

Assisted Living Matters

A C O M I N G H O M E C A S E S T U D Y

Gardens of Osage Terrace, Arkansas

Coming Home Demonstration Project Executive Summary

NCB Capital Impact implemented the Coming Home Program in 1992 with funding from the Robert Wood Johnson Foundation to make high quality, high service assisted living available to Medicaid eligible individuals as a nursing home alternative. The Gardens at Osage Terrace was the first Coming Home project in the State of Arkansas. The Gardens is a 45-unit assisted living facility in Bentonville, AR that serves a low-income Medicaid-eligible population of frail seniors. At the time of the Gardens' opening—November 2002—it was the sixth assisted living facility in the state of Arkansas, and is the only affordable facility located in Northwest Arkansas. The facility is licensed as a Level 2 assisted living facility under Arkansas regulations.



For the purposes of this case study, assisted living is defined as the housing with services category offering private apartments and high levels of service to nursing-home eligible seniors. Arkansas Assisted Living Level 2 regulations require significant minimum services standards, including assessments, 24-hour awake staffing, 3 meals plus snacks, laundry, housekeeping, and a nurse on call.



The distinguishing features of this project are:

- New construction financed by the low-income housing tax credit (LIHTC) program.
- Partnership model between a community development corporation and a health service provider.

The Community Development Corporation Bentonville/Bella Vista, Inc. developed the project, and Mercy Health Systems of Northwest Arkansas provides personal and health services to the residents. Equity generated through the sale of tax credits financed about 57% of the project's total development costs. Additional equity from the Federal Home Loan Bank and a local community foundation covered another 16% of development costs.



SPONSORING ORGANIZATION

The CDC was founded as an outgrowth of a Chamber of Commerce Housing Committee in 1991. The CDC's mission is to provide safe, decent, affordable housing to low-income households and seniors in the Bentonville/Bella Vista community. Since 1991, this private, nonprofit corporation has developed and now manages 190 affordable rental units in Bentonville, with another 33 units under construction and 73 units in pre-development. The CDC partnered with Mercy Health Systems, Inc. for the service component of the affordable assisted living facility. Mercy Health Systems is a healthcare provider that is affiliated with the Dominican Sisters and the Sisters of Mercy Health System—St. Louis. They operate St. Mary's Hospital, Mercy Health Center, and 11 medical specialty clinics in Northwest Arkansas. Mercy has a mission to serve the economically poor, and has experience interacting with Medicaid programs and reimbursement systems.

BUILDING DESIGN

The Gardens at Osage Terrace is a one-story residential building designed in the craftsman style, with porches and dormers, brick wainscot and accents, vinyl siding, and 30-year asphalt shingle roofing. The building is configured as an irregularly shaped pentagon with an interior courtyard accessible from three points within the building. The continuous hallways that circle the building are a popular feature of the building, along with the secure interior courtyard. The hallways, with centrally located sitting areas, serve as interior streets and provide residents the opportunity for protected walking as well as comfortable places to meet with neighbors, rest, or read a book. Common areas in the building include an enclosed and secure courtyard, dining room, activity room, café, library, game room, beauty shop, conference room, medications room, laundry, and administrative offices. The building has a commercial kitchen connected to the dining room. The Gardens apartments include 34 studio units of 380 square feet each and 11 one-bedroom units of approximately 450 square feet each. The apartments include kitchenettes, handicapped accessible bathrooms with walk-in showers, living areas or separate living rooms, and bedrooms. As a safety feature, apartments are equipped with a personal call response system that alerts direct care staff to the specific unit.

SERVICE AVAILABILITY

The services offered at The Gardens are designed to support residents who qualify for nursing home services under the state Medicaid program but desire and are appropriate for a more residential alternative. The Gardens is not able to serve residents who require continual skilled nursing oversight. Arkansas Assisted Living Level 2 regulations require significant minimum services standards, including assessments, 24-hour awake staffing, 3 meals plus snacks, laundry, housekeeping, and a nurse on call. The Level 2 regulations allow high level services to be delivered in assisted living, including medications administration by an RN or LPN, dementia care, and assistance with all activities of daily living (ADLs).

FEE STRUCTURE (AS OF NOVEMBER 2004)

Private Pay Rates:

a. Rates for Rent:	All units are subsidized and residents' incomes must qualify under the applicable subsidy program. Assisted living rents range from \$361 to \$568.	
b. Rate for Meals:	Studios:	\$157/month - \$200/month
	One-Bedrooms:	\$226/month - \$225/month
c. Rates for Assistance:	Level 1:	\$1460/month
	Level 2:	\$1581/month
	Level 3:	\$1753/month
	Level 4:	\$1,845/month

Rate for Medicaid Eligible Individuals:

a. Rates for Rent:	\$361/month	
b. Rate for Meals:	\$152/month	
c. Rates for Assistance:	Level 1:	\$1185/month
	Level 2:	\$1285/month
	Level 3:	\$1424/month
	Level 4:	\$1499/month

MARKET ANALYSIS

Assisted living residences may require a more complex market analysis than typically required to measure demand for independent affordable housing. The Gardens' market study was completed by an independent third-party company with experience in evaluating senior housing, including assisted living and local regulations. The market study for The Gardens verified the demand anticipated by the CDC, specifically, that the market could support 40 to 44 units. It described the existing senior housing in the county, including expansions or conversions planned by those facilities. In addition, it included information about planned development based on information available at the local and county planning offices. The study also included the fees and occupancy rates of existing senior housing by category of licensure.

PROJECT FINANCING

The Gardens was financed with a complex blend of debt, equity investments, and grants, both public and private. As part of Arkansas's participation in the Coming Home Program, the Arkansas Development Finance Agency committed a set-aside of LIHTC for an assisted living project (\$300,000/yr). The CDC applied for the LIHTC set aside and received the full award, selling the credits to investors for \$2,270,761. The CDC also applied for and received \$300,000 in HOME funds and \$450,000 in Federal Home Loan Bank (FHLB) Affordable Housing Program (AHP). The LIHTC, HOME, and AHP programs are each highly competitive. The CDC's success in obtaining the funds on its first application is a significant accomplishment. The Community Care Foundation provided a grant of \$187,000 to The Gardens. Finally, Arvest Bank of Bentonville, who had financed most of the CDC's prior development work, provided a mortgage loan of \$750,447. Arvest, as a Federal Home Loan Bank member, provided access to lower-rate Community

RESIDENT PROFILE

The Gardens at Osage Terrace provides assisted living to 45 residents of which 91% were from the local Bentonville area. The average resident is a woman (85%) at 82 years of age. Seventy three percent (73%) of the residents currently utilize Medicaid to pay for their services while the remaining 27% private pay residents will most likely "spend down" over the next few years. The majority of residents are at a Level 2 service tier and approximately 49% of the residents have been diagnosed with a mild cognitive impairment. Only 7% of the residents can manage their own medications. The staff estimates that 67% of the residents would have gone to a skilled nursing facility had the facility not been available in the community.



Investment Program construction and permanent mortgage money, and served as sponsor for the FHLB's Affordable Housing Program grants. Both loans and grants were important in covering the development costs of The Gardens .

LEASE UP EXPERIENCE

The rent-up strategy allowed for a 12-month lease-up period. The CDC and Mercy agreed to limit move-ins in the first several months to allow the operations teams to settle into the building. The actual rent-up rate was six residents in month one, three in month two, one the next month, 14 in the fourth month, followed by anywhere from three to eight residents per month, with some months seeing a loss of one or more residents who moved out for varying reasons. The project established a \$185,000 reserve fund. Lease-up reserves were included in the reserve

PROJECT SUCCESSES

The Gardens at Osage Terrace was the first affordable assisted living facility to be developed in the State of Arkansas utilizing the Medicaid Waiver resources which allows for the most at-risk, frail senior to be served in the Bentonville/Bella Vista community. Significant personal care services are provided to the residents in the facility who otherwise would be placed in an institutional setting. The CDC of Bentonville continues to focus on senior housing in order to provide a wide array of choice within the community. Currently, they are working with to plan and develop an 85-acre senior campus in Bella Vista Village. Projects in the planning stage for this campus include a 20-unit HUD 202, which has received a funding commitment, a 60-unit senior cooperative, and a community center. A 60,000 square foot building has been donated for the center, along with a grant from the Northwest Arkansas Community Care Foundation for renovations.



For more information and to access the entire Gardens of Osage Terrace case study, including a more in depth discussion on the staffing, services and lessons learned, please visit www.ncbcapitalimpact.org.

DEVELOPMENT PROFORMA		
SOURCES OF FUNDS		
LIHTC	2,270,761	
Mortgage	750,447	
FHLB grant	450,000	
HOME loan	300,000	
Community Care Foundation Grant	187,000	
Total Sources		3,958,208
USES OF FUNDS		
Construction, Land, Permits, Fees	2,478,081	
Architecture, Engineering, Professional	631,674	
Pre-Closing, Recordation, etc.	75,150	
Financing, Construction Period Interest	69,800	
Furniture, Fixtures and Equipment	280,361	
Reserves		
Marketing (Start-up)	5,000	
Reserves	17,000	
Sub-total	190,500	
CONTINGENCIES		
Hard Cost Contingency	215,642	
Soft Cost Contingency	17,000	
Sub-total	232,642	
Total Uses		3,958,208