsidize the communities through land contribution, free services, or some other means.

It will also be interesting to see how the trend evolves in terms of the developer's role. Many existing projects have been developed by local or regional development teams, but large national developers appear poised to play a larger role. Hyatt Corporation, through its Classic Residences senior housing division, has recently entered the picture with a Palo Alto, California project affiliated with Stanford University. Large senior living developer Co-Operative Retirement Services of America has also become very active, participating in The Village at Penn State community and current projects such as Capstone Village (University of Alabama) and University Pointe (Louisiana State University). As the larger developers continue to establish a greater foothold, some believe that the projects may become less diverse and unique. On the other hand, given high barriers to entry and unique local politics present in many college towns, the role of the local developer will likely remain an important one, assuring local participation.

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<sup>10</sup> Smith, Adam C. and Helen Huntley, *Eckerd College Chief is Retiring*, St. Petersburg Times, June 21, 2000.



The direction of the trend will be dictated by the academic institutions themselves. They generally control the best sites, are influential in local politics, are the key to educational resources, and are the conduit to alumni and faculty customer bases. They also have the ability, simply by sharing their brand, to bestow immediate credibility to a project and related investment opportunities, thereby enhancing marketing efforts and lowering project financing costs and/or risks. Schools are the key to the trend of university-affiliated retirement community development, and will be responsible for shaping its future success.

## 6. METHODOLOGY

Because schools play such a critical role in a process which is likely unfamiliar to them, this thesis aims to provide schools with an informational resource regarding the trend. As such, the initial thesis research focused on a review of the existing literature on the topic – specifically baby boomer demographics and university-affiliated retirement communities – including articles, books and research papers.<sup>11</sup> As further background research, interviews with a variety of general industry participants were conducted.

Upon completion of the background research, three existing communities were selected for additional study. Selection of the cases was based on a number of factors, but with a primary focus of achieving diversity among certain categories, including location, team structure, university participation, school size and resident tenure. The diversity of the cases studied allows for a broader view of the trend and incorporates as many perspectives as possible within a limited sample pool. The cases selected are Oak Hammock at the University of Florida, The Village at Penn State, and Lasell Village (affiliated with Lasell College).

For each case, site visits were made to the project and interviews were conducted with key project participants including the developer, members of university administration, community employees, and other project team members. The interview methodology for each case study varied slightly depending upon the nature of the project and the participants interviewed. However, the basic objective of the interview process was to gather as much information as possible on numerous project details including background/history, planning process, team structure, financing, ownership structure, operations, and project design, among others. In total, over twenty five university administrators, developers and retirement community experts were interviewed.<sup>12</sup>

In addition to site visits and interviews, the case study process included a thorough review of project documentation including financial prospectuses, marketing materials, service and program agreements, and project plans.

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<sup>11</sup> See “Works Cited” and “Additional References”

<sup>12</sup> See “Interview Participants and Contributors”

In seeking to determine critical success factors and guidelines for university involvement, the following outline was used to direct the scope of the research:

1	Project Background	Vision, Current Status, Project Team
2	Marketing	Strategy, Challenges, Sales Results
3	Financial Structure	Early Financing, Permanent Financing, Sources & Uses, University Participation
4	Project Design & Physical Attributes	Location, Design Approach, Unit Mix, Unit Features, Healthcare Facility, Density & Layout, Amenities
5	Programmatic Synergies	Access to School Resources, Educational Programs, Programmatic Relationships
6	Tenure & Services	Care Offered, Resident Eligibility Requirements, Entrance Fees and Refund Plans
7	Organization & Operations	Entity Type, Board Structure /Governance, Development Management, Property Management, Observations
8	Summary	University Role, Critical Success Factors
9	Case Appendix: School Description	History, Type, Location, Size, Alumni Base

## 7. CASE STUDY ONE: OAK HAMMOCK at THE UNIVERSITY of FLORIDA



### 7.1. Project Background

#### Vision

Throughout the 1990's, University of Florida donors, alumni and friends expressed interest to the school's then president John Lombardi in a facility where retired alumni could return to Gainesville and reconnect to the UF community. In response, the first official university meeting was held in 1997 to discuss the idea. In 1998, PRAXEIS, LLC (then Asbury Development & Management, LLC) made a presentation to University of Florida officials regarding the concept of a university-affiliated "life care community." Interested in learning more, the University assembled a task force to further explore the idea. Jon Corbin, Executive Vice President of PRAXEIS, described Lombardi's vision as a desire that the University of Florida "would be connected to its alumni from cradle to grave." However, Lombardi specified to the task force that any prospective community must be independent of the university and financially sustainable.

From the date of the first concept meeting in 1997 to the completion of Oak Hammock in 2004, the Oak Hammock team remained committed to the original vision and overcame numerous hurdles to achieve their goal. Throughout the feasibility, planning, marketing, financing and construction processes, numerous individuals and consultants were involved, including a dedicated and tireless board of directors. As pointed out by Leslie Bram, Associate Vice President for the University of Florida Foundation and Executive Vice President of the Oak Hammock Board, the board met monthly for six years, frequently for hours at a time, brainstorming, debating and planning. Today, five of the original thirteen board members live in, or are scheduled to move into, the retirement community they worked hard to establish.

### Current Status

In March 2004, the team's original vision was realized with the opening of the commons and independent living components (the assisted living and nursing suites will soon follow, with a scheduled August 2004 opening). In total, Phase I of the project includes 269 Independent Living units (212 apartment residences, 57 villas and club homes) and a 74,000 square foot Health Pavilion with 61 Assisted Living & Memory Support suites and 42 Private Skilled Nursing rooms. The project also includes a 70,000+ square foot "commons" area with countless amenities – a total of approximately 800,000 SF under one roof. Oak Hammock's Phase I is projected to achieve stabilized occupancy (across all product types) by February 2006.

While Phase II plans are subject to change based on the results of Phase I, the current concept is to incorporate two additional apartment wings and approximately 50 villas/homes. The new apartment buildings will be attached to Phase I, providing covered access to amenities. Timing on the commencement of Phase II is yet to be determined and is dependent upon sufficient absorption of Phase I.

### Project Team

During the development process, it was critical that Oak Hammock rely upon a team of experienced professionals to guide them to success. The consultants ultimately selected offered retirement community experience, strong product knowledge, and specific development-related skill sets. The consultants were also flexible, a necessity given the financial restrictions of the project – specifically, consultant fees were at risk during much of the process, with fees deferred until the bond offering closed. The development team members included the following:

Developer: PRAXEIS, LLC (formerly Asbury Development & Management, LLC)

- Founded in 1990 to consult on development, marketing and management of CCRC's
- Jacksonville, FL
- Hold management contract for first five years of operation

Contractor: The Weitz Company

- National construction management firm w/extensive CCRC experience
- Senior living experience: 129 projects, 30 years, \$1.2 billion volume
- Based in Des Moines, Iowa

- Founded in 1855
- Partnered with local firm PPI

Contractor: PPI

- Gainesville, FL
- Construction management firm
- Partnered with The Weitz Company

Finance: FORCE FINANCIAL, LTD.

- Affiliated with PRAXEIS
- Handled project financing
- 17+ years experience in financial consulting to senior living community
- Specialize in structuring tax-exempt bond issues for start-up CCRC's
- Over \$2 billion financed and 40 communities funded since 1985

Architect: RDG Schutte Wilscam Birge, Inc.

- 35 years of designing retirement facilities
- Omaha, Nebraska
- Experience includes design of over 45 retirement living facilities

Interior Design: Arthur Shuster, Inc.

- extensive senior housing interior design experience
- involvement in hundreds of projects since 1959 founding

## **7.2. Marketing Strategy**

### Market Feasibility Analysis

The Oak Hammock team recognized that project financing and its ultimate success would hinge upon a thorough preliminary understanding of market conditions, demographic trends, and expected resident occupancy levels. To quantify demand, the team relied upon PRAXEIS' leadership and experience in mar-

ket research and analysis. Based on their guidance, they identified the “primary market” as the local Gainesville area within a 15 mile radius of the Oak Hammock site. They defined the target market population as households over the age of 65 with incomes of \$50,000 and higher. Based on data from Claritas, Inc., they identified 3,764 households meeting their “Primary Market” criteria. PRAXEIS projected that 2 to 3% of the qualified market from the local area would have a strong interest in Oak Hammock, allowing for an expected yield of approximately 75 to 113 reservations. The team assumed that this market segment would react favorably to local advertising, promotional activities and immediate access to the Oak Hammock information center and model suite.

While statistics show that people typically choose retirement communities based on proximity to their existing homes or family members, the Oak Hammock team set out to create a “destination” retirement community. They expected their unique affiliation with the University of Florida would allow them to draw from a larger marketing pool including university alumni, retired faculty and other supporters from throughout the state and beyond.

During the feasibility analysis, they set out to answer an important question – *will University of Florida alumni and others re-locate to Gainesville for retirement?* To answer this question, they defined an important “secondary” target market, the University of Florida alumni, faculty and friends over age 65 with incomes of \$50,000 and higher. To reach this base, they leveraged the University of Florida Foundation’s alumni databank, an extensive system allowing sorting by characteristics such as age, income and geographical dispersion. At the time of the study, the UF alumni population totaled approximately 219,000 in 50 states and 130 foreign countries including 10,720 over the age of 65 with incomes of \$50,000 and higher.

In 1998, the Oak Hammock board sought the assistance of PRAXEIS to conduct a feasibility analysis of their alumni base to gauge their interest in a proposed retirement community. This critical step initially involved a series of focus groups for age and income qualified UF alumni in five cities throughout the state. In these focus groups, they asked participants to describe their “ideal retirement community”. They used feedback from the focus groups to create a questionnaire for a telephone survey of 300 households from the UF Foundation list of donors, alumni and friends. The survey provided the Oak Hammock team with alumni reactions to a university-affiliated retirement facility and specific information on desired fea-

tures, amenities and pricing. The preliminary market study predicted that 65% of total sales would come from UF alumni and friends.

In addition to local residents and those affiliated with the university, a “tertiary market” was considered. They defined this market segment as retirees in major population centers throughout Florida and Georgia with high concentrations of age- and income-qualified households. In total, the preliminary market study concluded that the community could sustain a project of approximately 250 independent living units with additional assisted living, memory support, and skilled nursing units.

Following the initial market study, the team embarked on a second step to gauge prospective resident’s interest. They solicited a first phase of deposit, asking those interested to send a \$1,000 refundable deposit. The response was overwhelming as the team received hundreds of checks from enthusiastic potential residents.

#### “Creating the Vision”

While the initial response was incredibly strong, significant marketing challenges still loomed. As noted by Kirk Gullledge of PRAXEIS, “there is often times a difference between the people who answer surveys and those who actually move in.” Also, many of the initial depositors were confused about the nature of the project. They knew little about the development and assumed they were making a reservation for a condominium. Most important, the team was charged with the task of effectively communicating how the Oak Hammock community would emerge from a heavily wooded, 136 acre, tract of land without the benefit of a finalized design plan, let alone a finished project. In the words of Leslie Bram, they had to “sell a vision”.

To overcome these obstacles and accomplish their goals, the team turned to what they knew best, they borrowed from their experience in university fundraising and initiated a grass roots approach to marketing the Oak Hammock community. They understood the importance of the UF affiliation in terms of project branding and credibility, and sought to leverage this as much as possible. The Oak Hammock team, including board members, went on the road with scheduled group presentations and marketing events throughout the state. Board members and influential alumni also conducted personal visits to prospective resident’s homes to promote the project.



A significant part of the Oak Hammock vision, younger retirees were the focal point of the marketing efforts, as it was believed that they would recognize the many benefits of an active adult community with strong ties to the university. The team wanted to create a community of healthy, active retirees and avoid many of the stereotypes of retirement community living. As Leslie Bram recently joked, they adopted a philosophy and unofficial motto “if you want to play bridge, don’t come to Oak Hammock!”

Formal marketing began in June of 2000 with the opening of the project information center, which served as both the marketing office and a fully furnished model unit. The team initiated traditional strategies such as direct mail to the age and income qualified lead base and conducted regular marketing outreach efforts, such as staff presentations and project overviews to invited prospective residents. They hosted small on-site luncheons and special events and distributed quarterly newsletters. At the time of bond issuance (October, 2002), the total estimated marketing budget up through the construction phase equaled \$1.8 million.

To assist with the marketing effort, the team invested collateral in handout materials that would inform prospective residents and effectively communicate the project “vision.” Fitting the school-affiliated theme, the initial materials were professionally packaged in UF blue and orange coloring with a series of old, black and white photographs conjuring up strong images of residents returning to their golden years of college life. To drive home the synergies with the university, the materials state, “What truly sets Oak Hammock apart is its affiliation with the University of Florida. Community members will have campus privileges similar to those of University faculty.”

Since the opening of the community in March, 2004, current marketing efforts center on weekly presentations to prospective residents. Held in the community’s performance hall, Dave Stauffer (Interim CEO) and Star Bradbury (Director of Marketing) deliver a detailed one and a half hour power-point presentation. Following the presentation, a catered lunch is provided as well as a tour of the community. Ms. Bradbury notes the many benefits of marketing a completed project where prospective residents can see the facility with their own eyes as opposed to the wooded wilderness of just a few years ago.

Interestingly, since project completion there seems to be a subtle shift in the underlying marketing theme away from the romantic vision of returning “back to school,” with greater emphasis on the Oak Hammock facility and its many positive attributes. The transition in the newly revised marketing brochure is noticeable, where the bright blue and orange colors are muted and the black and white photographs replaced

with color shots of the community. The slight change in strategy suggests a shift in marketing strategy toward the larger, “tertiary market” of retirees in major population centers without ties to the university. Perhaps this trend signals that the alumni network provided an early base to secure financing and launch project development but may not serve as the primary market for attracting residents in the future.

### Results – Reservations & Resident Demographics

As of June, 2004, Oak Hammock estimated that the project was approximately 85% “reserved” with two or three new residents entering the community each month. A “reserved” unit means that prospective residents entered into a Reservation Agreement including a deposit of 10% of the Standard Plan Entry Fee. Cancellation of the reservation typically involves a penalty equal to 2% of the Entrance Fee. Of those units “reserved”, it is estimated that approximately 60 to 70% of the new residents will relocate from outside Gainesville, a surprisingly high number that might be attributed to the wide ranging draw of the University of Florida.

Because Oak Hammock opened its doors less than six months ago (March, 2004), current resident demographic information is somewhat limited and might not be representative of a fully stabilized community. Nonetheless, a June 30, 2003 report from PRAXEIS summarized expected resident demographics, indicating that approximately 88 of 192 (45%) “reserved” units came from “local market sales.” Of the local market sales, approximately 61% had some affiliation with the university. For the “wider market sales,” 45% had some affiliation with the university. Interestingly, with university related buyers making up less than half of the wider market sales; it raised reasonable questions about the draw for alumni and former faculty to return to Gainesville for retirement.

### **7.3. Financial Structure**

From the project’s inception, President Lombardi charged the Oak Hammock team with a formidable task, to create a world class community without tapping the financial resources of the university or the UF Foundation. He also insisted that the community operate as a financially independent and sustainable entity. Leslie Bram noted that the team faced some of their greatest overall challenges in securing financing for the project, including: funding for the initial feasibility analysis, bridge financing for predevelopment costs, permanent debt issuance, and adequate credit enhancement on the revenue bonds. The fol-

lowing is an overview of how the Oak Hammock team overcame these financing obstacles to complete the project.

### Early Financing

Critical to the project's success, the team relied on the early financial support of a handful of gracious participants. First, the costs for the feasibility and market study came from a \$300,000 gift from a major UF donor. The funds were donated to the UF Foundation and earmarked for the purpose of the feasibility analysis.

The second important piece of financial assistance came from the landowner of a 136 acre site adjacent to the university's campus. He agreed to sell the development site for \$3,494,750, an estimated 25% discount to then current market value.

A third contribution came in the form of a donor's agreement to guarantee a line of credit from Bank of America to cover the preliminary development and marketing of the project. Totalling approximately \$5.8 million, the interim development loan covered costs such as preliminary marketing, land options, office and model build-out, interest, and consultant's fees. Total principal and interest due on the loan were ultimately paid with proceeds from permanent bond financing. This bridge development loan provided the critical resources necessary to generate 10% reservation deposits for almost 70% of the proposed units, a prerequisite to securing permanent financing.

### Permanent Financing

Keeping with President Lombardi's charge of building the project without tapping the university's financial resources, permanent debt financing covered nearly 100% of development costs. The team decided to establish the entity as *Oak Hammock at the University of Florida, Inc.*, a not-for-profit 501(c) (3) corporation. They raised \$132,100,214 in tax exempt, municipal bond financing to cover all project costs, interest, and reserves, including a guaranteed maximum price construction contract of \$76 million in hard costs with a 5% contingency of \$3.8 million. The majority of the debt was structured as \$107.5 million of Alachua County Health Facilities Authority Series 2002A, 30 year, CCRC Variable Rate Revenue Bonds. The bonds had a Moody's rating of Aa2 with interest commencing on November 1, 2002 and maturing on October 1, 2032. The bonds were priced at 100% of par value with daily interest rate adjustments. Important to securing the bond issuance, the debt was supported by a five year, irrevocable letter of credit

issued by BNP Paribas, for which Oak Hammock paid a fee. The letter of credit covers an amount not exceeding the aggregate principal and 47 days interest at a maximum rate of 10%.

In addition to the primary financing, the corporation also raised three series of subordinate debt totaling \$15.5 million. The junior debt included two series of variable rate issues totaling \$10.5 million and \$5 million of fixed rate bonds. The remaining expenses were covered by deferred development fees of \$2.88 million, interest earnings of \$3.97 million and a taxable commercial loan of \$2.250 million. The commercial loan specifically covered costs relating to arranging bond financing and interest expenses.

The total estimated sources and uses, as outlined in the prospectus, are as follows:

<b>Sources of Funds</b>	
Series 2002 A Bond Proceeds (variable rate)	\$ 107,500,000
Series B-1 Bond Proceeds (adjustable rate)	\$ 7,500,000
Series B-2 Bond Proceeds (adjustable rate)	\$ 3,000,000
Series B-3 Bond Proceeds (fixed rate)	\$ 5,000,000
Taxable Loan for Issuance Costs	\$ 2,250,000
Interest Earnings on Construction Funds	\$ 3,136,302
Interest Earnings on Capitalized Interest Funds	\$ 458,539
Interest Earnings on Reserve Funds	\$ 237,510
Deferred Development Fees	<u>\$ 2,880,000</u>
<b>Total Source of Funds</b>	<u><b>\$ 131,962,351</b></u>

**Uses of Funds**

Construction Costs	\$ 76,000,000
Project Contingency	\$ 3,800,000
Architectural and Engineering Fees	\$ 3,955,000
Furniture, Fixtures and Equipment	\$ 4,441,816
Post Closing Marketing	\$ 1,800,000
Permits, Construction Monitoring, Off-Site Utilities, Reimbursement of UF Foundation initial expenses	\$ 757,000
Land Acquisition	\$ 3,494,750
Development Loan Repayment	\$ 5,850,000
Working Capital	\$ 2,250,000
Development and Marketing Fees	\$ 3,840,000
Capitalized Interest (Senior Bonds)	\$ 11,175,774
Capitalized Interest (Subordinate Bonds)	\$ 1,995,889
Capitalized Interest (Taxable Loan)	\$ 578,750
Debt Service Reserve Fund	\$ 4,080,500
Issuance Expenses	<u>\$ 7,942,872</u>
Total Uses of Funds	\$ 131,962,351

As of bond issuance, it was projected that by the time the project reaches stabilized occupancy in 2006; approximately \$53.8 million will have been paid down with resident entrance fees. The remaining debt service will be paid down over a thirty year period by portions of future resident entrance fees and monthly operating fees. After five years of operating history, the corporation may apply for its own credit rating, potentially eliminating the need for a letter of credit and allowing Oak Hammock to refinance using a less expensive debt structure.

### The University's Role in Financing

Ultimately, underwriting requirements forced the sponsors to invest in the bond issuance. The UF Foundation responded by raising \$4.5 million in subordinate debt – purchasing \$3 million as a UF Foundation investment, and selling another \$1.5 million to UF-affiliated individuals. According to Leslie Bram, convincing alumni to support the project by investing in tax exempt bonds at close to a 10% return was an “easy sell” as they were eager to assist the school in the undertaking.

While the bond prospectus clearly states that “the University has no financial responsibility” with respect to the debt obligation, those involved with the project mentioned that the “implied guarantee” of the university played an integral role in achieving project financing. There is a general belief that the university’s involvement and the use of the UF name allowed investors to feel that the university was committed to the project’s success. Interestingly, the UF Foundation did actually end up assuming some temporary financial responsibility for the project in the form of a \$3 million construction completion guaranty (scheduled to be released in late 2004) and a \$3 million operating revenue guaranty.



Structured as a separate, not-for-profit entity, the Oak Hammock team is quick to point out that the undertaking was never viewed as a money making venture for the university. However, there is hope that a long term financial benefit may result in the form of future gifts to the university from “re-connected” alumni and other Oak Hammock residents.

## 7.4. Project Design & Physical Attributes

### Design Approach

The design of a retirement community can have an enormous impact on the mindset of the residents and, therefore, the success of the community. The Oak Hammock team set out to build a community which would appeal to a younger and more active retiree. Among the key elements in the team's approach to the design of The Oak Hammock community are:

*Common Area Focus.* One of the lessons the project committee learned from visiting other retirement communities was that “while a community must look nice, it is the vitality of programs that ultimately translates into a vibrant community”<sup>13</sup>. As such, Oak Hammock is designed to encourage interaction among its residents. The design focus, and therefore a substantial portion of the construction budget, was concentrated on the common areas and amenities rather than the individual unit finishes and features.



As Star Bradbury noted, “we want residents to feel as if they have a 70,000 square foot living room.” Oak Hammock's design also allows for indoor/covered access to common areas for all units except the detached villas, providing comfortable access to the common areas. It is also interesting to note the subtle University of Florida-themed references throughout the community, ranging from the school photos in the dining area to the name of the on-site bar, the “Gator Lounge”. By focusing efforts and resources on the shared areas and providing convenient access, the project's design encourages residents to spend time outside of units, thereby supporting the team's desire for enhanced resident interaction.

*Flexible Alternatives.* Oak Hammock strives to provide prospective residents with flexibility by offering an array of unit floor plans. There are three primary types of independent living units – “Traditional” apartments (standard, double-loaded corridor format), “Atrium” apartments (single-loaded format with

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<sup>13</sup> Schaffer, Jerry and Leslie Bram. *Retired, On Campus, and At Home*, NACUBO Business Officer, August 2003.

open atrium/courtyard areas and covered hallways), and “Villas” (freestanding units detached from the main building). Between the apartments and villas, there are 21 different floor plans, ranging from studio to 3-bedroom units in a variety of sizes.

*Individual Expression.* By providing opportunities for individual expression, Oak Hammock’s design successfully avoids the institutional feel often associated with retirement communities. For example, Traditional apartment units feature recessed entries off of the building corridor, providing niches large enough for personalization with tables, decorations, etc. Similarly, Atrium apartment units provide decorative picket fencing around unit entrances, serving as a front porch large enough for furniture and plants. Oak Hammock also offers residents the ability to customize their units by upgrading finishes, choosing paint colors and enclosing screened porches.

#### Healthcare Pavilion

The healthcare facility at Oak Hammock, called The Healthcare Pavilion, contains 61 assisted living and memory support suites and 42 private skilled nursing rooms as well as a rehabilitation facility. The facility is attached to the independent living and commons building but has a separate entrance. All rooms (103 in total) are private and are designed to accommodate spouses if desired. Assisted living rooms range in size from 399 to 526 square feet and skilled nursing rooms range from 270 to 400 square feet. The Pavilion has a separate beauty salon/barber shop and offers residents shuttle service to medical facilities in Gainesville.

#### Unit Mix

The project includes apartments and villas ranging in size from a 488 square foot studio to a 2,350 square foot three-bedroom villa. It is interesting to note that the marketing team discovered stronger demand for smaller (lower cost) units than initially anticipated, leading the team to modify the original unit mix during the design process - some two-bedroom units were converted to one-bedrooms and studios.



Oak Hammock	Apartments			Villas & Club Homes			Total	
	SF	#	%	SF	#	%	#	%
Studio	488	4	2%	na	-	0%	4	1%
One BR	788 – 921	28	13%	na	-	0%	28	10%
One BR w/Den	1,181 - 1,304	<u>48</u>	<u>23%</u>	na	-	<u>0%</u>	<u>48</u>	<u>18%</u>
		80	38%		-	0%	80	30%
Two BR	1,282 - 1,786	92	43%	na	-	0%	92	34%
Two BR w/Den	1,905 - 2,014	<u>24</u>	<u>11%</u>	1,690 - 2,050	<u>53</u>	<u>93%</u>	<u>77</u>	<u>29%</u>
		116	55%		53	93%	169	63%
Three BR	2,008	16	8%	NA	-	-	16	6%
Three BR w/Den	NA	-	-		<u>4</u>	<u>7%</u>	<u>4</u>	<u>1%</u>
		16	8%		4	7%	20	7%
TOTAL		212	100%		57	100%	269	100%

### Unit Features

Oak Hammock apartment and villa features and finishes are characterized by the following specifications:

- private balconies or sunrooms on most apartment units, covered patios on villas
- 9 and 10 foot ceilings
- crown molding in main living areas
- sound-engineered walls, floors & ceilings

- fully equipped kitchens – refrigerator w/ice maker, range, dishwasher, microwave, disposal
- full size washer and dryer
- slip-resistant tubs and showers
- window coverings
- wall-to-wall carpeting
- individually-controlled heating and air conditioning
- pre-wired TV, computer and telephone outlets
- emergency call system
- villas have private garages

### Project Location

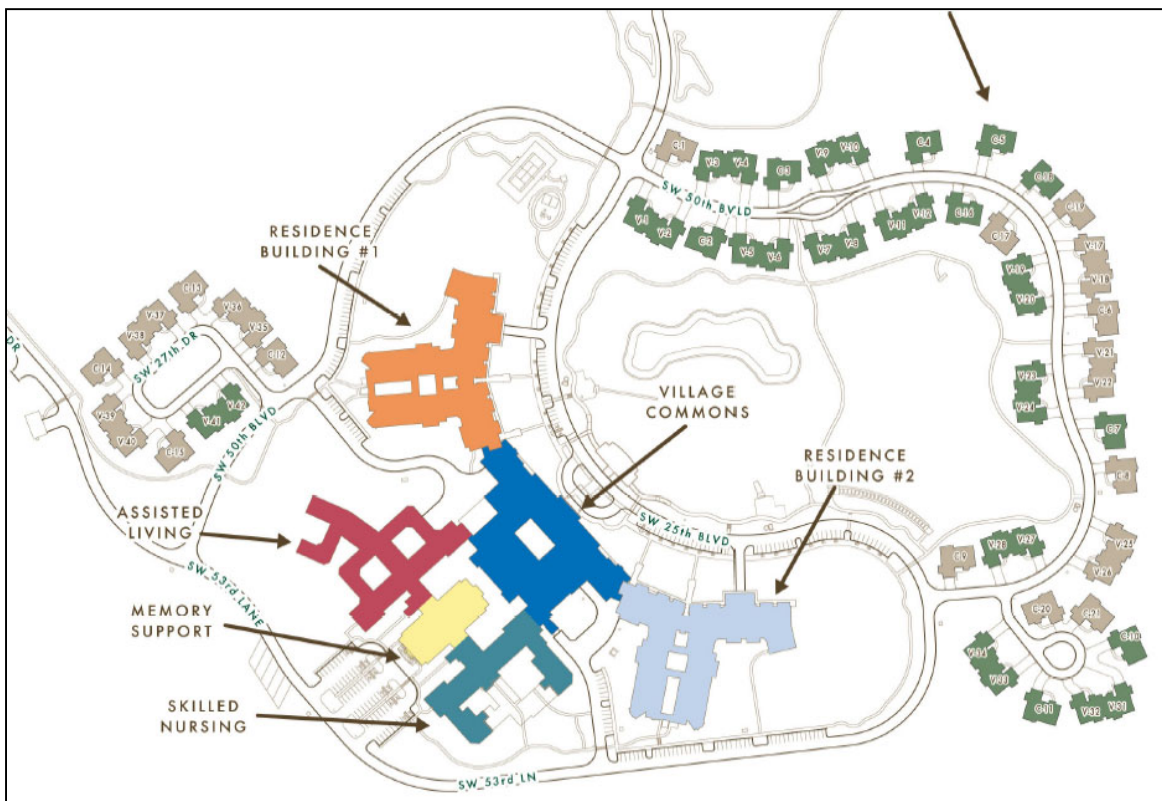
The project site is located to the south of the University of Florida campus, approximately 3 miles from the heart of campus. It is also approximately 3 miles from downtown Gainesville, which has the small town feel and charm of a classic, old university town in the South. The site also enjoys convenient highway access, located within one mile of Interstate 75. Within approximately one mile, residents have ac-



cess to a collection of suburban-style retail centers with multiple grocery stores, low-cost retailers, drug stores, restaurants, and fast food. Despite these conveniences, the site is somewhat removed from campus and downtown, forcing residents to rely on scheduled transportation or driving for access. Though the location offers a secluded feel, it could unintentionally isolate the residents from the university community.

### Density & Site Layout

The site totals 136 acres, of which only 55 are developed. With 800,000 built square feet over 136 acres, the project FAR is a mere 0.135 and with 372 total units over 136 acres, 2.72 dwelling units/acre. Zoning restricts development to 50% of site, protecting much of the site's existing deciduous hardwood forests. The low density and site layout give the community a resort-like feel.



## Amenities

The extensive common area and on-site amenities at Oak Hammock are noteworthy. The long list of project amenities and common area features includes the following:

### *72,000 SF “Commons” building*

- 22,000SF fitness center w/aerobic pool and lap pool, physical therapy area, showers, lockers, whirlpool, aerobics room, exercise machines, scheduled programs and classes
- formal, casual and private dining rooms
- Gator Lounge/bar
- business/computer center
- ice cream parlor/convenience store
- library
- bank w/ATM
- hair salon/barber shop
- post office
- 250-seat performing arts auditorium
- personal storage units
- elegant lobby
- dental suite
- woodworking shop
- overnight guest suites
- creative arts studios
- club rooms for group meetings and activities
- educational classrooms
- billiards room



### *Site Amenities*

- tennis court
- landscaped grounds w/ lake, wetlands, hardwood forests, walking & biking trails
- personal gardening areas
- surface and covered parking
- RV and boat parking areas

## **7.5. Programmatic Synergies**

Oak Hammock is technically independent of the University of Florida. However, the school played the lead role in creating the project and maintains many important ongoing links with the retirement community. It is these strong, formal ties between the University of Florida and Oak Hammock which separate this project from most university-affiliated retirement communities.

### Access to School Resources, Events, Activities

Oak Hammock residents enjoy the same access to university facilities and activities as University of Florida faculty. Like students and faculty, all residents receive a Gator One Card, which provides access to events, allows for library book checkout, qualifies them for the faculty rate at the university golf course and allows for class registration (classes may be audited for free, for-credit courses at cost).

### On-site Educational Programs

In addition to the option of taking classes at the University of Florida, residents also enjoy the benefits of having an on-site Institute for Learning in Retirement or ILR. A partnership between Elderhostel and the University of Florida Institute on Aging, the Oak Hammock ILR program was the second in the country located on-site at a retirement community. Most classes are held at Oak Hammock on a variety of topics, and typically last 6-8 weeks. The most popular classes, the Global Perspectives series, attract 80-120 people regularly. Residents of Oak Hammock automatically receive ILR memberships.

### Programmatic Relationships

There is a formal, written agreement between the University and Oak Hammock which outlines the relationship between the two entities. It specifically addresses the following issues:

- Oak Hammock is to provide residents with a Dean of Residents to assist with university related activities and educational endeavors
- The community is allowed to use the university's name ("at the University of Florida" will be used, but with no implication of control or ownership)
- Oak Hammock and the University will plan and encourage activities for students & faculty
- Residents will enjoy additional University activities/benefits (audit classes, Gator One Card)
- Oak Hammock is to provide on-site facilities for educational activities
- term of the agreement: February 1, 2001 until terminated (365 days notice) or amended

The master agreement also calls for sub-agreements with individual university departments. There are extensive, written agreements with 18 University of Florida departments, specifying the nature and elements of the relationship, summarized as follows:

#### College of Health Professions

- research projects involved in geriatric research
- internships at Oak Hammock in areas of occupational therapy, physical therapy, speech pathology, audiology and clinical psychology
- lectures on topics of interest to residents

#### College of Nursing

- research projects involving care for the aged
- designation of Oak Hammock as training site for advanced clinical placements in areas including pain management, sleep disorders, Alzheimer's, exercise and health status and skilled nursing care
- enrichment educational activities in nutritional assessment, health risk assessment, medication management, sun safety/cancer prevention, grief/stress/coping support groups, safe proofing for home and travel

#### College of Health and Human Performance

- Oak Hammock internship program for graduate students in wellness and prevention
- program for aging individuals at Oak Hammock, staffed by grad and undergrad UF students
- practicum at Oak Hammock for undergrad students in exercise science and recreation therapy
- Oak Hammock leisure program for residents

#### College of Dentistry

- research site for the Oral Facial Pain Center
- rotations by residents and dental students at Oak Hammock's on-site dental clinic

### College of Pharmacy

- advance practice students to study pharmacology interaction management at Oak Hammock and assist residents in managing prescription medications
- Keeping Families Healthy program for residents

### College of Medicine

- clinical clerkships for medical students in area of geriatric medicine
- Institute for Aging Research programs at Oak Hammock in field of gerontology
- lectures through Institute on Aging (“Mini-medical school”, 6-wk lecture series)

### Institute of Food and Agricultural Sciences

- Horticultural Therapy Program research on effectiveness of its programs on elderly
- Dept of Food Sciences and Family Youth and Communities research on age group living including nutrition and welfare of the elderly
- leisure time activities including activities through Dept of Fisheries
- “Victory Garden” and individual resident garden plots
- master gardener classes, Master Conservationist classes
- “Fishing for Success” class through County extension office
- access to UF’s Natural Area Teaching Laboratory
- research and lecture involving residents in Human Nutrition

### College of Journalism

- student clerkships to develop student-run Oak Hammock newsletter
- special programming for residents by UF’s TV and radio station
- volunteer opportunities for residents at WUFT Radio Station
- Journalism inter rotations through Oak Hammock

### College of Veterinary Medicine

- Pet Therapy research
- coordinate pet sitting by students
- student wellness rotations at Oak Hammock

#### College of Fine Arts and the Curtis Phillip's Center for the Performing Arts

- public presentations of artistic events at Oak Hammock
- courses at Oak Hammock in photography, painting, pottery, ceramics and other visual arts
- internship programs as part of Masters in Arts Administration degree program
- establishment of Oak Hammock as additional venue for cultural events
- continuing education courses such as piano, painting
- special packages to designated events at Baughman Center, Phillips Center for the Performing Arts, etc.

#### University Athletic Association, Inc.

- Oak Hammock day at designated sporting events (special seating and/or discounts)
- multi-sport passes for residents to designated sporting events
- video feed to facility for certain sporting events
- contact person to coordinate with Dean of Residents

#### George A. Smathers Libraries

- borrowing privileges
- access to music collection
- workshops on genealogy
- various classes including how to use the internet
- volunteer opportunities for residents

#### Florida Museum of Natural History

- volunteer opportunities as docents and membership volunteer at public programs
- lectures at the facility by Museum faculty and staff
- lectures at the museum

#### Samuel P. Harn Museum

- volunteer opportunities as docents and membership volunteers at public programs
- lectures at Oak Hammock by museum faculty and staff
- lectures at museum



#### College of Liberal Arts & Sciences

- lectures at Oak Hammock by Center of Gerontology and Center for Women's Studies
- trips to astronomy observatory
- online participation in college activities including architectural digs
- travel tours and classes
- lectures on religion, ethics and the sciences
- poetry readings
- political science opinion surveys
- talks by residents
- student counseling, opportunities for residents

#### Fredric G. Levin College of Law

- presentation of seminars at Oak Hammock regarding estate and elder law planning issues, including protection and disposition of wealth, legal aspects of medical decision-making, and end-of-life concerns
- opportunities for law faculty and students to interact with seniors

#### Department of Psychology

- transition workshop for new retirement community residents

### **7.6. Tenure & Services**

#### Definition of Care

As a Continuing Care Retirement Community ("CCRC"), Oak Hammock is "a facility offering a continuum of care including Independent Living, Assisted Living, Memory Support and Skilled Nursing" (American Association of Homes and Services definition). AAHSA also assigns three broad designations for each community based on the service contracts provided. Oak Hammock offers a Type "A" Life Care Residency Agreement, as defined by AAHSA, providing the highest standard of service. According to PRAXEIS, there is a growing trend towards Type "A" facilities; making up 77% of the CCRC's constructed in the last five years. Oak Hammock provides the following services for residents:

- Life time guarantee of unlimited Assisted Living, Memory Support and Skilled Nursing
- Little or no additional cost for fees for assisted living, memory support or skilled nursing with the exception of additional charges for meals in excess of monthly dining account and medical supplies
- All private accommodations

The Type “A” agreement also includes a comprehensive health care program including:

- 24 hour emergency response with a call system in every residence
- Health Clinic open daily for routine health checks and monitoring
- Geriatric nurse practitioner, serving as clinic coordinator to members primary care physicians
- Ancillary services such as lab work, physical therapy, occupational therapy, speech and audiology services, podiatrist services and other consultation services covered by Medicare A or B
- Dental Suite
- Healthcare concierge and transportation – assistance in securing and attending medical appointments
- Transportation to medical facilities in Gainesville
- Private assisted living suites including 3 meals a day, 24 hour nurse and healthcare monitoring, assistance with needs of daily living – dressing, bathing or medications – several floor plans to meet needs of singles and couples
- Memory support center with all private accommodations and secure outdoor area, specifically designed to assist with Alzheimer’s Disease and related cognitive disorders to live as full and meaningful lives as possible
- Private Skilled Nursing
  - o Short term care – rehabilitation following illness and hospitalization, located near Health Center and Rehabilitation Gym, registered and licensed nurses 24 hours a day and highly trained Certified Nursing Assistant, individualized care plan developed by a multidisciplinary healthcare team
  - o Long term care – provides high degrees of support and maintenance care to ensure the highest quality of life, therapeutic diets overseen by a registered dietician, constantly monitored skin care, medication delivery including intravenous fluid, ambulation and transfer assistance as needed, recreational therapy and creative expression, psychological assessment and consultation, as well as family counseling

- Medical Director – physician from the University of Florida College of Medicine serving as the Medical Director for the Assisted Living, Memory Support and Skilled Nursing facilities to oversee standards of care, also available to act as family or attending physician for members

Oak Hammock CEO Dave Stauffer describes the community’s approach to healthcare as a strategy allowing one to “plan for the best, be protected from the worst” as opposed to “plan for the worst, hope for the best.”

### Eligibility

In order to qualify for the Type “A” life care contract, residents are required to participate in a Pre-Entrance Health Assessment, including medical history, report from their personal physician, and an interview conducted by an Oak Hammock nurse. Costs for the health assessment are paid by Oak Hammock.

For those who wish to self insure, already have a long term care insurance policy, or may not meet the health qualifications of the Life Care Contract, they may opt for the Health Reserve Contract. The Health Reserve Contract has the same entry and monthly fees as the Life Care Contract, but residents pay for the costs of future care at approximately 80% of market cost. This contract provides a minimum refund of 40% which can be used as a “credit reserve” towards future assisted living and nursing care costs.

In addition to passing the health assessment, residents must satisfy two other Oak Hammock eligibility requirements. To qualify, residents must be 55 years or older at the time of entry (lowered from an initial minimum of 62) and must have sufficient financial resources to pay the applicable Entrance Fee and monthly fees. To determine eligibility, an actuarial based financial screening program is used. The program incorporates age, assets, income and the fees associated with the unit selected by the prospective resident. Additionally, each resident must execute a reservation agreement and put forth a deposit equal to 10% of the entry fee. The balance of the entry fee is payable when the unit is available.

### Entrance Fees and Refund Plans

Residents at Oak Hammock pay a one-time, up-front entrance fee and ongoing monthly fees. Entrance fees are described by the Oak Hammock marketing staff as covering use of a residence and the future cost of healthcare. Monthly fees cover the resident’s pro-rata share of the community’s ongoing operating

expenses. Oak Hammock residents may select from three different entrance fee plans, outlined as follows:

*The Standard Plan* – The entry fee is refundable on a declining scale at 4% per month during the first 5 months of residency and then 2% per month thereafter. After 53 months of residency there is no refund remaining. This option provides the lowest cost of entry, with entry fees as of July, 2004 ranging from \$102,485 for a 488 square foot studio to \$477,199 for a three bedroom club home. Projected monthly fees range from \$1,150 to \$4,350.

*The Plan 50* - For a 12% higher entry fee, residents receive a guaranteed refund of no less than 50% of their original entrance fee. If a resident terminates their contract during the first 5 month Introductory Period, they receive a refund equal to the first person entry fee paid less a 4% processing fee. After the Introductory Period, the refund declines at 1% per month for 46 months and after a total of 51 months of occupancy the refund will remain unchanged at 50% of the first person Entrance Fee paid, regardless of the length of time they retain their residence. Entry fees range between \$114,783 and \$534,463.

*The Plan 95* – The entrance fee is 33% more than the Standard Plan but provides a guaranteed refund of no less than 95% of the entrance fee. If a resident terminates their contract during the first 5 month Introductory Period, they receive a refund equal to the first person entry fee paid less a 4% processing fee. After the Introductory Period, the refund declines at 1% for the next month. After a total of 6 months of occupancy the refund remains fixed at 95% of the first person Entrance Fee paid, regardless of the length of time they retain their residence. Entry fees range from \$136,305 to \$634,675 and monthly fees are the same as for the standard plan.

For all three plans, refunds are restricted to a fixed percentage of a resident's initial investment (entrance fee). Thus, a residence at Oak Hammock does not provide the typical risks and returns of real estate equity investment. Residents do not participate in any future appreciation in value but are also protected from depreciation of the property. From the project sponsor's perspective, there is no actual transfer of ownership to the residents, thus the model allows for continued operational control of the facility.

## Tax Implications

The Oak Hammock marketing materials note that a resident's right to obtain a refund for the entrance fee may be subject to income recognition by the IRS based on Internal Revenue Code 7827. This ruling may be interpreted to impose taxable imputed interest income to the community member.

Fortunately, IRS rulings have historically permitted CCRC residents to deduct a portion of the entrance fees and monthly fees as pre-paid medical expense. IRS rulings 67-185, 75-302, 76-106, and 76-481 established that a portion of CCRC entrance fees and monthly fees are allocable to pre-payment or pre-funding of medical expenses and are deductible as medical expenses. Under current tax code, deductions for medical expenses are available to the extent they exceed 7.5% of the taxpayer's adjusted gross income. Oak Hammock will retain an independent actuarial firm experienced in CCRCs to do an annual analysis of the estimated pre-funded health care expenses of residents.

## **7.7. Organization & Operations**

### Community Board Structure / Governance

The ownership entity, Oak Hammock at the University of Florida, Inc., was established as a not-for-profit entity with a volunteer board of directors structured as follows:

- five individuals not full-time employees of UF
- two UF alumni who are not full-time employees of UF
- five full-time employees of UF or affiliated agencies (appointed by President of UF)
- chair of the Residency Advisory Committee

It is interesting to note that the original board included the Mayor of Gainesville and that five of the original thirteen board members are now Oak Hammock residents (they are no longer board members as no residents may serve on the board).

### Development Management

Keeping with the market feasibility and financing team, the Oak Hammock board selected PRAXEIS to handle formal development management of the project. The agreement, as outlined in the permanent

bond financing prospectus, calls for a total development management fee of approximately \$4.2 million. The payment schedule is structured such that PRAXEIS receives compensation in four phases: 25% at time of financing, 25% upon certificate of occupancy, 25% upon obtaining an occupancy level of 60%, and the remaining 25% upon a 90% occupancy level. While the development agreement includes a performance based fee structure, the risk to PRAXEIS is fairly modest relative to other real estate projects in which developers risk their own equity.

### Property Management

The Oak Hammock board opted for the third party management company model rather than self-management for the community. Given the high quality and breadth of care provided to residents without additional charge, the physical health of residents can significantly impact the financial health of the community itself. Or, as explained by Leslie Bram, “the community is better off financially the more independently residents live – Oak Hammock has incentive to keep everyone healthy.” Leslie also pointed out that, with a Type A contract structure, the actuarial projections “are the key to financial success.”

Given the intricacies and specific knowledge required to manage a continuing care community effectively and safely, it was decided that engaging a professional third-party manager was the most reasonable solution in the case of Oak Hammock. PRAXEIS, the firm which managed the feasibility, marketing and development processes, was also contracted to manage the property for the first five years of operation. According to the permanent financing bond prospectus, the management agreement is a full-service, turnkey, fixed-fee agreement with no financial risk born by the manager. The average monthly management fee is approximately \$31,000 for the first five years of operation.

## **7.8. Summary**

### The Role of the University

As evident throughout the preceding pages, the University of Florida, either directly or through affiliates such as the University of Florida Foundation, played a vital role in every stage of the Oak Hammock project - conceptualization, marketing, development and operation. From President John Lombardi’s early

vision over seven years ago, to the reality of today's world class facility that is Oak Hammock, the university's involvement was critical to the project's successful completion.

The university sought to maximize every possible synergy between the school and Oak Hammock – recognizing not only the value the school's wide range of programs and resources to its residents, but also the reciprocal benefits the university would receive by engaging Oak Hammock residents as active members of the UF community. Formal, ongoing agreements were structured with 18 different departments specifying the nature and extent of their relationships with Oak Hammock, an unparalleled level of university support and interaction with a retirement community.

The university also played a key role in marketing and branding the project. They provided the community with immediate consumer recognition by permitting use of "at the University of Florida" in the name. Additionally, by providing access to the alumni databank, the university supplied a source for quality feedback in the conceptualization feasibility study stage as an important resource for qualified sales leads. Furthermore, university administrators and board members participated in a grass roots fundraising approach to the marketing effort, forging the critical link to alumni and prospective residents.

While President Lombardi's charge for the community to be financially independent of the university was essentially met, UF's participation was still critical to financing the Oak Hammock project. Ultimately, the UF Foundation did assume temporary financial liability associated with the project in the form of a \$3 million construction completion guaranty (scheduled to be released in late 2004) and a \$3 million operating revenue guaranty. While these do not constitute direct financial investment in Oak Hammock, they are performance guaranties which were essential to securing project financing.

In addition, the university provides an ongoing operational commitment to Oak Hammock through participation of school officials in the community's governance structure. The structure of the community's board of directors calls for five full time university employees and two UF alumni. With thirteen total members, a majority of the group guiding Oak Hammock's future have a direct affiliation with the university.

Perhaps a more subtle contribution is the increased level of credibility the project enjoys due to the involvement of the University of Florida. While not formally responsible for the project's success, the strong affiliation with the school is seen by many as an "implied guarantee" that the school is committed

to the project's future success. The comfort and reassurance provided by this relationship, whether or not any responsibility is legally enforceable, was vital to the marketing, financing and operations of Oak Hammock.

### Critical Success Factors

While Oak Hammock benefited from the positive contributions of many and received its share of good fortune, it appears that the project's preliminary accomplishments can be attributed to a handful of critical factors, including:

*Clear Vision and Strong Commitment from the University* – over the past seven years, an organized team of university alumni, faculty and administrators committed endless amounts of time, resources, and effort to insure the project's success. With “comprehensive support” from the university, they shared a common vision and passion for the ultimate goal. They relied heavily on Leslie Bram, a dedicated senior staff member with the authority to make decisions and push the agenda forward as necessary.

*Maximization of Synergies between Oak Hammock and the University* – As noted previously, the Oak Hammock team achieved tremendous success in maximizing relationships between Oak Hammock and the university, as evidenced by the formal agreements with eighteen university departments. While these relationships will be crucial in the ongoing operations of the community, they were perhaps most important during the planning process. The Oak Hammock team did a great job of building consensus in the university community. The strong and multi-faceted relationships with the school provide unique opportunities for not only Oak Hammock residents, but also University of Florida students, faculty and administration. These opportunities also serve to differentiate the Oak Hammock project from otherwise similar retirement communities.

*Adequate & Accurate Due Diligence* – A project of this magnitude and complexity of Oak Hammock requires very thorough due diligence. This involves a substantial commitment of time, money and resources to the initial feasibility study and market verification process, and to the marketing campaign. Because the tax-exempt bond financing requires substantial presales and a strong commitment to the preliminary feasibility study, the project program and pre-development marketing campaign are vital to the project's success. In order to achieve the necessary conviction, adequate and accurate due diligence is a must.



*Experienced Development Team* – The fields of CCRC operation and real estate development are complex and rife with potential liabilities, even without the complicating factor of school affiliation. The board’s recognition that they would need a highly qualified team of experts was critical to the success of the project. Reliable guidance throughout the market analysis, financing, construction and operations-planning was critical. The selection of PRAXEIS and the consistency they were able to provide as a vertically integrated advisory firm proved instrumental to the successful completion of the project.

*Generous Support of UF Alumni and Friends* – The completion of the project would likely not have been possible without the support of alumni and other friends of the university. Important financial contributions included the early commitment of \$300,000 for the initial feasibility analysis, the land price discount of 25% and the \$5.8 million interim development loan guarantee. They also received vital alumni support in coordinating the marketing campaign and spreading the Oak Hammock “vision,” not to mention the number of alumni who became residents.

*Implied Credibility of the UF Sponsorship* – The university’s affiliation with the project played a critical role in the success of Oak Hammock. The University of Florida backing provided the project with credibility on a number of levels with prospective residents, consultants and investors. In particular, it was critical to the marketing and financing, as well as to establish confidence in the quality of future operations.



## 7.9. Case Appendix - School Description

### University of Florida<sup>14</sup>

Summary/History:	Major, public, land grant, research university; Florida's oldest, largest and most comprehensive university; academically diverse, offering programs in international education, research and service; one of 17 public, land-grant universities belonging to Association of American Universities
School Type:	Public, State University
Location:	Gainesville, Florida
Founded:	1853
Enrollment:	More than 48,000 students from all 50 states and 100 foreign countries; fourth largest of all US universities
Campus:	2,000 acres, 900+ buildings; Northeast corner of campus listed as a Historic District on the National Register of Historic Places
Alumni:	226,000 in all 50 states and 130 foreign countries
Degrees/Schools:	16 colleges, more than 100 research, service and education centers, bureaus and institutes, more than 100 undergraduate majors offered, nearly 200 graduate and professional degree programs including dentistry, law, medicine, pharmacy and veterinary medicine
Amenities/Resources:	Libraries

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<sup>14</sup> *University of Florida*, June 21, 2004, <<http://www.ufl.edu/>>.

Together, form the largest information resource system in the state, more than 4 million volumes, 7 million microfilms, thousands of full-text electronic journals

#### Medical - Shands HealthCare

- affiliated with the University of Florida
- one of the Southeast's premier health systems
- includes nine hospitals, more than 80 affiliated primary and specialty physician practices, and a medical staff of 1,500 UF faculty and community doctors
- rated as one of America's top medical institutions in the 15th annual U.S. News & World Report guide to "America's Top Hospitals"

#### Performing Arts Venues

- Curtis M. Phillips Center for the Performing Arts – 1,800 seat facility hosts world-class symphony orchestras, Broadway plays, opera and large-scale ballet performances, UF Department of Theatre and Dance productions, local ballet performances
- H.P. Constans Theatre, a 420-seat proscenium theatre
- Stage Two, a 40-seat black box theatre
- Stephen C. O'Connell Center – performances by touring artists, sponsored by Student Government Productions

#### Art Galleries & Museums

- Samuel P. Harn Museum of Art – permanent collection of more than 6,000 original works including paintings, sculptures, prints, ceramics, photographs, and cultural objects, a variety of changing exhibitions, and a full range of educational programs
- College of Architecture Gallery – hosts regular displays of student projects and showcases traveling exhibitions of significant works from noteworthy architects

- School of Art and Art History – supports three campus galleries: University Gallery (contemporary art), Focus Gallery: exhibition spaces for students of the College of Fine Arts, Grinter Gallery: art created by international students and area artists, international traveling exhibits

#### Other

- Florida Museum of Natural History – more than 25 million specimens of amphibians, birds, butterflies, fish, mammals, mollusks, reptiles, fossils and plants, the Florida Museum is the largest natural history museum in the Southeast.
- University Auditorium includes a concert stage, seating for 867 and is suitable for musical concerts, special lectures, convocations and less technically
- Baughman Center is a small facility for silent meditation, public performances, weddings, memorial services, honorary society acknowledgments, and related types of activities.
- UF athletic facilities – including school golf course, outdoor courts and playing fields, the O'Connell Center, the Student Recreation and Fitness Center, the Southwest Rec Center and the Florida Gymnasium for indoor sports

## 8. CASE STUDY TWO: THE VILLAGE AT PENN STATE

### 8.1. Project Background



#### Vision

The concept for The Village at Penn State stems from a 1995 vision of Dr. Graham Spanier, President of Penn State University. Repeatedly, Penn State alumni expressed to Dr. Spanier an interest in returning to State College for retirement because, as he explains, they recognized the area’s “numerous educational and cultural opportunities and the stimulating, vibrant environment.” In describing their interest further in a Village marketing letter, Spanier explains that alumni are “attracted to the small town atmosphere and the stimulation of university life.” Dr. Spanier saw the project as a unique opportunity to help aging alumni stay mentally and physically active and to enhance their intellectual connection to the university.

Dr. Spanier also recognized the benefits the university would potentially receive by welcoming aging alumni and other seniors to State College. In a 1995 press release introducing the community concept, Spanier explains “many alumni and friends of the University have a desire to assist Penn State by lending their considerable expertise and by participating in a broad range of University-related recreational, cultural and academic programs.” And, “there is a reservoir of knowledge among retirees, and I would like to find some way to capture their enthusiasm for Penn State on behalf of our academic and academic-support programs.” Dr. Spanier envisioned residents who would contribute volunteer hours, mentor students and teach lectures. By strengthening relationships with alumni and reconnecting them to the school, Spanier also recognized the potential opportunity to enhance alumni giving.

The overarching focus of Dr. Spanier’s vision was to create a vehicle through which aging alumni and the Penn State University community could engage one another in a mutually beneficial relationship and discover synergies. As stated by Spanier, The Village is a “concept that has been inspired by the loyalty of alumni and the spirit of the Pennsylvania State University.”

### Current Status

Today, Dr. Spanier's vision is a reality. The Village at Penn State, the result of an eight-year process, is located on University-owned land within eyesight of campus.

There are two distinct components to the residential community – a Continuing Care Retirement Community (CCRC) and an adjacent Planned Residential Development (PRD). The two pieces sit on separate but adjacent 80-acre sites. The CCRC, which sits on Penn State-owned land, will total approximately 240 units of independent living apartments, cottages, assisted living units and skilled nursing units at full build-out. The privately owned PRD is planned to include 376 single family homes, duplexes, town homes and quadrangles on private land. While the two communities share The Village at Penn State name and are immediate neighbors, Penn State University's primary involvement is with the CCRC portion and, therefore, it will be the focus of this case study.



Construction began on the first phase of The Village CCRC in February 2002 and buildings were delivered between August 2003 and May 2004. Phase I includes 138 independent living apartments, 12 independent living cottages, a healthcare facility with 9 assisted living rooms and 27 skilled nursing units, and a commons building housing numerous amenities. Of the 150 independent living units in Phase I, 138 are currently “sold” and there are 224 people either already living in the community or “committed” to move there.

A second phase of the project is planned to include 91 independent living units, 44 assisted living units, 16 dementia units and expansion of the commons area to include a swimming pool and auditorium. It is anticipated that Phase II will occur within the next 5-7 years, but due to a bond financing covenant requiring that Phase I be 95% occupied prior to pre-marketing Phase II, the timing is uncertain.

### Development Approach

By lending the Penn State name to the project, the school felt it would be giving its “stamp of approval.” Therefore, they wanted to ensure that the community was something of which the school would be proud – quality control was a must. Another guideline driving the development approach was Dr. Spanier’s edict that the project be completed without risking any Penn State University capital. It was clear from the outset, then, that in order to meet PSU’s quality standards without spending PSU money, outside marketing and development expertise, and third-party capital, would be required.

Dr. Spanier appointed a six-member committee of PSU administrative officials to explore the feasibility of creating a retirement community affiliated with the school. They were also charged with developing a request for proposals for development of such a project for distribution to prospective development partners. With the completed RFP, the committee solicited proposals from the private market, sending requests for information to 62 companies. They were seeking a “turnkey” approach, in which a firm would take the project from start to finish, including market feasibility studies, planning and programming, marketing, financing, development, construction management and operations management.

Eventually, six finalists emerged from the competition, of which two joined forces to submit a joint-venture proposal, Co-Operative Retirement Services of America (CRSA) and Pinnacle Development, LLC. The committee ultimately selected the joint-venture submission, as this option offered the strong marketing, development and operations experience of a national senior housing developer (CRSA), paired with the prestige, money, local building experience, local real estate knowledge and important State College relationships of a partnership of Penn State-affiliated individuals (Pinnacle).

The committee presented their selection to the Penn State board for consideration. Some board members were concerned that this type of project was outside of the university’s mission, others felt that the private developers would be profiting from the use of the Penn State University name. They were also concerned about protecting the Penn State “brand.” The initial vote passed narrowly, by just one vote and, in fact, is the closest vote held and one of the more controversial issues faced thus far during Dr. Spanier’s tenure. When the issue was later addressed again at the board level after more details were available, broader support was given to the project, receiving all but two votes.

## Project Team

As noted, the development team selected by the committee was a joint-venture between two of the initial RFP respondents – CRSA and Pinnacle Development. Of note, the zoning process for The Village was extremely challenging – or as Village board member Peter Weiler put it, “zoning was a nightmare” – due partially to the fact that the site extends into two Pennsylvania townships, College and Patton. It was noted in multiple interviews that Pinnacle’s knowledge of the local market and relationships throughout the greater community proved critical in the zoning and permitting processes. The Village at Penn State team includes the following:

Developer: Centre County Retirement Developers, LP

- Joint venture entity established for development of The Village
- Membership interests held by Pinnacle Development & CRSA

Pinnacle Development, LLC

- Member of Centre County Retirement Developers
- Local State College development partnership with strong ties to Penn State University and the local community
- *Joe Paterno* – legendary head coach of PSU football team, large donor to university
- *William Schreyer* – PSU alumnus, Chairman Emeritus of Merrill Lynch, former Chairman of PSU Board of Trustees, largest PSU donor
- *Philip Seig* – PSU alumnus, Chairman of Seig Financial Group, co-developer of Toftrees (community adjacent to the Village), owner of the PRD land
- *Robert Poole* – PSU alumnus, President and CEO of S&A Custom Built Homes, managing partner of Pinnacle
- *Carol Herrmann* – former Senior Vice President of Administration for PSU and Village board member, hired by Pinnacle to manage development process for the Village

Co-Operative Retirement Services of America (CRSA)

- Member of Centre County Retirement Developers
- Memphis, TN



- Specializes in development, marketing, financial and management services for senior living communities throughout the country
- Experience includes 35 senior housing projects in 24 states

General Contractor: Poole Anderson Construction, LLC

- State College, PA
- Part-owned by Pinnacle Development partner Robert Poole
- Commercial contractor with healthcare experience
- The Village was their largest job to date
- Construction contract was not bid, it was part of the deal with the Pinnacle/CRSA joint-venture

Architect: Reese Lower Patrick and Scott Architects, Ltd.

- Lancaster, PA
- Specializes in planning and design of senior’s housing and educational facilities

Interior Designer: Cheryl Stanzione

- Sarasota, FL



## 8.2. Marketing Strategy

### Implementing a Vision

In order to turn President Spanier’s vision into reality, the team initiated a marketing strategy that would emphasize his plan to re-connect retired alumni to the university. As part of this approach, the team recognized the need to establish a formal licensing agreement between Penn State and the project. They reached an agreement with the school which included a licensing fee of approximately \$662,000 to Penn State in return for the right to incorporate the “Penn State” brand into the project name and use it in other important marketing collateral. Later financing constraints forced the university to defer payment of the licensing fee.

With formal licensing agreement in hand, the team embarked on a thorough marketing effort including a detailed study of alumni demographics. They also leveraged the school's extensive alumni data base to send mailings to all Penn State alumni who graduated prior to 1950 and were living in Pennsylvania or nearby bordering states. Mailings were also sent to retired employees of the university within the same geographical boundaries. The mailing included a cover letter from Dr. Spanier, a descriptive brochure and an invitation to attend one of 56 informational meetings held throughout Pennsylvania and nearby states. The purpose of this initial marketing phase was to secure a sufficient level of interest so that prospective residents would make deposits of \$1,000 into an interest bearing, fully refundable escrow account.

With a preliminary marketing budget of approximately \$2.2 million, the team focused on the important task of persuading the initial depositors to "reserve" a residence by putting up a deposit of 10% of the proposed entrance fee. To achieve this goal, the marketing team continued to emphasize President Spanier's vision of attracting alumni from throughout the state and beyond to return to State College for retirement. Although CRSA warned of statistics indicating that residents typically relocate to CCRCs within a 50 mile radius of their home, the team was convinced that the quality of life in State College and the school's loyal alumni base would allow them to reach a much broader market.

As such, marketing materials placed a heavy emphasis on the community's connection to Penn State and the many benefits of returning to "campus" for retirement. For example, the front of the color marketing brochure includes a large color picture of the tree lined front yard of the university with "The Homecoming of a Lifetime" printed prominently across the top. The materials included a number of pictures of retirees interacting with students at university related events and a quote from President Spanier proclaiming "The Village at Penn State taps into the full life of the university."

#### Pre-Development Marketing Challenges

Throughout the pre-development marketing phase, the Village at Penn State faced significant challenges. During the early stages, another local State College developer announced his intention to build a competing CCRC. Working outside of the university's support, he never achieved the requirements necessary for financing. However, he sufficiently "confused the market," creating an obstacle to the Village at Penn State's early sales efforts.

Carol Herrmann, President of Pinnacle Development, also cited the challenges of marketing a community prior to permanent financing and development. She mentioned the difficulty of trying to sell a project without the ability of referencing a completed physical product. She also noted the potential liabilities of promising certain project amenities to residents prior to completing financing and a formal construction budget.

With “reservation” entrance fee deposits required for 70% of the proposed 241 units prior to securing development financing, the team faced perhaps their greatest obstacle when they realized preliminary market demand would not sustain such a commitment. During this phase, they discovered that the demand of Penn State alumni to relocate to State College for retirement was less than originally anticipated. They found that by the time prospective residents begin to consider a continuing care facility, they typically prefer to stay in close proximity to their existing homes or family members, as cautioned by CRSA. The Penn State Village team responded to this challenge by adjusting their development program. With the bond financing requiring 70% “pre-sales” for the independent living units, they decided to initiate a phased development approach. They scaled back Phase I of the project to 150 independent living units, allowing them to achieve the 70% reservation requirement and secure financing by February of 2002.

At the time of financing, approximately 68% of those reserved were from the greater State College area, indicating strong local support during preliminary marketing. In addition, alumni and retired faculty showed a high level of interest, as 84% of those who made reservations had an affiliation with Penn State. 82% lived in Pennsylvania with average ages of 78 for men and 76 for women.

### Current Marketing Strategy

Since securing financing and completing construction of Phase I, the Village at Penn State team has adjusted their marketing strategy, balancing a greater focus on the local market, while continuing to reach alumni and retired faculty from broader regions. Peter Weiler, President of the Village at Penn State Board, stressed the importance of their continued marketing efforts, stating that “the success of the project is about marketing and filling it up.” He also mentioned that during the initial marketing campaign, they attempted to recruit prospective residents in larger metropolitan areas such as Philadelphia and Pittsburgh, noting the team thought “if we build it, alumni will come . . . we could not have been more wrong.” Today, they focus on smaller cities in closer proximity such as Altoona, Pennsylvania. He describes today’s “ideal” prospect as someone who is currently living in or near State College, a Penn State alumnus al-

ready contemplating a CCRC lifestyle. He also notes that elderly parents of faculty and staff are a second important customer base not originally recognized.

Recently, the team faced a new marketing challenge which they have converted into a potential opportunity. Their agreement with the adjacent 80 acre Planned Residential Development (“PRD”) stated that the PRD could break ground once the CCRC was 75% “reserved.” Upon completion, the PRD will total 364 units, including market rate, single family homes, townhouses and condominiums. While some may view the PRD as competition, the team hopes that PRD buyers will become future residents of the Village at Penn State. Peter Weiler noted that several PRD buyers are second home owners in their 50’s and early 60’s who currently work and live in cities such as Philadelphia and Pittsburgh. He suspects that these buyers will spend an increasing amount of time in State College as they enter full time retirement and may opt to stay in the area when they look for a continuing care community, eventually gravitating naturally to the Village at Penn State.

#### Current Village at Penn State Residents

As of July, 2004, the Village had received 10% reservation deposits for 138 out of 150 independent living units, achieving a 92% “sales” mark for Phase I. Currently, 224 people are either living in the community or are committed to moving there in the near future (however, it is estimated that as many as 8-10 of these may opt out of their contracts). This group consists of approximately 50 single people and 87 couples. 24 are retired faculty and 87 are Penn State alumni (50% with prior PSU affiliation).

### **8.3. Financial Structure**

As with any CCRC development project, financing played a critical role in the creation of the Village at Penn State. From its inception, the University made it clear that it would not invest equity in the community and would not put the school’s capital at risk. Therefore, the university limited their participation by creating an independent, not-for-profit 501(c)(3) corporation and entering into a thirty-five year ground lease with the entity. As a not-for-profit corporation, any income derived from the operation of The Village at Penn State would be exempt from federal income taxation. In addition, donations made to the project would be deductible for purposes of federal income tax. Perhaps most important, the not-for-profit

statutes enabled the sponsors to use tax exempt municipal debt to finance the construction of the community.

### Early Financing

Donald Selheimer, VP of Finance for CRSA, noted that obtaining startup capital is one of the greatest challenges for any CCRC development. The Village had limited resources and the use of outside private equity would be extremely expensive – with potential investors often seeking up to “dollar for dollar” returns on investment. As a not-for-profit entity, the Village team sought a more economical way to cover their “startup costs.” In December of 1999, the College Township Industrial Authority issued \$4.5 million of unsecured tax exempt “Bond Anticipation” notes to be used for expenses such as preliminary development, marketing, financing and architectural fees. The notes were issued at a rate of 15% per annum, compounded semi-annually, with a maturity date of February 2, 2002. While a 15% return for tax exempt financing appears to provide an attractive yield, the anticipation notes contained significant risk. As stated with bold letters in the prospectus, “if financing for the Community cannot be obtained, there will be no funds for repayment of the Notes and Noteholders will suffer a complete loss of their investment.”

Given the investment risk, the strength, experience and credibility of the project team was a critical factor in raising the startup capital. Pinnacle brought power and prestige to the project, with backing from names such as Schreyer, Poole, Paterno and Seig. At the same time, CRSA provided years of experience in CCRC development and operations. Perhaps most important, Penn State’s affiliation enhanced the credibility of the project.

### Permanent Financing

Prior to issuance of permanent financing, the project ran into a significant challenge raising capital because it straddled the border of two townships (Patton and College). Unfortunately, College Township refused to grant tax exempt financing because they perceived the development as outside of the purpose of municipal debt financing. They apparently viewed the project as only benefiting wealthy alumni. Fortunately, only a handful of the cottages were physically located within the College Township boundary, and a small amount of taxable debt was arranged to cover the development cost of those residences.

In order to raise approximately \$60.5 million in permanent financing, the team scaled back Phase I of the project from 241 to 150 independent living units. The reduced number of units allowed them to achieve the 70% pre-sales requirement and to close on permanent financing by February of 2002.

According to Don Selheimer, two important ratios are used to determine the capital structure in tax exempt bond financing for the typical CCRC. First, analysts use pro-forma sales calculations to establish an expected debt service coverage ratio, with the goal of achieving of at least 1.30 to 1.35. Second, they look at a cash-to-debt ratio, which takes the total cash available less the funds for interest payments and other restricted funds over the total debt for the project. Analysts typically look for a cash to debt ratio of .30.

Total projected development costs for The Village included \$44.8 million for “hard” and “soft” costs, \$2.3 million in financing and letter of credit fees, \$8.6 million for interest reserves, \$2 million for debt service reserves and \$2.5 million for operating reserves. With financing requirements and total costs in mind, the team worked with Herbert J. Sims & Co to create the following capital structure:

Series A	\$22.265	million	30 year, fixed rate
Series B	\$ 3.5	million	short term, variable rate
Series C	\$29.25	million	short term, variable rate
Series D	\$ 1.0	million	taxable, variable rate
Series E	\$ 4.5	million	subordinate
<b>Total</b>	<b>\$60.5</b>	<b>million</b>	

The Series C and D pieces are “credit enhanced” by an irrevocable letter of credit from BNP Paribas. The \$1 million of Series D taxable debt was required because the tax exempt mechanism would not cover certain expenses, such as financing and legal costs, which were higher than usual because of the added expenses associated with dealing with multiple townships. Finally, the Layer E, subordinated, tax-exempt debt was required to meet financial ratio requirements after the Village scaled back the initial phase of the project to 150 independent living units. The \$4.5 million of tax exempt, subordinate debt was ultimately sold to the private market, including alumni, at a 10% return.

According to the prospectus, the proposed pay down schedule shows the taxable rate Series D issuance as the first to return principal to investors with the Series C piece to follow. Based on projections included in

the prospectus, the expected repayment of the Series C and D pieces will be repaid with entry fees collected from initial occupancy, anticipated to occur by April of 2005. After repayment of the C and D pieces, the B piece is repaid, followed by the long term A piece.

The total estimated sources and uses, as outlined in the prospectus, are as follows:

<b>Sources of Funds</b>	
Series A Bond Proceeds (tax-exempt fixed rate)	\$22,265,000
Series B Bond Proceeds (tax-exempt adjustable rate)	\$ 3,500,000
Series C Bond Proceeds (tax-exempt variable rate)	\$29,250,000
Series D Bond Proceeds (taxable variable rate)	\$ 1,000,000
Subordinate Bonds	\$ 4,500,000
Capital Advances by Developer	\$ 750,000
Investment Earnings on Proceeds from Bonds and Bond Anticipation Notes	\$ 1,064,870
Less Original Issue Discount	<u>\$ (323,335)</u>
	\$62,006,535

<b>Uses of Funds</b>	
Construction	\$33,397,471
Furniture and Equipment	\$ 1,750,000
Architectural and Engineering Fees	\$ 2,959,182
Other Project Costs	\$ 838,298
Reimbursable Development Expenses	\$ 204,547
Contingency	\$ 1,499,014
Marketing Costs	\$ 3,598,071
Cost of Issuance of Bond Anticipation Notes	\$ 367,640
Interest on Bond Anticipation Notes	\$ 1,647,930
Operating Reserve Fund	\$ 2,500,000
Debt Service Reserve Fund	\$ 2,053,505
Funded Interest on Bonds and Subordinate Bonds	\$ 8,469,897
Cost of Issuance and Letter of Credit Fees	<u>\$ 2,720,980</u>
	\$62,006,535

NOTE: The above schedule does not reflect the following fees deferred by Developer, Contractor, Architect, and University, estimated as:

Construction Management Fee	\$ 1,872,534
Development Fee	\$ 2,989,843
Marketing Fee	\$ 1,086,981
Financial Advisory Fee	\$ 640,681
Licensing Fee	\$ 662,633
Architectural Fee	<u>\$ 75,000</u>
	\$ 7,327,672



When Phase I reaches 95% occupancy, the bond covenants allow the team to expand the community. This second phase must be a CCRC facility due to bond covenant obligations and will require a separate bond financing.

#### Advantages and Disadvantages of Tax Exempt Financing

Carol Herrmann, President of Pinnacle recently expressed her dismay with the difficulties of using tax exempt debt financing for CCRC development projects. She considers it an “expensive” form of financing when considering the extraordinary fees (underwriting, attorneys, etc.), strict covenants, and additional time required. She also cited stringent development guidelines as a major detractor, particularly the 70% pre-sales requirement prior to breaking ground.

On the other hand, Don Selheimer noted that university affiliated CCRCs such as the Village at Penn State typically rely on this financing structure because it is the “cheapest” form of debt when sponsors are unwilling to put their own capital at risk. He points out that traditional lending institutions will only issue large amounts of debt if the sponsor invests a significant amount of equity. Thus, university-affiliated CCRCs typically have limited options to consider when schools are unwilling to invest funds in the project.

#### The University’s Role in Financing – Are they at Risk?

As noted previously, Penn State decided early in the process that it would not provide direct financial participation in the project. They established a separate, not for profit entity and structured a thirty-five year ground lease on university owned land and granted two fifteen-year renewal options to the community.

Don Selheimer noted that the university played an important role in project financing as they have been “financially flexible,” agreeing to defer the licensing fee and ground lease payments until the later of five years or redemption of all C and D bonds. The base ground rent is estimated at approximately \$50,000 annually with an additional payment of \$360 per year for each occupied unit. The initial licensing fee is approximately \$662,000.

Other participants in the development team also showed a willingness to be “financially flexible”. CRSA and Pinnacle together deferred approximately \$4.5 million in development, marketing, and man-

agement fees. In total, professionals involved with The Village at Penn State deferred almost \$8 million in fees and compensation that would typically be paid current.

Peter Weiler is quick to point out that the university has deflected most of the financial liability for the project by establishing a separate not-for-profit entity and withholding the use of university funds, suggesting that most risk lies with the bond holders. He argues that should something go wrong, a debt restructuring would most likely occur rather than a default. However, he also recognizes that Penn State would not likely allow the project to fail. At this point, one can only speculate as the project has successfully avoided this circumstance. April of 2005 is a significant date for the financial stability of the project, as the community needs to achieve stabilization and the corresponding entrance fee deposit level to meet the projected pay down of the Series C and D bonds.

### Conclusion

While tax exempt municipal bond financing allowed Penn State to successfully raise the necessary funding for the project without tapping the school for equity participation, the financing structure also created significant challenges. In particular, the reduction to 150 independent living units resulting from the pre-sales requirement placed financial strains on the project due to significant infrastructure and amenity construction costs and operating overhead. The reduced scale of the project stretched the long term, financial viability of the community, forcing the sponsors to raise \$4.5 million in additional subordinate debt. Most important, the team was required to defer approximately \$8 million in total fees and compensation until the second phase is financed. The team hopes to complete Phase II in the next five to seven years.

## **8.4. Project Design & Physical Attributes**

### Design Approach

*Village Feel.* The design team's approach was to create a European-style village setting with walkable streets, a "town square," shared open spaces and complimentary architecture. Between the CCRC and the PRD, the greater community will include single-family homes, town homes, duplexes, quadraplexes, apartments, cottages, assisted living units and skilled nursing units. By incorporating the CCRC and the PRD into one cohesive, functioning neighborhood, the concept was to create a community with housing

options diverse enough to serve nearly any age or household type, from young professionals to senior citizens, all coming together to create a true village atmosphere.

*Active Lifestyle.* In describing his vision for The Village, President Spanier suggested it should be a “place people come to live, not die.” With this in mind, the project’s planners made activity areas the focal point of the community by designing a central commons building with numerous indoor amenities such as a fitness room, billiards room and swimming pool; they also incorporated outdoor activities into the design, with walking and biking trails and gardening plots.

*Quality.* Joe Paterno explains in a marketing video for The Village that the development team wanted “to do it the right way, to be first class,” for the community to “be the best of it’s kind anywhere in the world...and we thought we had the talent to do that.” That approach is obvious in the physical product at The Village. The attention to detail is evident on the exterior and, particularly, the interior of the project. Although the project encountered budget issues due to code changes during



the planning process and the decision to phase the project, thoughtful value engineering decisions maintained the overall integrity of the project. Despite pressure to downgrade the interior finishes and fixtures, Pinnacle partner Philip Seig apparently took a strong stance, protecting many of the interior details. Similarly, the board felt strongly that no amenities should be removed in the value engineering process – modified slightly perhaps, but not removed – because they had made promises to prospective residents during the marketing campaign and believed the issue was one of integrity. In the end, changes included modifications to flooring materials and the scope of the amenity package, deferring construction of the proposed auditorium.

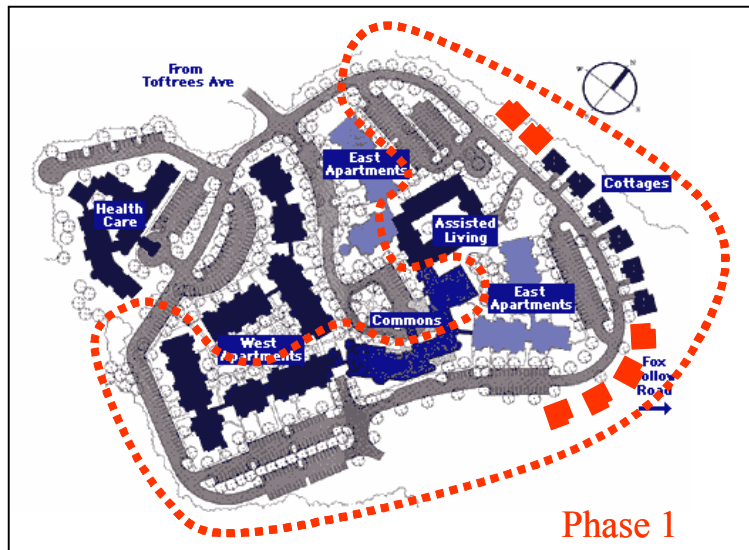
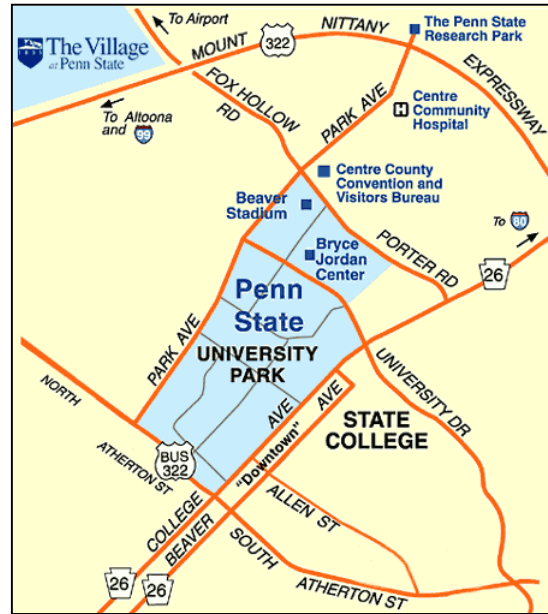
### Project Location

The Village at Penn State is located less than one mile from the edge of the Penn State campus and approximately two miles from the heart of campus. It is roughly two miles from College Way, State College’s main downtown area. The site is located just off of Route 322 Expressway (Mount Nittany Expressway) and enjoys proximity to University Park Airport, Centre Community Hospital, local shopping

and the interstate. While not completely suburban in location, The Village is certainly not within easy or safe walking distance of campus or the main street, forcing residents to rely on scheduled van transportation or car. The project does, however, enjoy a visual connection to the campus – the 80-acre site sits on a hilltop overlooking PSU’s Beaver Stadium and the northwest edge of campus. It also enjoys excellent views of Mount Nittany and the agricultural land in between.

Density & Site Layout

The CCRC and PRD components of The Village sit on adjacent 80-acre sites and are connected by both road and sidewalk. Most of the CCRC buildings are three or four stories in height with the exception of the two-story healthcare center and one-story cottages. Currently the density of the CCRC is especially low as only Phase I has been developed – at 324,120 square feet on 80 acres for an initial FAR of .09, and 186 units on 80 acres for 2.33 dwelling units/acre. Even once Phase II is built, assuming the current plan, it will only push the FAR to approximately .13 and dwelling units/acre to 4.21. The PRD portion is planned as 376 units (condominiums, town homes and single-family residences) on 80 acres or 4.7 dwelling units/acre. The parking for the CCRC is accommodated in surface lots and a few private cottage garages.



The CCRC sits at the crest of a hill while the PRD spreads out down the hill’s slope toward campus. The CCRC buildings are well-situated to maximize the views of Mount Nittany and Beaver Stadium from common areas such as the dining room and terrace as well as from many apartment units and cottages.

The community amenities are all located within the Commons building, which is centrally located and bookended by two apartment buildings at each end. The buildings are arranged so all functions except the healthcare center and freestanding cottages are connected by interior corridors, providing easy and comfortable access to common areas from the independent living buildings.

Unit Mix

The Village includes a mix of units, ranging from 935 square foot one-bedroom apartments to 1,797+ square foot two-bedroom cottages, with floorplans named for former presidents of Penn State University. The breakdown of unit type is as follows:

Unit Features

While residents are free to decorate homes at their discretion and upgrade certain finishes at their expense, all apartments and cottages include the following standard specifications:

- “sunroom” in every unit
- emergency call system
- wall-to-wall carpeting
- washers & dryers
- storage areas
- fire- and sound-resistant construction
- all-electric kitchens with range and frost-free refrigerators
- microwave, dishwasher, disposal
- cottages have private garages

<b>The Village at Penn State Unit Mix</b>			
<i>Independent Living</i>			
	SF	#	%
<u>One-Bedrooms</u>			
The Pugh	935	34	23%
The Calder	1,026	14	9%
The Oswald	1,251	2	1%
		50	33%
<u>Two Bedrooms</u>			
The Atherton	1,183	62	41%
The Hetzel	1,342	13	9%
The Eisenhower	1,342	13	9%
		88	59%
<u>Cottages</u>			
Plan A - Two-Bedroom	1,607+	4	3%
Plan B - Three Bedroom	1,797+	8	5%
		12	8%
<b>TOTAL</b>		<b>150</b>	<b>100%</b>

## Healthcare Facility

The healthcare facility currently consists of 36 units – 9 assisted living and 27 skilled nursing – housed in one two-story building. All assisted living/nursing units are singles of approximately 295 square feet and are not designed to accommodate spouses. The assisted living and skilled nursing sections each have their own small dining area where able residents can gather for meals. The building also features an inviting enclosed outdoor courtyard where residents are allowed to walk or sit, in a secured area where there is no danger of them wandering. One undesirable layout feature is that the health center is physically disconnected from the rest of the buildings. If a resident of the healthcare facility wishes to use one of the Commons amenities, or if a resident from the independent living buildings wishes to visit, an outdoor trip is required.

Phase II is planned to include an additional 44 assisted living units and 16 dementia units. It was noted during an interview that The Village plans to provide more assisted living services in residents' apartments than initially planned in order to both relieve potential pressure on the healthcare facility and to make residents in need of care more comfortable.

## Amenities

While some of the originally planned amenities were modified due to budget constraints, the board was committed to providing all amenities originally marketed to prospective residents. Some of the amenities were made smaller than initially envisioned, but all were retained in the plan - and most were installed in Phase I with only the auditorium deferred to Phase II. Community amenities at The Village at Penn State include:

### *Commons building amenities*

- main lobby and reception area
- restaurant-style dining room
- library with computer terminals
- pub & lounge
- beauty & barber shop
- The Village Creamery (ice cream parlor)



- fitness center
- on-site gift shop
- health clinic
- mail and communications center
- arts & crafts room
- billiard room
- guest room accommodations
- all purpose/activity room
- in-house TV channel
- assembly hall (deferred)
- indoor pool (deferred)

#### *Site amenities*

- gardening plots
- walking & biking trails

#### Observations

It is interesting to note the resident's sentiment regarding the "village" concept envisioned for the PRD and CCRC communities. According to Peter Weiler, some CCRC residents "don't see this as one big happy family." Rather than welcoming their neighbors, some residents think, Weiler explains, that the PRD will just create headaches such as unwelcome traffic and "kids using the pool."

It was also noted in interviews with The Village staff that the facility could use more general meeting space for residents. Additionally, there appears to be some question as to whether the size of the dining room will be sufficient once the community is full – to accommodate the demand, staff plans to expand hours of service as necessary.

## **8.5. Programmatic Synergies**

While The Village at Penn State is officially independent of the University, its affiliation with the school provides a number of formal and informal synergies to residents of The Village and to the PSU community.

### Access to School Resources, Events, Activities

Residents of The Village receive a Village at Penn State ID card, entitling them to a number of exclusive benefits through the PSU affiliation. There is also a special concierge to assist residents with all university-affiliated activities, including the following:

- priority access to PSU football and basketball tickets
- priority access to event tickets at Bryce Jordan Center and the Center for Performing Arts
- preference and faculty rates on PSU golf courses
- access to university tennis courts and Natatorium
- group lessons in tennis, golf, swimming available from coaches and/or collegiate athletes
- on-site branch of The Penn State Creamery
- delivery of the Daily Collegian and Penn State Intercom

### Educational Programs

Residents of The Village are able to register for Penn State classes on a “space available basis.” While this is a nice amenity for residents, it is not an exclusive benefit, as courses are available at low or no cost to all Pennsylvania residents over 65 years of age.

In addition to PSU classes, there are special presentations, workshops and activities held on-site at The Village by PSU faculty and staff. While there is no regular, structured curriculum or formal educational program on-site, the lecture/workshop series is varied and reflective of the interests of residents, focusing on topics such as investments, current events and gardening.

### Programmatic Relationships

Penn State’s initial approach to the synergies between the university and residents of The Village was that connections would develop naturally over time once the community opened. Their approach, therefore, was to negotiate only a few key agreements in advance (such as access to the PSU golf course, establish-



ment of the on-site Creamery and priority access to athletic tickets) and to allow the residents to determine additional future opportunities.

Since moving in, residents have expanded their involvement with the University, as expected, through participation in research projects, volunteer work, student mentoring and class attendance. Most of the interaction between residents and students or faculty, however, has been informal in nature and much stems from resident use of PSU amenities such as the swimming pool and golf courses.

The Penn State students have also found opportunities to become involved at The Village. A number of students have secured internships at the community, working with the wellness center or marketing staff, and others work as dining room staff.

## **8.6. Tenure & Services**

### Definition of Care

The Village at Penn State is a Continuing Care Retirement Community (“CCRC”). As such, it is differentiated from other housing options for older people because it offers a lifelong contract for residency and includes certain health-related services. The healthcare provided at the Village at Penn State is outlined by a “Life Care Contract” which guarantees varying levels of on-site services including independent living, assisted living, skilled nursing and dementia care. As noted on the community website, the Village at Penn State offers “an active, independent lifestyle option available to today’s senior adults who want the most out of life and who seek the peace of mind which comes from planning for housing, long term health care and a healthful lifestyle.” Furthermore, the program offers residents with “a way to help maintain and enhance (their) current lifestyle . . . free from future financial health care concerns.”

Along with residency, the Village's “Life Care Contract” includes the following services:

- 20 meals per month
- Regularly scheduled transportation
- Weekly light housekeeping services in the residential units
- Annual heavy duty housekeeping of the residential units

- Weekly flat linen service
- Water, heat, electricity, sewer service, air conditioning
- Trash removal from central locations,
- Sidewalk and roadway snow removal
- Grounds maintenance
- Pre-wiring of residential units for telephone and cable television installation
- Use of storage areas in the community
- Repairs, maintenance and replacement of buildings and equipment owned by The Village
- Planned schedule of social, educational, recreational and nondenominational religious activities
- Use of common facilities and amenities

In addition to the services listed above, the Life Care Contract provides unlimited use of the assisted living and skilled nursing facilities in the on-site healthcare center. Private accommodations are offered in the skilled nursing area and in the healthcare center when available.

There is an added monthly charge for the following services:

- Meals for Residents beyond the 20 monthly, prepaid meals
- Guest meals
- Telephone service
- Trips and tours, other than scheduled local transportation
- Extra maid service

### Eligibility

Residency at the Village at Penn State is restricted to those 62 years and older. Prospective residents must also be in good health. A physician employed by the Village at Penn State must determine that a prospective resident is capable of living independently.

### Entrance Fees and Refund Plans

The tenure structure at the Village at Penn State requires a one-time entrance fee along with monthly fees in return for the lifetime use of an apartment or cottage home and unlimited, priority access to the on-site

assisted living and skilled nursing care. The use of the assisted living and skilled nursing facilities is at virtually no increase in the monthly service fee to residents. Originally, the Penn State team proposed offering four different entry fee models to prospective residents. However, it was determined that such a wide range of options would create unnecessary confusion among prospective residents, so the options were pared to two.

Today, the two options available to residents of the Village are the “Traditional” model and the “90% Refund” model. Under the “Traditional Model”, a resident’s refund declines consistently over the initial four years and is eliminated thereafter. Under the “90% Refund Plan,” after 5 months of residency, the entrance fee refund will equal 90% of the entry fee and will remain at that level in perpetuity. At death, any refund due is paid to the resident’s estate. Residents have the choice of a one and two bedroom apartments and free standing cottages. The amount of the entrance fee varies based on the unit selected, ranging between approximately \$170,000 to \$360,000 for the “Traditional Plan” and approximately \$250,000 to \$550,000 for the “90% Refund Plan.” The monthly service fees are consistent between both entry fee models and range between \$1,710 and \$3,260 per month based on unit selection. The Village Board was forced to raise monthly fees by approximately 9% during the first 9 months of operation to cover higher than expected expenses, due largely to the smaller overall unit count.

#### Tax Implications

The Village at Penn State estimates that approximately 28 to 40% of a resident’s entry fee and monthly fee may be considered a medical deduction on a resident’s tax return. The final percentage is determined by an audit of The Village at Penn State at the end of each year. To qualify for the deduction, a resident must spend at least 7.5% of their gross income on healthcare services.

## **8.7. Organization & Operations**

#### Community Board Structure / Governance

The ownership entity for the community was established in 1998 as a Pennsylvania not-for-profit 501(c)(3) corporation - The Village at Penn State Retirement Community. As such, any operating profit

must be reinvested into the community or held in reserve for future needs (no operating profit may be distributed).

The entity's initial board of directors, as appointed by Dr. Spanier, consisted of four Penn State administrators:

- Peter Weiler, Associate Vice President of Development and Alumni Relations
- Gary Schultz, Senior Vice President for Finance and Business / Treasurer
- Carol Herrmann, Senior Vice President for Administration (retired, replaced by board member Janis Jacobs, PhD, Vice President for Administration)
- Rodney Erickson, PhD, Executive Vice President and Provost

As required by the tax-exempt bond covenants, however, the majority of the board must be unaffiliated with Penn State within two years of bond issuance. Accordingly, the board is currently in the process of adding five new members, none of which has direct affiliation with the University.

It is interesting to note that Carol Herrmann, one of the Pinnacle partners, was formerly Senior Vice President for Administration at Penn State and one of the original Village board members. She retired from PSU during the initial stages of the planning process and was hired by Pinnacle to oversee development of the project. According to CRSA's Don Selheimer, Carol Herrmann "has added a great deal of credibility from the development partnership perspective...she provides a good, unbiased opinion on business decisions."

#### Property Management

CRSA has a five-year, full-service agreement to provide management services including staffing, maintenance, dining services, accounting and general administration for the project for a fixed-fee plus CPI escalations. If the project has insufficient funds to meet debt service obligations or maintain financial ratio requirements (debt service coverage and operating ratio), the property management fee will be deferred until either funds become available or closing of financing for Phase II of the project.

## **8.8. Summary**

### The Role of the University

The preceding case study supports the fact that Penn State University played a vital role in all aspects of the successful development, implementation and initial operation of the Village at Penn State community. From President Graham Spanier's visionary impetus to the university's role as landowner and ground lessor, the school has maintained close ties to the project and a strong commitment to its success.

As noted previously, university involvement was critical to the project's marketing effort. After signing a formal licensing agreement, the community gained the valuable right to include "Penn State" in the name of the project, allowing for excellent branding and a greater connection to retired PSU alumni. The agreement also allowed the village to tap the school's extensive alumni database with direct mailing and university sanctioned sales presentations throughout Pennsylvania and beyond.

While Penn State did not directly invest funds in project financing, the school did play a critical role in providing the credibility necessary to raise tax exempt bond financing. In particular, the university's affiliation allowed them to obtain approximately \$4.5 million in startup capital through the "Bond Anticipation" notes. It provided critical support again when it assisted in placing \$4.5 million of Village subordinate bonds. Also extremely important to the project's success, the university demonstrated a tremendous amount of financial flexibility in allowing the village to defer licensing and ground lease payments until the later of five years or redemption of the C and D bond series.

The university also participated by creating a number of programmatic synergies between the school and the community. For example, PSU provides access to university resources, events, and activities such as athletic and the performing arts, university facilities and educational programs. Residents are issued a Village at Penn State ID card which provides a number of benefits similar to those offered to PSU students.

Penn State maintains a continued operational oversight commitment to the facility with four university administrators seated as active Village at Penn State board members. The President of the Board of Directors at The Village at Penn State, for example, is Peter Weiler, Associate Vice President for Development and Alumni Relations at the university.

Perhaps most important, Penn State's affiliation with The Village resulted in project participation from some of the school's most celebrated alumni and faculty. The "development team" included William Schreyer, a Penn State alumnus, Chairman Emeritus of Merrill Lynch, and one of PSU's most generous donors. The team also included Joe Paterno, the school's legendary football coach of more than fifty years. These men brought an unmatched level of prestige and credibility, which proved integral to the project's progress at several crucial stages in the process.

### Critical Success Factors

In its short history, The Village at Penn State has overcome numerous obstacles to achieve varying levels of success. While the process wasn't always smooth, the team's experience offers many valuable lessons for similar future developments. In the end, however, the team achieved their foremost goal of making the original vision a reality. While the project has marketing and operational hurdles yet to overcome and must still manage to successfully develop the project's second phase, the success it has enjoyed thus far is attributable to a number of factors, of which the following stand out as particularly important:

*Perseverance, Commitment* – The project team endured a number of early setbacks during the development process, but always overcame them through determination and commitment. The team remained true to the original vision despite these challenges, eventually delivering it to reality.

Perhaps the most obvious challenge the team faced was figuring out how to finance the start of the project. However, this did not deter the team. After exploring various capital source alternatives, the team chose to issue bond anticipation notes, thereby securing the "startup capital" necessary to examine the feasibility of the project. Although this step seems rather pedestrian in hindsight, it was actually somewhat risky because the only source of repayment was the eventual closing of permanent financing – which was by no means assured. This required substantial commitment and faith on behalf of the project sponsors, as their credibility, reputations and brands were at stake.

Initially, marketing efforts were hindered substantially by the emergence of a competing retirement community development on adjacent property. Although this project did not have the support of the local community or University to the extent The Village did, it certainly introduced confusion into the market and diluted The Village's message. Eventually, the competing project disappeared as The Village at Penn State overcame the marketing challenge with persistence and clarity of message.

Another major challenge in the development process was dealing with two Pennsylvania townships on financing, zoning and permitting issues. One of the townships did not look favorably upon the project, seemingly making life difficult for the team at every turn. Utilizing diplomacy and persistence, however, the Village team persevered.

The development team faced yet another significant challenge in redesigning the project halfway through the process in order to secure financing. When it became clear that achieving the 70% financing presale requirement was not feasible within the timeframe desired, the team revised its strategy. The team adapted by creating two phases, making design modifications, and creatively restructuring the debt, finding a way to make the project work.

*Quality of the Development Team* – The Village at Penn State development team provided the project with critical support and expertise in a number of ways, without which the project likely would not have triumphed over the many challenges encountered. First, the credibility of the sponsors was essential to obtaining the various stages of financing. As Don Selheimer of CRSA stated, “a credible sponsor name is extremely important, especially in college towns where the university sponsorship is critical.” In addition to Penn State’s support, the local credibility the Pinnacle partners provided and the national reputation of CRSA were also important factors.

Along with credibility, another important quality the team possessed was a diverse skill set and knowledge base. The joint-venture partnership between Pinnacle and CRSA, provided an incredibly unique and appropriate blend of senior living expertise, local market knowledge, financial expertise, local political influence and construction experience. This team also had vision, drive, determination and loyalty to Penn State. And they had a project leader, Carol Herrmann, who passionately and effectively guided the team through the development process.

*Financial Flexibility* – It is important to note that all development team members have exhibited a unique willingness to place the success of the project ahead of personal financial gain. A total of nearly \$8 million of various fees were deferred by the team for what will likely be 5-7 years. The University agreed to defer ground lease payments and licensing fee; the developers deferred substantial development, marketing and financial advisory fees; the general contractor deferred construction management fees; and the architect deferred a significant portion of their design fees. The entire team was “financially flexible,”

sharing in the risk of the project, a commitment which was critical to the successful capitalization of the project.



## 8.9. Case Appendix - School Description

### Pennsylvania State University<sup>15</sup>

Summary/History:

Penn State is a multi-campus public land-grant university offering high-quality programs in the natural and applied sciences, social sciences, arts, humanities, and the professions. The Village at Penn State is affiliated with the



main campus, University Park, in State College. “Although the University is privately chartered by the Commonwealth, it was from the outset considered an ‘instrumentality of the state,’ that is, it carries out many of the functions of a public institution and promotes the general welfare of the citizenry.”

School Type:

Technically public, but “state-related” university.

Location:

State College, PA

Founded:

1855

Enrollment:

41,795 at the University Park campus in State College

Campus:

University Park campus consists of approximately 3,000 acres of land and 11 million SF of building space

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<sup>15</sup> *Welcome to Penn State*, July 7, 2004, <<http://www.psu.edu>>.

Alumni: 565,633 (including the largest alumni association among US schools at 152, 721 members)

Degrees/Schools: Associate, Baccalaureate and Graduate degrees in numerous fields. Colleges/Departments include:

- Agricultural Sciences
- Arts and Architecture
- Communications
- Earth and Mineral Sciences
- Education
- Engineering
- Health and Human Development
- Medicine
- Liberal Arts
- Science
- Information Sciences and Technology

Amenities/Resources:

Libraries

University Libraries at University Park

Medical

Milton S. Hershey Medical Center

Performing Arts Venues

- The Department of Theatre Arts and the Center for the Performing Arts provide a rich variety of plays, concerts and other performances
- Poetry readings, film festivals and Big Ten basketball at the 16,000-seat Bryce Jordan Center
- 

Art Galleries & Museums

Palmer Museum of Art

### Recreational & Other

- 100,000-seat Beaver Stadium
- McCoy Natatorium swimming pool complex
- Two University golf courses, Blue and White
- Penn State Ice Pavilion
- Recreation Building, Intramural Building and White Building - handball/racquetball courts, squash courts, gymnasiums for basketball and volleyball, indoor jogging tracks, weight and gymnastic rooms, and golf driving nets
- University Creamery

## 9. CASE STUDY THREE: LASELL VILLAGE



Lasell Village

### 9.1. Project Background

#### Vision

The history behind Lasell Village is as interesting as it is unique. While many university-affiliated retirement communities start with a vision looking for a site, Lasell Village began as a site looking for a vision.

In 1963, a Lasell College alumnus donated a 13-acre site adjacent to campus to the school. Use of the property was governed by restrictions placed on the land, limiting its development for 25 years. In anticipation of the expiration of the covenant in 1988, the school hired a local real estate company to conduct a highest and best use analysis of property. The study suggested that the school sell the property to a single family home developer at an estimated price of \$3 to \$4 million.

Tom deWitt was hired as Lasell College's President at about this same time, arriving at a school that, according to deWitt, was experiencing "severe financial distress" and was "not too many years away from closing" as the school had enrollment of less than 400 and had virtually no endowment. Despite the college's financial condition, deWitt lobbied the board not to rush into selling the land. Instead, he advocated taking a longer-term view of its value and sought to determine how it might benefit the school on an ongoing basis.

Exploring deWitt's strategy, the school issued a Request for Proposals to prospective developers. The RFP indicated that the school would be willing to consider various uses and that it would entertain either selling or leasing the land. Developers responded with a variety of proposals including low-income housing, a CCRC, apartments and a hotel.

In his former position at Endicott College, deWitt had been involved in a feasibility study for a retirement community and was thus familiar with the product type as well as its potential benefits and pitfalls. DeWitt saw a Continuing Care Retirement Community (CCRC) as a long-term opportunity to generate revenue for Lasell College and a short-term opportunity to reposition the school. From deWitt's perspec-

tive, he saw it as “a lever to give the institution hope,” and “something that might create excitement and something new” at the school.

### Current Status

Today, Lasell Village is a successful retirement community of 171 independent living units and a 44-bed skilled nursing facility. Opening in May 2000, it has received national recognition, largely due to its unique requirement that residents participate in educational programs at least 450 hours per year.

The initial project included 162 independent living units, to which an additional 9-unit building was added to accommodate demand. Another expansion of the project is currently planned – a 17-unit building that will take the project to the 188-unit maximum as agreed with the City of Newton.

### Development Approach – Take One

After careful consideration of the responses to its RFP, Lasell College signed a deal with a new development firm committed to creating a CCRC. The initial concept called for a for-profit CCRC housed in one large apartment building. “Glenridge” would be privately owned and would lease the land from Lasell College. As designed, the project required a special permit from the City of Newton, requiring support from 16 of 24 aldermen. Lasell had worked closely with local alderman and a neighborhood committee in developing the plan for the site. As part of the deal, the college had offered to make an up-front \$3 million payment to the city, pay an annual \$500,000 payment to the city in perpetuity, and place half of the college campus in a “no-build easement” for fifty years. Consistent with a history of “tense” relations between the Auburndale neighborhood and the college, however, a small group of neighbors still opposed the project and led a petition against it. The alderman sided with the opposing neighbors, defeating the proposed project by one vote.

### Development Approach – Take Two

According to Tom deWitt, Lasell College had to ask itself “what now?” Admittedly stubborn, deWitt wasn’t yet willing to give up on the plan. Instead, the College responded to the defeat by creating a committee to explore an alternative concept – an “educational CCRC.” The school believed that if a plan fit within the current “educational” zoning and complied with all other existing dimensional and setback regulations, it would be allowed by right. The key was introducing the educational requirement. Lasell’s concept would require the CCRC residents to also be students.

After completing a lengthy study with support from national experts on aging, the college presented its findings to the city, which immediately rejected the concept. After the college filed suit against the city in land court, the city and college structured a plan which the city endorsed. However, once again, the neighborhood intervened. Ultimately, after a multi-year legal battle lasting into the mid-1990's, the courts determined that the project was allowed by right as it qualified as an "educational" use and complied with zoning. Key to the decision, deWitt points out, was that the judge "left it up to the College to define 'educational,'" but gave the City the right to monitor and enforce compliance. DeWitt also notes that Christopher Jedrey of McDermott, Will and Emery was instrumental throughout the regulatory process.

The college now had the necessary approvals from the city, but knew they couldn't develop the project on their own. They recognized the need for financing and development expertise and began speaking with developers.

Based on the agreement reached with the City, the community planned by Lasell would not only require the two standard CCRC resident eligibility requirements (financial and physical health), but also a unique third hurdle – resident acceptance of the educational requirement.

According to deWitt, developers shied away from the project because they perceived the educational requirement as a "huge overhanging risk." No one had ever marketed a retirement community which mandated an educational requirement and, therefore, didn't know how the market would respond or how to measure the risks involved. To compensate, developers indicated an interest in participating, but only if the college would guarantee reimbursement of out-of-pocket expenses if the concept failed. The college viewed such an agreement as the school's acceptance of all the development risk without receiving compensatory reward and, as such, believed that they would be better off pursuing the project alone.

Then, assisted living developer CareMatrix Corporation, run by well-known, local healthcare developer Abe Gosman, approached the College and indicated a willingness to accept development risk. After nine months of negotiation, CareMatrix agreed to invest up to \$2 million of at-risk capital in return for development fees, marketing fees and the management contract.

In order to reduce overall project risk and minimize the bond financing presale requirements, CareMatrix decreased the size of the initial design from 18 to 14 buildings. After spending approximately one year

marketing the project, the team signed a contract with Suffolk Construction, secured bond financing in December 1998 and broke ground soon thereafter.

Six months later “everything began to unravel,” deWitt recalls, as it became evident that CareMatrix was having financial problems. Not happy with the level of attention given by CareMatrix employees, deWitt and a Lasell College vice president began “basically running” the project – reviewing documents, selecting finishes, approving change orders, and other development-related responsibilities.

### Development Approach – Take Three

Sensing problems within the CareMatrix organization, the College negotiated a buyout of the development contract. The agreement proved timely, as CareMatrix filed for bankruptcy soon after the split. President deWitt refers to this timing as very fortunate and a key to the project’s success. If it had not occurred, the project would have become involved in the bankruptcy proceedings and likely would have been delayed for a long time, if not indefinitely. According to deWitt, the buyout agreement with CareMatrix was for essentially “50 cents on the dollar.”

The project’s bondholders approved the buyout, but required the board to hire an independent development consultant (Retirement Living Services) to monitor Lasell’s completion of the project. Under the guidance of Lasell College, Lasell Village was completed in May 2000 and was fully occupied within 6 months of opening, an “unbelievable success,” remarks deWitt.



### Project Team

Despite the difficulties encountered during the tumultuous development process, deWitt maintains that CareMatrix was instrumental in getting the project off the ground. The College “could never have done it on their own,” he explains, because the project would have lacked sponsor credibility and experience. The Lasell Village development team included the following participants:

Developer (Initial): CareMatrix Corporation

- Initial Developer and Manager for Lasell Village project
- Senior care service provider, full range of assisted living and related services
- At time of development, 1998, operated 44 facilities in 11 states with over 5,300 residents
- Chairman of Board of Directors was Abraham Gosman

Developer (Final): Lasell College

- Newton, MA
- Founded in 1851
- Initially a private, two-year women's college, converted to coeducational in 1997

#### Development

Consultant: Retirement Living Services, LLC

- Hartford, CT
- Provide planning, development, regulatory, marketing, financial consulting, construction and management services to owners of senior housing communities
- Founded in 1989

General Contractor: Suffolk Construction Company, Inc.

- Boston, MA
- Commercial construction firm with substantial senior housing and healthcare experience

Architect: Steffian Bradley Associates

- Boston, MA
- Specialize in healthcare, residential and academic projects



## **9.2. Marketing Strategy**

### Early Stages - Zoning Struggle Creates Project Visibility

From 1988 to 1996, the college engaged in a heated legal battle with local residents over the proposed development of a continuing care retirement community. Ironically, while the challenges caused unwanted delays and costly legal fees, they played an important role in creating visibility for Lasell College and the proposed retirement community. The Boston Globe ran a series of editorials supporting the project. Unbeknownst at the time, the media attention brought much needed early publicity to the project, laying the foundation for the start of the formal marketing process.

### Marketing the First Education-Based CCRC

In early 1998, with zoning approvals in hand, the Lasell Village team set out to achieve the necessary 60% pre-sales requirement to obtain permanent financing. They needed to convince 106 prospective residents to put down 10% of the entrance fee as a reservation deposit. However, unlike many university affiliated retirement communities, the marketing team could not leverage a large, active, alumni network. As President deWitt noted, the Lasell Village concept is built on a “framework that doesn’t focus on alumni or faculty,” it focuses instead on education.

The Village team faced a second formidable task – they needed to “sell” prospective residents on the concept of a 450-hour mandated education requirement. At the time, there was no existing model for such a community. Some prospective residents were wary of the concept and potential development partners shied away from the risk of marketing an unfamiliar product. Fortunately, a partnership was formed with Abe Gosman’s CareMatrix, a successful developer of over 5,300 assisted living units. CareMatrix brought a brand name to the project and added a degree of credibility for prospective residents.

Throughout much of 1998, the Lasell Village team initiated an aggressive marketing campaign. They established a sales office in the school’s arts center and held presentations in the auditorium. As the project visionary, President deWitt quickly became its most enthusiastic salesman, participating in presentations and hosting receptions for prospective residents at his home.

While the 450 hour educational requirement posed a unique challenge, the marketing team quickly turned it into a positive, promoting the idea that every resident will be an “engaged learner.” Once they under-

stood the details, prospective residents embraced the concept. As President deWitt noted, they wanted to know that the school was committed to providing residents with first rate educational opportunities. Many “just wanted to hear that we really meant it” before making their deposits, because they wanted to make sure that the other residents would also be committed learners.

By November 30, 1998, less than twelve months after initiating the formal marketing campaign, the team had received deposits and signed residency agreements for 110 of 162 residential units, enough to achieve permanent financing. By April 2001, less than six months after completing construction, the community reached 100% occupancy, an extraordinary feat for a new CCRC facility.

President deWitt attributes much of their early marketing success to the changing nature of retirement and the Village’s ability to create a market niche by attracting “engaged learners.” He notes that retirees are increasingly educated and that most existing CCRCs do not provide residents with the environment or opportunities they desire. He describes them as “golden cages,” facilities appointed with beautiful finishes but removed from everything and with few signs of life.

President deWitt also notes that Lasell Village benefits immensely from “arguably the best CCRC location on the eastern seaboard.” The project is located in one of the most affluent communities in the greater Boston area, providing an educated, wealthy customer base, who are currently benefiting from an extraordinarily strong residential real estate market. Most Village residents are middle to upper class professionals, doctors, and educators who pay entry fees with profits from selling their existing homes. The site offers a semi-urban setting, immediately adjacent to the college, with close proximity to public transportation and the amenities of a world class city (Boston).

### Current Marketing

Currently, Lasell Village maintains a waiting list of approximately 100 people. Aside from handing out a standard package of marketing materials, they presently do not engage in any additional advertising, whereas other communities invest heavily in generating publicity. Nonetheless, Lasell receives approximately 20 unsolicited inquiries each week from prospective residents and their families. Since opening in 1999, entrance fees have been increased over 50% without any resistance, signaling strong demand for the Lasell product.

### **9.3. Financial Structure**

#### Early Financing – Accepting Risk for Potential Financial Benefits

When President deWitt came to Lasell in the late 1980's, the school was suffering from a deep financial crisis. In a time of desperation, Lasell College saw an opportunity to generate long term sustainable income. Unlike many university-affiliated communities, the impetus for Lasell Village was largely financial.

One of the college's few resources was a 13-acre parcel adjacent to the school which had been donated. While the school desperately needed the money and was tempted to sell the site, the new president saw the possibility for greater financial reward. He believed that, if operated correctly, a CCRC might provide long term sustainable cash flow.

Over the next eight years, Lasell College made a significant financial commitment to the project, spending over \$1.35 million of their \$3 million endowment in an eight year legal battle to obtain permits for the site. With approvals in hand, the school sought a development partner that would also make a financial commitment to the project. They reached an agreement with CareMatrix, who put \$2 million at risk in return for approximately \$4 million in development, marketing and management fees.

#### Permanent Financing

By December of 1998, the team met the 60% reservation requirement, allowing the project to secure permanent financing. They raised approximately \$55.75 million in municipal bond financing through the Massachusetts Development Finance Agency. The college contributed the land as collateral, a gesture that President deWitt described as "more symbolic than real," since the land arguably had little market value due to the zoning restrictions and neighborhood opposition.

The participation of Abe Gosman's CareMatrix was a critical factor in achieving permanent financing. At the time, he was the "king of assisted living," operating 44 facilities in 11 states totaling 5,300 residences. The Gosman name gave investors a comfort level with the bond issuance and provided much needed credibility to the project.

The \$55.75 million bond issuance consisted of four series, including long term and short term debt, structured as follows:

Series A	\$ 10.73 million	fixed rate, 6.375%, due 12/1/25
Series B	\$ 5.02 million	adjustable rate, due 12/1/28
Series C	\$ 38.135 million	variable rate, due 12/1/08
Series D	\$ 1.865 million	variable rate, due 12/1/08

**Total**            **\$ 55.75 million**

The Series C and D Bonds were secured by an irrevocable direct pay letter of credit issued by Fleet National Bank. In the event of default, the letter of credit covers investors from losses in an amount equal to the aggregate principal of the Series C and D bonds outstanding plus 41 days of interest at maximum rates of 12% and 15% respectively.

The total estimated sources and uses, as outlined in the prospectus, are as follows:

<b>Sources of Funds</b>	
Series A Bond Proceeds (fixed-rate)	\$ 10,730,000
Series B Bond Proceeds (adjustable rate)	\$ 5,020,000
Series C Bond Proceeds (variable rate)	\$ 38,135,000
Series D Bond Proceeds (variable rate)	\$ 1,865,000
Deferred Marketing and Development Fees	\$ 3,000,000
Deferred Ground Lease Payments	\$ 1,000,000
Interest on Earnings on Trustee Held Funds	\$ 2,087,670
<u>Less Original Issue Discount</u>	<u>(\$170,285)</u>
<b>Total Source of Funds</b>	<b>\$ 61,667,385</b>

<b>Uses of Funds</b>	
Construction and Sitework	\$ 32,000,000
Development Costs, Ground Lease Payments	\$ 3,275,000
Furniture, Fixtures and Equipment	\$ 1,400,000
Architectural and Engineering Fees	\$ 1,300,000
Development Fees	\$ 4,850,000
Legal Fees	\$ 150,000
Pilot Payment and Insurance	\$ 125,000
Contingency	\$ 1,500,000
Initial Marketing Expenses and Fees	\$ 2,850,000
Operating Reserve Fund (Working Capital)	\$ 1,821,000
Debt Service Reserve Fund	\$ 3,534,695
Funded Interest on 1998 Bonds	\$ 6,598,100
Financing Costs and Letter of Credit Fees	<u>\$ 2,263,590</u>
<b>Total Uses of Funds</b>	<b>\$ 61,667,385</b>

The use of funds included a \$32 million fixed price construction contract signed with Suffolk Construction in December of 1998.

Construction commenced in January of 1999, but by mid year it was clear that CareMatrix was in trouble. Critical to the success of the project, the bondholders allowed the Lasell Village Board to buy out CareMatrix from their half of the development, marketing and management fees, or approximately \$2 million.

### Financial Standing of the Village

Like the school, the Village is currently in a strong financial position. The community reached 100% occupancy during the first six months of operation and has since maintained a wait list of greater than 100 people. President deWitt cites interest earned on entrance fees and the re-sale of units through turnover as the primary sources of consistent income as they have raised entrance fees by 50% over the last 5 years. While the Village currently suffers from an operating deficit (outlined in Operations section) it is offset by turnover fees. Its total debt is limited to only \$20 million (including \$5 million of recent financing to fund the expansion) and with \$15 million in reserves, the community is financially sound.

### Financial Benefits to Lasell College

President deWitt's early vision of creating Lasell Village as a source of revenue for the college has become a reality. The school received approximately \$4 million in initial development and marketing fees. Upon reaching 90% occupancy, the college also received a one time, initial ground rent payment of \$2 million, as outlined in the prospectus. In addition, the school will receive annual ground rent payments of approximately \$210,000 for twenty years. In total, scheduled ground lease payments had a 1999 present value of approximately \$4 million.

Today, the school receives over \$1 million in annual revenues related to Lasell Village, including the \$210,000 ground lease payment. The revenue also includes a \$325,000 "educational fee" which simply covers the costs of the educational program. The bulk of the revenue, and the only true net benefit from the college's perspective, is a management fee of approximately \$500,000. However, management of the facility does include certain hidden costs such as the significant time and attention required from the college administration.

As President deWitt notes, many say "the Village saved the college," but he strongly disagrees. He points out that the college had already achieved sound financial footing prior to completion of Lasell Village, having converted to a four year, coeducational school with a substantially increased enrollment. Today, the school's budget is approxi-



mately \$30 million while the Village is approximately \$10 million, suggesting that the Village is an important but not dominant factor in terms of Lasell College's overall financial standing.

President deWitt recognizes two primary long term financial benefits to the school beyond the regular fees. First, he suspects that Village residents might be a source of future gifts to the college. Second, the current ground lease agreement expires in 2025, at which time the college will own the land and all existing structures. It has been suggested that a recapitalization of the project may translate into a windfall of as much as \$30 to \$35 million at that time.

#### **9.4. Project Design & Physical Attributes**

##### Density & Site Layout

Lasell Village is located on a 13.5-acre, wooded site with an attractive small pond, in a valley adjacent to the Lasell College campus and a residential neighborhood. The site's mature trees, rolling topography and centrally-focused building configuration provide a peaceful, village feel in a tucked-away, but not remote, setting. There are two primary entrances to the Village, one through the neighborhood on Grove Street and another through the Lasell College campus.

In addition to 171 independent living units, the community also has a 44-bed skilled nursing component and a substantial amount of common area, much of which is housed in the commons building. Together, the community totals approximately 360,000 square feet of built space. On a 13.5-acre site, the current build-out equates to an FAR of approximately .61 and 15.9 dwelling units per acre. Once the additional 17-unit building is completed, the density will increase to approximately .64 FAR and 17.2 dwelling units per acre.

Lasell Village initially consisted of 14 buildings, now stands at 15 and will soon total 16 buildings. All of the buildings are three stories except for one four-story structure, most include 13 units and each is designed around a courtyard. All but one of the buildings is connected via a conditioned corridor, providing residents access to the centrally-located "town square" commons building, which houses many of the community amenities, includes the skilled nursing facility, boasts a clock tower and overlooks a court-

yard. Parking for the project is housed in 109 underground garage spaces and supplemented by small surface lots.



### Design Approach

*Educational Engagement.* Lasell Village’s concentration on education sets it apart from other retirement communities – and this focus permeates the physical design of the community. Located directly adjacent to the Lasell College campus, Lasell Village is now essentially a part of the college campus. The educational bent is also evident within the Village’s buildings themselves, with classroom or seminar space included in every residential building as required by zoning. The presence of small library/reading rooms scattered throughout the community further reinforces the educational atmosphere or, as deWitt describes it, “a culture of learning.”



*Connectivity.* The design also reflects a sense of connectivity in the community – with the adjacent residential neighborhood, the Lasell College campus and among the Village’s buildings themselves. The project’s architecture appears to be inspired by the feel of the traditional New England village. The design elements complement the Victorian architecture of the neighboring residential homes that border parts of the campus. The Village’s connection to the college is enhanced by its mere proximity to its campus and the ease of pedestrian access to the school.



Within the Village itself, all but one of the buildings are linked by enclosed climate-controlled walkways, providing convenient, safe and comfortable access to all parts of the community. The corridors between buildings are primarily glass, which allows sunlight in and offers views to those inside. Several of the buildings also face onto central courtyards with brick walkways, flowers and benches. It is also interesting to note that 90% of the independent living units at the Village are corner units as most buildings house only four apartments per floor.

The connectivity promoted by the layout of the community and design of its buildings gives Lasell Village’s 15-building campus a unified feel. At the same time, the design allows the Village to reach out to the residential neighborhood and college, connecting aesthetically and functionally with both.

*Activity and Interaction.* In addition to reinforcing the educational focus of the community, Lasell Village’s design also encourages activity and interaction among its residents. The “town square” commons building houses many of the community’s amenities, including the dining facilities, prompting residents to spend time outside of their units. Similarly, the dispersal of classroom and activity space among the Village’s many residential buildings encourages residents to interact throughout the community.

### Project Location

Lasell Village is located approximately 12 miles west of Boston, Massachusetts in the northwest portion of Newton, MA in the Village of Auburndale. Its campus is immediately adjacent to the Lasell College

campus in an affluent residential neighborhood. As of 2000, the City of Newton benefited from an average median family income of \$105,289, well above the state average of \$61,664.

A semi-urban community, Lasell Village enjoys many conveniences within one mile of campus, including a grocery store, clothing shops, restaurants, drug stores and banks. The site's location also offers access to Interstate 95 and the Massachusetts Turnpike within one half mile. An important locational amenity is convenient access to the Riverside T-Station (Massachusetts Bay Transit Authority's subway system) and the commuter rail line. Less than one half mile away, they provide connectivity to Boston and other suburban areas. The site also enjoys convenient access to medical services with the Newton-Wellesley Hospital less than 3.5 miles away. There are also three golf courses within one mile of the site.

#### Healthcare Facility

Lasell House is the skilled nursing facility at Lasell Village. The 44-bed facility, which is located on the top floor of the Commons building, includes 18 private and 14 semi-private rooms. The private rooms range from 230 to 330 square feet while the semi-private rooms, which include two beds, are approximately 330 square feet.

#### Unit Mix

Lasell Village initially included 162 independent units, later expanded to 171 units (and planned for further expansion to 188 units). There are eight one- and two-bedroom independent living unit floor plans at Lasell Village, ranging from 545 square feet to 1,885 square feet. The original unit mix breakdown follows:

<b>Lasell Village Unit Mix</b>	<i>Independent Living</i>		
	SF	#	%
<u>One-Bedrooms</u>			
One-BR	545-715	26	16%
Deluxe One-BR	730-860	28	17%
One-BR w/Den	990	29	18%
Deluxe One-BR w/Den	1,115	1	1%
		84	52%
<u>Two-Bedrooms</u>			
Two-BR	875-990	10	6%
Deluxe Two-BR	1,010-1,145	45	28%
Two-BR w/Den	1,175-1,260	15	9%
Deluxe Two-BR w/Den	1,305-1,885	8	5%
		78	48%
<b>TOTAL</b>		<b>162</b>	<b>100%</b>

*Note: unit mix does not reflect 9-unit addition*

### Unit Features

All of the independent living units include the following features and amenities:

- wall-to-wall carpeting
- fully-equipped kitchen
- washer and dryer
- wiring for internet and telephone services
- basic cable television service
- individually-controlled heat and air conditioning system
- smoke detector
- sprinkler system
- many units offer private balconies or patios

## Amenities

Residents not only enjoy numerous amenities within the Lasell Village, but also benefit from proximity to the amenities available on the Lasell College campus and greater Newton area:

### *On-Site Amenities*

- dining rooms
- grand ballroom
- bank
- beauty parlor and barber shop
- heated indoor pool
- wellness and fitness center
- reading/card room
- community garden plots and greenhouse
- sundry and gift shop
- classrooms and seminar rooms
- libraries
- computer center
- research center for intergenerational study
- health center
- walking paths



### *Lasell College Amenities*

- dance studio
- library
- auditorium
- arts center
- athletic facilities
- photography studio
- ceramic studio
- woodworking shop



*Newton Area Amenities*

- Newton Free Library
- Leo G. Martin public golf course
- Two private golf courses within one mile
- Charles River Canoe Service
- Lasell College boathouse
- Shops and services at Auburndale Village

## **9.5. Programmatic Synergies**

Lasell Village is unique among university-affiliated retirement communities in that it is actually owned and operated by a school. It is further differentiated by the fact that project zoning mandates resident participation in a structured educational program. Due to these considerations, significant programmatic synergies exist between the college and the retirement community.

### Access to School Resources, Events, Activities

Lasell Village residents are issued Lasell College student ID cards upon arrival. They enjoy access to many Lasell College resources and amenities including the library, auditorium and athletic facilities as well as to the school's educators, courses and cultural events. Residents also enjoy access to the college's studios and workshops in areas such as dance, ceramics, woodworking, and photography.

### Educational Programs

Residents are required to complete 450 hours of "educational" credits annually. To meet the requirement, Lasell College and Lasell Village, Inc. entered into an "Educational Services Agreement" whereby the college is reimbursed for costs associated with staffing and administering the program. As a result, the college developed what is known as the Lasell Institute for Learning in Retirement, and established an affiliation with the Elderhostel Institute Network.

Village residents can fulfill the academic obligation through a variety of activities, including the following:

- Enrollment in intergenerational courses at Lasell College
- Enrollment in courses at other colleges and universities
- Teaching courses
- Mentoring Lasell College students and advising student groups
- Engagement in community service or volunteer activities
- Participation in discussion groups, lectures, seminars, and cultural events sponsored by Lasell College
- Opportunity for travel study experiences through Elderhostel or other groups
- Leadership or involvement in organizations at or outside Lasell Village

- Activities in the arts (music, drama, literature) through one's own artistic work
- Physical fitness activities
- Independent study or research
- Continued employment

Classes designed specifically for Village residents are held in Village classrooms, while other classes designed specifically for intergenerational work are held either at the Village or the College. Village residents must regularly file learning plans with the Lasell Village dean outlining their plan to satisfy the educational condition.

It is the educational requirement and academic setting to which Tom deWitt attributes the atmosphere at Lasell Village. He explains that the Village is different than anything he's ever seen before, pointing out that it is not the traditional retirement community where operators are "not engaging the mind at all," but rather one that enjoys a certain "buzz" created by "lively and engaged" residents.

#### Programmatic Synergies

The close physical proximity and the alignment of mission of the College and the Village create other important ties between the two. In addition to many expected synergies such as College faculty teaching many of the courses offered at the Village, there are others to note. The presence of the Village also affords the College an opportunity to provide its students with "connected learning" experiences – reinforcement of what they learn in class with practical application. For example, some retired attorneys living at the Village participate in mock courts, sharing their knowledge of the judicial system with students. Several Village residents recently participated in a student project called "Living Documents," where information technology and graphic design students created DVD diaries of the residents' lives.

Many first-year Lasell College students are exposed to the Village quickly as some courses require them to interview a Lasell Village resident. This introduces students firsthand to the Village and its residents early in their Lasell careers and to the opportunities for student involvement. Students currently participate at Lasell Village in a variety of capacities such as interns in the marketing department and members of the dining room staff.

There are also structured programs through the college's Fuss Center for Aging and Intergenerational Studies. The center was established in 2001 and, as described by the Lasell College website, is "dedi-

cated to enhancing the quality of life for older adults through research, community partnerships, and teaching focused on aging, lifelong learning, and intergenerational programs.” Among other things, the center uses intergenerational classes to study changes in student attitudes toward elderly classmates over time. DeWitt predicts that the center’s findings won’t necessarily show that keeping older people engaged intellectually will help them to live longer. However, he does believe that continued intellectual stimulation may help them to “live more productively” and to overcome ailments more quickly and easily.

While the Village’s educational requirement initially provided the central focus or impetus for the close relationship with the college, the synergies between the two have expanded since the community opened. It is obvious that deWitt and his associates have, as he describes it, successfully “integrated Lasell Village into the life of Lasell College.” While the benefits the relationship affords to residents of the Village are apparent, the type and quality of the opportunities it provides to students of the college are less obvious but perhaps equally important.

## **9.6. Tenure & Services**

### Continuing Care Retirement Community

As early as the initial conceptual meetings, President deWitt proposed that Lasell Village adopt a continuing care retirement community (“CCRC”) model. He saw a tremendous advantage in creating a community where spouses and friends could visit each other easily even when one required skilled nursing. He also saw the benefit that comes with the assurance of knowing that a lifetime of quality health care would be provided. Under the CCRC model, Lasell Village offers the following services:

- Restaurant style dining
- One meal per day
- 24 hour security, fire protection, and emergency response
- Electricity, heat, air-conditioning
- Basic cable television
- Internet Access
- Banking and postal services



- Weekly housekeeping services
- Lawn and garden maintenance
- Home repairs and maintenance
- Education program overseen by a full time academic dean
- Transportation to medical appointments and shopping
- Excursions and social activities

Interestingly, the Lasell Village CCRC structure does not include an assisted living component. However, those in need of assisted living services can receive additional help within their independent living unit.

Lasell House is the skilled nursing facility at the Village and offers the following professional health care services:

- 24 hour registered and licensed practical nurse coverage
- Certified nursing assistants
- Social worker
- Staff dietician
- Consultant pharmacist
- A team of physical, occupational and speech language therapist
- Rehabilitation for fractures
- Assistance with recovery from stroke
- General strengthening for weakness resulting from an illness
- Respite care for periods from two to several weeks

### Eligibility

Similar to other CCRCs, Lasell Village requires residents to meet certain criteria for residency. Residents must be at least 65 years of age, demonstrate the ability to cover all costs associated with living in the facility and pass a health examination.

Unlike other CCRCs, Lasell Village also requires the educational commitment from entrants. Residents must complete a minimum of 450 hours of “learning” each calendar year. As part of the residency agreement, they must acknowledge the educational requirement and that they could be evicted if they fail

to meet the requirement for two consecutive quarters. Residents may be relieved of this obligation with a medical waiver from their physician. However, the Lasell team notes that most residents welcome the required learning, and typically exceed the 450 hour requirement voluntarily.

#### Entrance Fees and Refund Plans

Lasell Village offers only one entrance fee option. The residency agreement is structured so that prospective residents must deposit 10% of the entrance fee as an “advance payment.” The “advance payment” is held in an interest bearing escrow account, except for 1% of the deposit, which is held as a non-refundable administrative fee should the prospective resident terminate the agreement. The remaining 90% of the entrance fee is due the earlier of 15 days before occupancy or within 45 days of the date the unit is available for occupancy. Anytime after occupancy, the resident may terminate the residency agreement and shall be reimbursed an amount equal to the entrance fee less 1% for each month of occupancy, but never less than 90% of the entrance fee. The Entrance Fee and monthly service fee are based on the size of the unit. As of July, 2004, entrance fees ranged from \$240,000 for a small one bedroom to \$775,000 for a two bedroom with den. Operating fees ranged from \$2,425 to \$3,800 per month.

It should be noted, according to the prospectus, that upon transfer of a resident to the Health Care Center, “there shall be no refund of the Entrance Fee.”

### **9.7. Organization & Operations**

#### Community Board Structure / Governance

The Lasell Village community is held by a Massachusetts not-for-profit corporation, Lasell Village, Inc., which was created in 1990 by Lasell College to establish and operate the facility. Lasell Village, Inc. is now wholly owned by Lasell Inc., a holding company in which college trustees have a majority vote. A separate holding company was formed because of auditor concerns that the college and Village would be viewed as one entity, due to the fact that the college owned the land, received management fees and participated on the board. To separate the two operations, they formed two independent entities within one holding company – one for the college and one for the Village.

At formation, the Lasell Village, Inc. Board of Trustees included 10 members, including two ex officio trustees. According to the prospectus, the board consisted of “business executives and health service professionals, attorneys and executives at not-for-profit organizations.” The two ex officio board members are Tom deWitt, President of Lasell College, and Carol Cacciamani, Chairman of the Board of Trustees of Lasell College.

### Property Management

Originally, Lasell Village, Inc. signed a management agreement with CareMatrix, but the College later assumed the agreement as part of the negotiated buyout.

The management agreement provides that the manager is responsible for the day-to-day operation of the community, including hiring, accounting, billings and collections, budgeting, maintenance, dining services and marketing. Manager compensation is based on a fixed fee of \$10,000 per month plus an “additional base monthly fee” of 3.875% of monthly operating revenues if the facility meets the required debt service coverage ratio, plus reimbursement of employee salaries and third-party expenses. The current management fee to the College, as estimated by deWitt, is \$500,000 annually.

The initial term of the management agreement is five years from opening day, which is scheduled to expire in 2005. The agreement contains provisions allowing the owner to terminate the manager for failure to perform, manager insolvency, license revocation and other standard issues.

### Performance & Observations

According to Tom deWitt, Lasell Village has yet to achieve a balanced budget on a pure operating income and expense basis. Operating expenses are higher than initial projections while monthly fee income is lower.

On the revenue side, the nursing facility was projected to provide a substantial revenue base through outside use of the facility. In reality, it has experienced a much higher vacancy than projected, due to turnover. While the nursing facility’s current revenue is approximately \$200,000, original estimates projected \$1 million annually. While it is not actually losing money, the nursing component runs a significant deficit relative to the original budget, resulting in an annual budget shortfall of approximately \$500,000.

On the cost side, there appear to be two primary issues. First, the size of the community is too small to operate efficiently. Currently at 171 units, the community has fewer residents to share the significant overhead of operating a CCRC. While the planned expansion to 188 units will help, deWitt believes the ideal size to achieve operating efficiency is approximately 200 to 300 units.

Second, the time lag between projections and operations has contributed to the budget issue. President deWitt points out that expenses were estimated a full two years prior to opening due to the duration of the financing and development processes. He doesn't believe this time lag was appropriately accounted for in the projections.

Despite the higher costs, because Lasell College operates the community, cost savings are achieved in some areas due to enhanced purchasing power through partnering with the College. They leverage synergies in areas such as security, technology and maintenance, which help the smaller CCRC survive.

Of interest, President deWitt also points out that CCRC's are uniquely exposed to operational deficits in a low interest rate environment. During a period of low rates, interest income generated from the project's reserves struggle to keep up with the rising costs of care. At the same time, residents' investment portfolios, predominantly consisting of fixed income vehicles, suffer, making it difficult for them to afford rising monthly fees.

Last year, the overall Lasell Village budget endured an operating deficit of approximately \$1 million. This was offset by \$1.5 million derived from turnover fees, calculated by the entrance fees charged to new residents less 90% of the exiting resident's entrance fees. As the turnover rate begins to increase over time, the premium can represent a significant revenue source for the community. DeWitt expects the community to achieve positive cash flow this year, largely due to turnover of nine units, which were re-sold sooner than anticipated. Furthermore, deWitt expects to achieve a sustainable balanced budget within two years, after the community's second expansion is completed.

## 9.8. Summary

### Critical Success Factors:

Lasell Village's success to date can be attributed to a number of important factors. However, a handful of critical elements stand out, including:

*Enhanced Visibility Through Early Legal Battles* – For nearly eight years, the college engaged in a heated legal battle with the city and neighborhood over the right to build a CCRC. While this process was costly and time consuming, ironically it also provided a tremendous benefit - terrific visibility for both Lasell College and Lasell Village. The media coverage was widespread, providing the small, relatively unknown school with the name recognition it lacked. The Boston Globe supported the project publicly. The media attention during the planning and entitlement period provided publicity to the project in the crucial early stages, laying the foundation for a successful marketing plan.

*The Unique Benefits of an Education Based Community* – Originating from a court ordered zoning mandate, the Village's 450 hour annual education requirement turned into an enormous marketing benefit for the community. It allowed the Village to create a market niche and to cater to those who longed to be "engaged learners" in retirement. As the first community with a tangible commitment to education, Lasell Village easily differentiated itself from the competition. Additionally, its unique educational approach received coverage in numerous articles, interviews and studies, further enhancing marketing efforts and name recognition.

*"The Best CCRC Location on the Eastern Seaboard"* – As President deWitt notes, Lasell Village benefits immensely from "arguably the best CCRC location on the eastern seaboard." Its semi-urban setting, adjacency to the college, proximity to public transportation and the amenities of a world class city make Lasell Village ideally suited to meet the needs of retirees. The affluence and population density of the surrounding area also provides an educated, wealthy customer base from which to draw prospective residents. Furthermore, the area is currently benefiting from an extraordinarily strong residential real estate market, so healthy profits earned by selling primary homes allow residents to more easily afford Lasell's entrance fees.

*"A Cause Worth Fighting For"* – When planning for the Village began, Lasell College was a struggling two year women's school with fewer than 400 students and virtually no endowment. From the small col-

lege’s perspective, a successful continuing care retirement community would bring immense financial, marketing and programmatic benefits. Because the initiative was so important to Lasell College, they overcame heated neighborhood opposition, lengthy legal battles, and challenging development hurdles to see the project through to completion. As President deWitt noted, unlike many schools with large endowments and different priorities, Lasell College viewed the project as “a cause worth fighting for” and remained committed to the vision.

*A Leader’s Vision, Knowledge and Determination* – College President Tom deWitt’s persistent pursuit of the vision and his ability to convince others of its merits at pivotal points in the process, were critical to the successful development of Lasell Village. His belief that a retirement community could “give the institution hope” was the driving force behind the decade-long development process.

## 9.9. Case Appendix - School Description

### Lasell College<sup>16</sup>

Summary/History:	Founded in 1851 as a female seminary, Lasell College “is one of the oldest institutions of higher learning in the Boston area.” It is a “comprehensive coeducational college offering professionally oriented bachelors and master's degree programs.”
School Type:	Private
Location:	Newton, Massachusetts
Founded:	1851

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<sup>16</sup> *Lasell College*, June 24, 2004, <<http://www.lasell.edu/>>.

Enrollment:	1,200 estimated Fall 2004
	75% female, 25% male
Campus:	50 acres, including 13.5-acre Lasell Village
Alumni:	11,000
Degrees/Schools:	Undergraduate
	School of Arts and Science
	<ul style="list-style-type: none"> <li>• Criminal Justice</li> <li>• Education</li> <li>• Human Services</li> <li>• Humanities/Interdisciplinary Studies</li> <li>• Legal Studies</li> <li>• Psychology</li> <li>• Sociology</li> </ul>
	Business and Information Technology
	<ul style="list-style-type: none"> <li>• Business Administration</li> <li>• Computer Science</li> <li>• Fashion</li> <li>• Graphic Design</li> <li>• Hotel, Travel &amp; Tourism Administration</li> <li>• Management Information Systems</li> <li>• Computer Sciences</li> </ul>
	School of Allied Health and Sports Studies
	<ul style="list-style-type: none"> <li>• Athletic Training</li> <li>• Exercise Physiology</li> <li>• Sport Management</li> </ul>

Graduate

Masters of Science in Management with concentrations in Eldercare and Marketing

Amenities/Resources:

Jessie S. Brennan Library

Yamawaki Art & Cultural Center

Lasell Center for Community-Based Service

Winslow Academic Center

Lasell Campus Center

Taylor Field – soccer, softball

Athletic Center gymnasium

Grellier Field – lacrosse, field hockey



## **10. Conclusion**

This conclusion is not a summary of the cases described in previous chapters. Rather, it is an overview of broader lessons thought to be important for universities contemplating or presently engaged in retirement community projects. It is separated into two categories: a list of critical success factors, and a few general observations for universities to consider.

### **10.1. Critical Success Factors**

#### Establish Clear Vision & Strong Commitment

The development process for a university-affiliated retirement community is uniquely complex, introducing the potential for an unusually long development period. Participation by a university may lead to distinct challenges as schools traditionally adhere to a deliberate, institutional decision-making process. A university's generally high aversion to risk may also affect development-related decisions. From concept to completion, the projects studied took between seven and twelve years to complete.

Therefore, commitment and clarity of vision are essential to success. It should be clear why the project is being built – are motivations financial, mission-driven, or otherwise? Without clarity and commitment, a project's initial mission is likely to become compromised as it encounters the many competing objectives along the way. A leader's vision is particularly critical. In the cases reviewed, Presidents Lombardi, Spanier and deWitt each had clear images of the projects and their objectives. In order to execute successfully, a leader's vision must also be paired with commitment from team members. As each project encountered planning, political, financial and marketing setbacks, the commitment and determination of their respective teams was critical to the successful development of the projects.

#### Assemble an Experienced Team

The complexities and peculiarities of retirement community development are many. Projects often incorporate some element of medical services, use some municipal financing mechanism, evoke considerable political interest, involve a number of interested parties, and receive significant visibility. All of these factors have the potential to introduce substantive complications to the successful completion of the project.

In each case studied, an experienced development partner was utilized. In interviews, members from each university administration indicated that the expertise of these development partners, particularly their ability to navigate the complexities of the process and the credibility they added to the project team, was critical. They cited expertise in dealing with the intricacies of project financing as particularly important.

#### Conduct a Thorough Feasibility Analysis

Pre-sales required for tax exempt bond financing, magnifies the importance of a thorough feasibility analysis. Project financing frequently requires presales of 60-70% of the units, a hurdle that may take several years to reach. Forecasting project costs and monthly fees well in advance of construction requires thorough investigation. Quantifying market demand and accurately estimating unit sales pace are equally important. If a project proceeds based on an inaccurate feasibility analysis and the required sales are not achieved, or if project costs are substantially higher than projected, the project team must face the choice of either aborting the process and losing the initial investment, or compromising the initial plan, which could have detrimental short and long-term impacts on the community and the school.

#### Define A Product Type and Market “Niche”

As with any new project, defining the product type and understanding your market “niche” is a critical step in the development process. With stiff competition throughout the retirement community sector, coupled with increasingly savvy potential residents, each new community should explore unique angles to differentiate itself. As Bob Chellis of Chellis Silva Associates describes it, every community needs “something fun . . . something to help prospective residents explain their decision to the kids.” The Lasell Village case provides an excellent example of an education based marketing strategy with a clearly defined target market of “engaged learners.” The community’s 450 hour education requirement provides a unique marketing twist and added publicity from media outlets across the country. Schools should take note of Lasell’s success in recognizing the unique desires of prospective community residents and formulating a market niche which caters to their needs.

#### Maximize University Participation in Marketing

The marketing efforts for all three communities benefited immensely from an active, engaged, university administration. Each school implemented a grassroots, fundraising approach to the marketing effort. In each case, top ranking school officials, including the respective presidents, provided vital support, hosting receptions and speaking personally to those interested in learning more about the community. The Uni-

versity of Florida and Penn State University also leveraged their alumni databases to reach out to prospective residents. Perhaps most important, university involvement provided much needed credibility and “branding,” giving prospective residents added comfort that the community would deliver a high quality product with superior service.

#### Be Careful Not to Overestimate the Alumni Draw

Naturally, many university affiliated retirement communities place a heavy emphasis on luring retired alumni back to their alma maters. Oak Hammock at the University of Florida and The Village at Penn State provide excellent examples of the lengths to which university affiliated communities seek to leverage this important target market. Both schools expected the university affiliation to act as a national draw for residents from a broad geographical area. While both communities have achieved some success, with alumni and retired faculty making up approximately 50 to 60% of their resident base, they continue to face challenges in convincing alumni to relocate from outside the area. Recently, both communities have made greater efforts to redirect their marketing programs to those within a 50 mile radius of their respective locations.

#### Consider an Independent, Not-For-Profit Ownership Structure

Consistent with the three cases, university-affiliated retirement communities tend to establish separate not-for-profit organizations. The boards are typically independent, but heavily influenced by the school through mandates that university administrators retain a certain number of board positions. Thus, the structure tends to work well because it provides the university with control of the facility but allows them to mitigate financial and operational risk. The not-for-profit ownership structure is typical for CCRCs because it allows communities to achieve tax-exempt status, critical for project financing.

#### Consider Utilizing Tax Exempt Financing

By allowing up to 100% non-recourse financing, tax-exempt bond financing can be a useful mechanism for universities seeking to avoid significant “up front” capital costs and mitigate financial risks. While the strategy may lengthen the development process and add exorbitant transaction fees to the overall cost of the project, it solves a financial challenge for universities wishing to avoid equity participation.

### Seek Creative Sources for Predevelopment Capital

As with any real estate project or business venture, the early capital is the riskiest. However, the cost and duration of the tax-exempt financing structure used frequently for CCRC development magnifies the risks even further. Because the presale hurdles which must be achieved prior to closing tax-exempt financing are so high, it has been estimated that \$5-10 million should be allocated for predevelopment capital. Accessing this initial at-risk capital, is a key to successfully bridging the gap between concept and construction. In the three cases studied, teams secured predevelopment capital from various sources, including: donations and bank loan guarantees from alumni, unsecured tax exempt “bond anticipation notes,” and direct investment by the university’s endowment. In certain cases, project consultants agreed to defer fees until financing closed, thereby alleviating some of the early financial pressure.

Don Selheimer, Vice President of Finance for CRSA, noted in an interview that he sees the early financing need as the perfect opportunity for university foundations to provide cost-effective capital – not the schools themselves, but their foundations. The current market for third-party, at-risk capital is relatively expensive, ranging from 15-50%. Investment by school foundations would achieve attractive returns while also supporting a school-endorsed initiative. Similarly, Selheimer suggests that any subordinate debt required in the project’s financial structure would also be a logical investment for university foundations.

### Consider Opportunities for Indirect Financial Participation

Schools can assist in financing university-affiliated retirement communities without directly investing funds or accepting liability. By endorsing a project and/or lending their name and brand, a school can provide credibility to a project, adding a level of comfort to bond investors and an “implied guarantee” that the school will stand behind the project. Schools also may provide access to a pre-existing audience of investors, receptive to committing capital to university related projects.

Universities can also help reduce early project financial burdens without direct financial investment by being, as Don Selheimer describes it, “financially flexible.” In order to alleviate early budget issues, schools may agree to defer licensing fees and ground lease payments for several years.

Another opportunity for a school to assist the project without directly investing is by serving as ground lessor to the project. From the school’s perspective, this provides them with an opportunity to maximize

the value of potentially under utilized land in the near-term without giving up ownership or losing long-term control. From the project's perspective, it lowers the total project cost which may be helpful in the underwriting process.

#### Consider the Lifestyle Implications of a Community Location

Another important factor is a project's location relative to the university campus and other local amenities. Some communities locate outside of town in order to provide residents with their own "space," in a quiet, peaceful, resort-like setting. These somewhat remote locations prohibit residents from spontaneous interaction with the greater university community, forcing them to drive or to rely on scheduled transportation. A feeling of isolation and lack of physical connectivity to campus may limit their appeal. On the other hand, communities that are adjacent to campus provide residents with a sense of physical connection to the school. Many residents seem to appreciate their close proximity to campus and the potential for casual interaction with students.

#### Emphasize and Promote Synergies Between the School and Community

As noted in the thesis introduction, retirement communities and schools can leverage many unique synergies. These synergies can be very effective marketing tools by setting the tone for an engaging, active, and intergenerational environment. The cases studied reveal the depth and diversity of synergies between schools and communities; from pet-sitting services through the veterinary school to required educational participation. Each project has successfully engineered unique and positive opportunities for residents of the retirement community and campus participants alike. Furthermore, all three communities sought ways to promote these synergies, gaining national and international recognition for their creative approaches to retirement.

#### Expect "Ongoing Costs"

Schools need to be aware not only of the inherent risks associated with the development process, but also of "ongoing costs." Projects typically require a tremendous amount of time and attention even beyond construction completion and throughout the operational phase. Once retirees move to a university-affiliated community and make a college campus their "home," they expect the highest level of service and a community of exceptional quality. Irrespective of formal operating agreements, residents associate their community with the greater university environment. Therefore, if their expectations are not met, residents are quick to voice their opinions, often times directly to the school administration. Of course,

the rewards of having this age demographic on campus may outweigh the challenges, but schools should be aware that significant time and energy will likely be required to satisfy the demands of the newest members to their campus community.

#### Recognize the Importance of Critical Mass

A critical factor relating to the long term financial and operational success of any continued care retirement community is constructing enough units to recapture high infrastructure and amenity costs and to cover the operating expenses of a high overhead operation. As noted in the Village at Penn State and Lasell Village cases, communities encounter difficulties when they reduce the number of units, spreading costs over a smaller pool of units. Many retirement community experts suggest that a community needs 200 to 300 units to cover operating costs without incurring significant budget challenges.

#### Maintain Realistic Fee Assumptions

Schools that initiate a project for financial reasons should be careful not to overestimate fee potential. While there are theoretically numerous opportunities for schools to incorporate potential revenue sources into the project, such as naming rights, licensing fees, marketing agreements, and educational service contracts, they are frequently contingent upon meeting stringent financial and operational hurdles. It is not uncommon for fees to be deferred for long periods of time or even indefinitely.

## **10.2. Noteworthy Observations**

#### Will the Synergies Last?

It remains to be seen how meaningful some of the synergies between schools and retirement communities will be in the long-term. As Dr. Ronald J. Manheimer, Executive Director of the North Carolina Center for Creative Retirement, wonders:

“The question remains, are future residents just buying ambiance, the ivy walls and college walks a mere backdrop to an otherwise conventional retirement life? Or does the opportunity to share ideas with youthful minds and challenging professors, not to mention cheering on the school team, really add zest to and even extend one’s mature years?”

Certainly, synergies are a powerful marketing tool for attracting prospective residents, and the idea of intergenerational learning and interaction is appealing to many seniors. However, only time will tell whether residents and the schools will continue to actively embrace the many potential opportunities. In order to achieve their greatest potential, a sustained and concentrated effort from both parties is essential.

### Is the CCRC Model Appropriate?

Though widely incorporated in university-affiliated retirement communities, schools considering such a project should carefully evaluate whether the CCRC model is the optimal vehicle to satisfy their objectives. The form of the university-affiliated retirement community should reflect the school's motivation for participating in the project. Many schools have opted to incorporate the CCRC model for a number of reasons. Some view the ability to provide residents with a "life care" contract as consistent with the university's mission of providing a lifetime of services to alumni. Some also tend to appreciate the not-for-profit structure available to CCRC's, as it allows up to 100% tax-exempt debt financing through an independent entity, allowing schools to retain control while limiting certain risks and liabilities.

However, while offering many benefits, the CCRC model also creates a number of challenges. For example, CCRC's generally cater to the late-70's market segment and beyond. While this segment is currently a growing demographic, the significantly larger baby boom generation may not be drawn to the traditional CCRC product for at least another ten to fifteen years, thereby limiting the near term potential market draw. Statistics also show that the prospective participants in the CCRC market segment does not typically relocate to areas farther than 50 miles from their existing home, proving difficult to attract alumni and other distant prospects to a "destination CCRC."

In addition, by guaranteeing a lifetime of certain health care related services, the CCRC model introduces significant actuarial forecasting and operational risk. It also calls for stringent regulation, as well as strict development and financial operating requirements. Furthermore, with the availability of sophisticated long term health care insurance, the benefits of offering "life care" services to residents may not provide the draw it once did.

The cases also indicate that some CCRC's rely heavily on consistently raising entrance fees as a source of revenue. These communities are benefiting from the recent strength of the residential real estate market and rising property values, attracting retirees with considerable wealth from sales of their existing homes.

These CCRC's may experience significant hardship in the event of a residential market correction, limiting their ability to capture entrance fee increases.

While most real estate developers tend to welcome a low interest rate environment, it can pose serious threats for an operational CCRC. During a period of low interest rates, interest income on entrance fee deposits may not keep pace with the rising operational and health services costs. At the same time, residents with large fixed income portfolio allocations receive lower investment returns, thus squeezing their ability to pay rising monthly fees. This combination can create serious challenges for the operation of a CCRC.

Finally, a university affiliated CCRC may experience significant marketing challenges in the future. By nature of the "life care" services agreement, most residents at a CCRC plan to "age in place." Thus, in ten to fifteen years, many of today's residents entering a community in their 70's may still reside there in their 80's and 90's, likely causing an upward shift in the community's average age. With an increasing population of older residents, the community may inevitably face greater obstacles in continuing to market it self to younger, more active retirees.

### **10.3. Summary**

Today is an exciting time for university-affiliated retirement community development. Demographics alone support growing demand for this emerging product type, and the mutual benefits for retirees and university sponsors are apparent. While unique challenges remain, the sector appears poised for tremendous growth, with many universities currently considering new communities.

While the purpose of this thesis is to provide a resource for universities considering such projects, readers should note that every new community will face its own specific set of risks and rewards. Although many of the themes and considerations discussed in this thesis are relatively common to the industry, as David Jones of Kendal Corporation noted, "if you have seen one retirement community, you have seen one retirement community." This concept appears to hold true for university-affiliated communities, with each project providing a new "chapter" in the quest to define the "ideal" approach to developing this new typology for retirement living.



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Florida State University	Raymond Bye	Director, Real Estate & Economics
Kendal Corporation	David Jones	Project Director
Kendal Corporation	Bill Silbert	Director of Marketing
Lasell College; Lasell Village Board of Directors	Thomas deWitt	President; Member, Lasell Village Board of Directors
Lasell Village	Sheila Waxman	Director of Marketing
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North Carolina Center for Creative Retirement	Ronald Manheimer	Executive Director
Oak Hammock at the University of Florida	Star Bradbury	Director of Marketing
Oak Hammock at the University of Florida	Sara Lynn McCrea	Dean of Residents
Oak Hammock at the University of Florida	Dave Stauffer	Interim Chief Executive Officer
Pennsylvania State University	Kim Neely	Coordinator of Special Projects, Development & Alumni Relations Office
Pennsylvania State University; The Village at Penn State Board of Directors	Peter Weiler	Associate Vice President for Development and Alumni Relations; President, The Village at Penn State Board of Directors
Pinnacle Development	Carol Herrmann	President
PRAXEIS, Inc.	Jonathon Corbin	Executive Vice President
PRAXEIS, Inc.	J. Kirk Gullledge	Vice President, Research & Development
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Tauras Investment Holdings, LLC	Lorenz Reibling	Chairman and Senior Partner
The Pines at Davidson	James Irvin	Director of Marketing
The Village at Penn State	Susan Kasubick	Director of Administrative Services
University of Florida Foundation; Oak Hammock at the University of Florida	Leslie Bram	Vice President , UF Foundation; Executive Vice President, Oak Hammock Board of Directors
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## Appendix: Sample List of “Affiliated” Communities

Community	School Affiliation	Location		Status
Capstone Village	University of Alabama	Tuscaloosa	AL	Under Construction
Classic Residence by Hyatt	Stanford University	Palo Alto	CO	Under Construction
Kendal at Granville	Denison College	Granville	OH	Under Construction
University Pointe	Louisiana State University	Baton Rouge	LA	Under Construction
Villa St. Benedict	Benedictine University	Lisle	IL	Under Construction
The Clare at Water Tower	Loyola University	Chicago	IL	Planned
College Landing, College Harbor	Eckerd College	St. Petersburg	FL	Complete
College Square	University of Central Arkansas	Conway	AK	Complete
Green Hills	Iowa State University	Ames	IA	Complete
Holy Cross Village	Notre Dame, St. Mary's, Holy Cross	South Bend	IN	Complete
Kendal at Hanover	Dartmouth College	Hanover	NH	Complete
Kendal at Ithaca	Cornell, Ithaca College	Ithaca	NY	Complete
Kendal at Lexington	Washington & Lee University, Virginia Military	Lexington	VA	Complete
Kendal at Oberlin	Oberlin College	Oberlin	OH	Complete
Lasell Village	Lasell College	Newton	MA	Complete
Longview Retirement Community	Ithaca College	Ithaca	NY	Complete
Meadowood Retirement Community	Indiana University	Bloomington	IN	Complete
Oak Hammock at the University of Florida	University of Florida	Gainesville	FL	Complete
Somersby at University Park	Samford University	Birmingham	AL	Complete
The Colonnades	University of Virginia	Charlottesville	VA	Complete
The Forest at Duke	Duke University	Durham	NC	Complete
The McAuley	St. Josephs College	West Hartford	CT	Complete
The Pines at Davidson	Davidson College	Davidson	NC	Complete
The Village at Penn State	Penn State University	State College	PA	Complete
University Commons	University of Michigan	Ann Arbor	MI	Complete
University Place	Purdue University	West Lafayette	IN	Complete