

NCBDC/AAHSA Coming Home Case Study

NCBDC/AAHSA Pre-Conference Intensive

Rock Cove Assisted Living Facility

Stevenson, Washington (located in southern Skamania County along the Columbia River)

Project Sponsor:	Columbia Cascade Housing Corporation
Project Developer:	Grayco Resources, Inc.
Management/Operations Org.:	Concepts in Community Living, Inc.
Sources of Equity:	Development Fee and Cash
Sources of Financing:	Dept. of Community Trade & Economic Development Housing Trust Fund, Washington Community Reinvestment Association, Columbia Cascade Housing Corporation (deferred developer's fee & cash), Skamania County (75-year ground lease), US Bank (interim financing)
Total Development Costs:	\$ 2,220,157
Total Construction Costs:	\$ 1,510,390
Development Period:	Land lease executed in November 1997 Occupancy November 1998
Construction Period:	October 1997 – September 1998

Sponsor Description

Columbia Cascade Housing Corporation (CCHC) is a local nonprofit community development corporation serving three Oregon and two Washington Counties. CCHC's mission is to provide opportunities for safe, decent and affordable housing. CCHC serves those who are homeless or at extreme risk including the elderly, the mentally and physically disabled and women in transitional situations. CCHC sponsors 110 units providing a wide range of housing opportunities, from low-income elderly and families to transitional housing for the mentally and emotionally challenged. They are currently under construction on a twenty-five unit farmworker housing project due for completion in January 2003. Rock Cove is their only assisted living facility.

Developer Description

Grayco Resources, Inc. is a for-profit firm located in Portland, Oregon. Grayco Resources, Inc. has been involved in a number of Retirement and Assisted Living Facilities in Oregon. In addition to its work on retirement communities Grayco Resources, under the leadership of John Gray, has led the development of some of the Northwest finest resorts including Salishan, on the Oregon Coast, and Skamania Lodge in Stevenson Washington. With Mr. Gray's retirement in 2001, Grayco Resources was taken over by two of its employees and renamed Grayco, LLC. Craig Smith currently heads the company.

Operator Description

Concepts in Community Living, Inc. (CCL) is located in Portland, Oregon. A smaller, privately owned, management, development, and consulting firm, CCL has been assisting clients with supportive housing initiatives for the elderly since 1989. CCL currently manages eighteen assisted living facilities for both for-profit and non-profit sponsors, as well as one HUD-202 independent building. CCL operates primarily, although not exclusively, in the Pacific Northwest. In addition to property management and service operations, Concepts in Community Living has provided training, market analysis, design review, FF&E consultation, and marketing services to over 500 clients nationwide. Competitively priced, contracts and agreements have typically been adapted to meet individual project needs. CCL management fees may vary somewhat, but most often management fees are 5 percent of a community's gross income, with some additional charges for special bookkeeping services.

Project Description

Rock Cove's mission was to develop decent, efficient, housing affordable to seniors of all income levels that would allow them to age in place with considerable independence and dignity. Created in response to an unmet need for decent housing and services for elderly of all income levels who were not able to live alone, but who did not need continuous skilled nursing care, half of the units were targeted toward low to moderate-income seniors.

Rock Cove Assisted Living Facility consists of 30 apartments including 8 one-bedroom units and 22 studio units. Fifteen units are reserved for households with incomes at 80% of median or below. Fifteen are market rate units. Rock Cove Assisted Living is committed to offering quality assisted living services, helping residents remain as independent as possible while providing the personalized assistance they need. An average tenant at Rock Cove is age 84, with an annual income of \$22,600, and in need of assistance with six daily life functioning activities. At Rock Cove, a wide-range of services are available in a comfortable home-like setting where privacy is respected and maximum independence is supported. The level of care is flexible and is based upon

assessment at intake with monthly evaluation. 24-hour trained staff provides thoughtful and competent help day and night. Individual attention is given to help manage the challenges created by confusion.

Rock Cove provides:

- Three home made meals served daily in a beautifully appointed dining room with fireplace, heavily timbered vaulted ceilings, and gorgeous views of the Columbia River (meals are available for in-room as well)
- Nursing services; medication assistance, injections, and other routine nursing care
- Housekeeping, laundry, and maintenance services
- Medication assistance/administration
- Dressing assistance
- Personal hygiene and grooming maintenance/assistance
- Ambulatory transfers
- Behavior management
- Recreation and wellness activities planned around the resident's interest such as gardening, exercise programs, crafts, and field trips.
- Transportation, coordinated through Skamania County Senior Services.
- Whirlpool bath.
- Complete beauty/barber shop.

Various units and common areas within the building offer spectacular views of the Columbia River Gorge, which enhances the livability for all residents within the complex. Rock Cove is a single story wood frame structure containing 18,390 square feet. By having one level in a highly efficient building, operating costs are reduced and residents enjoy the ease of moving throughout the facility on a single level as they move from their unit to the dining room, living room, assisted bathing facility, medical room, conference and office spaces. In addition to the residential units, space is provided for a central full-service kitchen, dining room, staff offices, conference room, living/rec. room with fireplace, storage facilities, medical exam space, beauty/barber shop, library, and common space. Each residential unit has its own fully accessible bathroom containing water closet, sink and counter, locking medicine cabinet, roll in shower, exhaust fans and emergency pull cord device. Studio Units average 308 s.f. One bedroom averages 506 s.f.

Project History

Skamania County is one of the most rural, isolated, and economically depressed in Washington State. The local economy is based on a mix of seasonal tourism, timber, and limited industry. Skamania County has never fully recovered from the negative impacts caused by the decline of its major employment sector: timber. Data available during the preliminary development phase, in 1997-98 indicated:

- 40% of the population was eligible for Title 19-Medicaid.
- The per capita household income is \$5,000 lower than the statewide average.

- County unemployment rates were among the highest in the State of Washington 13-15%. One of the segments of the population most impacted by the economic decline of the community was households on fixed incomes, particularly a growing elderly population. The lack of affordable senior housing and retirement facilities in Skamania County Washington had become critical.
- Only one subsidized housing complex had one-bedroom apartments suitable for seniors, and it was fully occupied with a waiting list.
- There was no nursing facility, congregate care or assisted living facility located in Skamania County.
- Skamania County had a growing population of elderly who did not require 24-hour skilled medical care provided in nursing facilities but who were unable for various reasons to live alone.
- County residents that had elderly parents with special needs had to place them in facilities located in other areas, which made it difficult and costly to visit on a regular basis.
- Seniors who did not want to be separated from their friends and families stayed in their homes long after the time when they could safely care for themselves and their homes properly, putting additional load on an already overly burdened health care and service delivery system for the elderly.
- Those elderly households that did move outside the area diminished the demand for goods and services and drained local assets, further accelerating the declining economic conditions of the County. Without affordable retirement housing, the social and economic problems related to the aging population were expected to grow.
- According to a housing needs and preferences survey of both Klickitat and Skamania County elderly, 80% of respondents identified assisted housing offering daily meals and other services as their top priority.

Recognizing this critical need, Skamania County identified the “development of an assisted living facility on private or publicly held land in an area providing urban services”, a priority in the Community Strategic Plan and work-plan. Working in a collaborative effort with partners, Columbia Cascade Housing Corporation (CCHC) overcame challenges posed by the site and hostile community members, obtained financing needed to make the facility affordable to low-income elderly. Producing 18 jobs, this was considered to be a true economic development project. Initially, due to limited experience, Columbia Cascade Housing Corporation was reluctant to develop a facility that specialized in providing housing and personal care services to meet the needs of an aging population. In order to overcome this obstacle, CCHC employed highly experienced “for profit partners,” including a professional developer and property management company.

Initial Feasibility Study

With the support of the County and the County Strategic Plan CCHC began the process of putting together a development team and applying for funds to complete the upfront work necessary. Early feasibility work suggested that a facility with low-income residents was conceivable based upon the State of Washington reimbursement schedule

for assisted living. The first step was to have a market study done. A firm from Seattle was contracted to complete the market study. While this report has been lost to history it did identify a sufficient market for approximately thirty units of assisted living.

Grayco Resources and Concepts in Community Living were then brought into the development process to identify and appropriate site and to examine the financial feasibility of the project. Two possible sites were identified. The site decided upon had the best location and was available for lease from the County.

CCL's initial feasibility analysis showed that the facility could be successful if construction costs were kept low and if low interest financing were made available. It was close, but doable. The Washington Community Reinvestment Association and the Housing Trust Fund money from the Department of Community Trade and Economic Development came through with the necessary financing structure to meet part of the requirements. Construction costs were kept low through the use of a negotiated contract and constant attention to value engineering.

Pre-development

The development of Rock Cove ALF was a truly collaborative effort; it would not have been possible without the participation and contributions made by each partner, including: (1) the local governing board of Skamania County, (2) Community Advisory Committee, (3) Skamania County Senior Services Department (4) Washington State Department of Community Trade and Economic Development, (5) Washington Community Reinvestment Association (6) highly experienced development team.

Skamania County was the driving force behind the development. County Officials were highly cognizant of the critical need for this development and had made the development of the Assisted Living a priority in the Community Strategic Plan and Workplan. Skamania County officials were very active in the pre-development phase and development phase of the project. County Commissioners requested funds to complete the initial feasibility and marketing studies. They participated in "field trips" to review other assisted living facilities and helped evaluate proposals for development. After considerable deliberation and public hearings, they voted to authorize the development of an assisted living community on property owned by Skamania County. They selected Columbia Cascade Housing, a local community development corporation to act as the nonprofit sponsor to own and operate the project, and in November of 1997 the County entered into a long-term lease with CCHC. Under the terms of the agreement, Columbia Cascade Housing Corporation, a local nonprofit community development corporation had the responsibility for developing, owning and operating the facility. All financing was secured and the project was completed within 18 months.

In order to assure that this development reflected the needs and desires of the community, Columbia Cascade Housing Corporation enlisted the support of a community advisory committee comprised of elderly advocates, representatives from the Senior Services department, Local Bankers, County officials, Senior Citizens, clergy, and other interested

community members. The community advisory committee played an active role in gathering information on what was needed in the project and in garnering local support for the facility. Although there was tremendous community support for the project, influential business leaders were skeptical of the plan for the facility on county owned property. They felt the site should be sold to a private developer for a recreational type business related to a nearby Resort/lodge. On the other side of the aisle, environmentalists and bird watchers that wanted to preserve the cove in its natural state opposed the project. The CAC helped overcome the opposition and were there every step of the way. They attended public hearings with the County and The City of Stevenson when CCHC applied for a conditional use permit on the property and rendered poignant testimony concerning the need for the facility in the community, and facts and history about the site, and the proposed development.

A primary partner that assisted in the pre-development phase through development was CTED. The Community Resources Section worked with Skamania County and provided them funding to complete the initial market and feasibility study. Both studies were used in packaging the financing required for the project. CTED also provided technical assistance in the development of the Request for Proposal and were flexible enough to allow a unique approach to be utilized in the development of the project. In addition, CTED awarded \$500,000 in Housing Trust Funds for the project. Housing Trust Funds were essential to making the housing affordable to lower income households.

Skamania County Senior Services assisted in providing needs assessment, Agreement for Transportation, liaison with State Medic-Aid (COPES) staff as well as assistance in marketing and referrals for the completed development.

Columbia Cascade Housing corporation received a permanent mortgage loan from Washington Community Reinvestment Association (WCRA) at favorable terms which enabled our organization to develop the 30 unit assisted living facility. Our project involved a unique ground lease from Skamania County that WCRA was able to accommodate in their providing of permanent mortgage financing. Without their creativity, total commitment to the project, willingness to entertain a mortgage financing. Without their creativity, total commitment to the project, willingness to entertain a mortgage on a long term favorable ground lease and overall responsiveness to the non-profits' financing need, the project would not have become a reality.

Initially, due to limited experience, Columbia Cascade Housing was reluctant to develop a facility that specialized in providing housing and personal care services to meet the needs of an aging population. In order to overcome this obstacle, CCHC employed a highly experienced "for profit partners," including a development manager, an architect, a contractor, and a Property Management Company, all of whom had considerable experience in developing and operating Assisted Living Facilities. By using the team approach in the Request for Proposal, CCHC was able to secure a firm price similar to a turnkey price in order to develop the property as an assisted living facility. The development team provided full services in all phases of the development including an updated market analysis, securing conditional use permit and all other permits, securing

financing, monitoring construction, requesting payments and draws on construction loans, etc. By having these experts on board early in the design phase, we were able to incorporate ideas from the management firm related to services that would enhance the quality of life for the residents; it also helped in keeping the development costs down, and getting the project completed within the allotted time frame.

Financing

Private pay residents comprise an estimated 50% of the occupants of the facility. These residents pay rates starting at \$1,400 per month for a studio apartment. Rates include all utilities except for phone and cable TV, three meals a day and all services provided by facility staff. The rates are much lower than the rates for a nursing home. Medicaid eligible residents occupy the remainder of the units. The amount these residents pay is based on their income and is determined by the COPES program. It is difficult to segregate the housing costs, but it is estimated that the Housing Costs of the 15 units targeted to low income households is \$285 per month, much lower than market rate rents.

The total cost for the project, including the capitalized value of the long-term lease for the land, was \$2,220,157 or \$74,005 per unit, including 8% State of Washington Sales Taxes. The total development cost of the project included land costs and charges, development costs, construction costs, project financing expenses and operating systems and marketing charges totaled \$120.72 sq. ft. Based on a building structure of 18,390 square feet and total land size of 2.31 acres (100,800 sq. ft.) Note: The total cost of the project also includes all central commercial kitchen equipment, furniture for the common areas of the facility, whirlpool bath, initial stockage of supplies and food as well as office equipment, artwork, janitorial equipment, telephone and security systems and window coverings throughout. The project utilizes natural gas for hot water and for its emergency generation system, which has kept costs down. Furthermore, the project insulation in all exterior walls is R21 batts with R38 blown-in ceiling insulation. Heating/cooling to individual units is by in-wall thermostatically controlled electric heaters for all 30 individual units and a central electric natural gas forced warm air furnace/air conditioner for all common areas.

Rock Cove compares favorably with like types of projects developed in the Pacific Northwest. For example, a 34-unit project developed in Nehalem, located on the Oregon Coast, was developed for approximately \$79,866.53/unit. While projects developed in the State of Washington pay sales taxes the projects built in Oregon do not, the land price for the project in Nehalem was more, resulting in higher overall development costs.

Another 36 unit assisted living project developed in The Dalles, Oregon, located east of the Rock Cove Facility was completed in October, 1999, at a total development cost of \$79,333.33/unit including land. Thus, the cost-effective manner in which Rock Cove ALF was developed resulted in an overall lower development cost per unit. The project also received the benefit of a below market long-term lease from Skamania County which owns the land, thereby keeping the overall cost of development less. The creative lease allowed the permanent mortgage lender to finance the permanent mortgage loan at below market rates, thereby keeping rents to the residents of the facility affordable.

Operations

Concepts in Community Living, Inc. (CCL) was identified early in the development phase of the project and assisted in much of the design process helping to make sure that the building met all regulatory requirements for an Assisted Living Facility. In addition CCL developed policies and procedures and prepared documents for initial licensing. CCL's extensive experience and its strong reputation made the transfer from construction to operations a seamless transition.

Construction

The development team entered into a negotiated contract with Gilderslieve Structures, Inc. as contractor. Gilderslieve is a local contract with considerable experience with multifamily construction and with a reputation for meeting budget requirements.

Construction monitoring was carried out by the Owners, the Developer, the Architect and, to a lesser extent, the Management Agent. The construction process went smoothly, was within budget and with a minimal need for change orders. The only out of the ordinary conditions during the construction phase was the condition of the soil upon which the building was to be constructed. The construction site was the home, years ago, of a lumber mill, and the soils were unable to support the construction requiring additional foundation work.

Marketing

Marketing was a joint effort by the Owners and CCL. Extensive and costly media efforts were decided against as the facility had no competition and community interest was quite high. Marketing consisted primarily of personal contacts in the community and with agencies likely to refer to the new facility, e.g., Senior Center, physician's offices and home health care providers. Several special events were held during construction – a groundbreaking ceremony was held shortly after construction began, a “dusty shoe” preview was held at approximately one month prior to opening and a grand opening shortly after occupancy was granted.

The local newspaper was of considerable help by running stories during the construction phase and with major coverage of the groundbreaking and at the Grand Opening. Since approximately fifty percent of the residents were to be Medicaid eligible the marketing group met, several times, with local and state case managers.

As the building filled within three months of completion there was no need to undertake more extensive marketing efforts.

Operations Start-up Coordination with Building Completion

Major operations start-up began approximately six months prior to opening and continued through the first few weeks of opening. Below is an approximate outline of the pre-opening process.

Six months out – Began hiring process for Director (Administrator) and started licensing application.

Five months out – Director hired and licensing application and policies/procedures documents filed with State.

Four months out – Director basic training completed and marketing begun.

Three months out – Marketing continued, staff hiring process begun and coordination for among members of the development team for opening begun

Two months out – Marketing continues applications for residency accepted.

One month out – RN hired, licensing inspection scheduled.

Two weeks out – core staff begin work, e.g. Cook, Lead Resident Assistant.

One week out – Most staff begin work and training

The general process here went well. CCL extensive experience was a major benefit; however, there are a few issues that are important to note. First, make certain that the construction process is moving smoothly; coordinate all efforts closely with the contractor and the state bureaucracies responsible for inspections and licensing. There are few things more problematic or expensive than having staff hired, inspections scheduled, move-ins scheduled and events planned only to learn that construction completion would be a month later than planned. Second, normally scheduled meetings with all members of the development team are important and, third, frequent contact with state regulators is critical.







