

Innovation in Senior Housing: Four Case Studies

By Leo Quigley



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MetLife Foundation

990 POLK, SAN FRANCISCO, CA | EMERITUS HOUSE, CLEVELAND, OH | EWING INDEPENDENT LIVING, EWING, NJ | AZOTEA SENIOR APARTMENTS, ALAMOGORDO, NM

About Enterprise

Enterprise is a leading provider of the development capital and expertise it takes to create decent, affordable homes and rebuild communities. For more than 25 years, Enterprise has introduced neighborhood solutions through public-private partnerships with financial institutions, governments, community organizations and others that share our vision. Enterprise has raised and invested more than \$10 billion in equity, grants and loans to help build or preserve more than 257,000 affordable rental and for-sale homes to create vital communities. Visit www.enterprisecommunity.org and www.enterprisecommunity.com to learn more about Enterprise's efforts to build communities and opportunity.

About MetLife Foundation

MetLife Foundation was established in 1976 by MetLife to carry on its longstanding tradition of contributions and community involvement. Grants support education, health, civic and cultural programs. MetLife and MetLife Foundation have supported Enterprise's neighborhood revitalization activities with grants and loans of almost \$60 million. For more information about the Foundation, visit www.metlife.org.

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Introduction

The United States will experience rapid growth in the elderly population over the next 20 years. As the Baby Boom Generation enters retirement, the senior population, age 65 and above, is projected to more than double from 36 million in 2003 to 72 million in 2030.¹ The oldest old population (those aged 85 and older) is also projected to double, from 4.7 million in 2003 to 9.6 million in 2030. Seniors are living longer, in large part due to advances in medical care and nutrition. Average life expectancy for those reaching age 65 climbed to 82.9 by 2000. The senior population is also becoming more ethnically and racially diverse.

Large numbers of older Americans continue to struggle with low incomes. As of 2008, despite Social Security and Medicare, more than 9.7 percent of these seniors, or 3.6 million people, had incomes below the poverty line.² Another 3.1 million people aged 55 to 64 also lived in poverty. Poverty rates are even higher for racial and ethnic minority elderly. Advanced age and low incomes place older adults at greater risk for chronic illness and disability, and consequently in greater need of health and long-term care services.

The growing senior population with longer life expectancy will drive increasing demand for affordable senior housing across the nation. To respond, developers, service providers and government must collaborate to both increase production of new senior housing, and preserve and retrofit existing housing stock. At the same time, they must design and fund support services to enable seniors to age in place. Housing designed for residents in their 60s and early 70s is now often occupied by an older, more frail senior population, including those well into their 80s and even 90s. The large portfolio of existing affordable senior housing developed beginning in the late 1960s strains to meet the needs of an aging population. In addition, many properties, both urban and rural, that were not originally designed as senior projects have become naturally occurring retirement communities as long-time residents age in place.

Long recognizing this growing need, Enterprise has been a leader in financing senior housing development and driving innovation in the field. Over the last 25 years, Enterprise has invested over \$1.7 billion to finance or assist over 470 senior or mixed-housing properties containing more than 33,000 units of housing for seniors.

Innovations

As the senior population grows, the spectrum of housing options is expanding. Housing policy and practice is evolving to provide seniors with real choice to maintain independent living, delivering attractive housing and effective services at substantially less cost than traditional options including assisted and skilled nursing facilities.

The most innovative senior housing we see today is flexible in responding to the changing needs of residents as they age, both in physical space and in supportive services. Developers employ adaptable and “universal design” elements that anticipate increased longevity, aging in place and increasing needs for home care and physical accommodations.

Universal design refers to a collection of design features and products that make a home safer and more comfortable for all residents, and promotes independence and personal satisfaction even as daily activities become more

1 He, Wan, Manisha Sengupta, Victoria A. Velkoff and Kimberly A. DeBarros, U.S. Census Bureau, Current Population Reports, P23-209, *65+ in the United States: 2005*, U.S. Government Printing Office, Washington, DC, 2005, pp. 6, 11-12, 35.
2 DeNavas-Walt, Carmen, Bernadette D. Proctor and Jessica C. Smith, U.S. Census Bureau, Current Population Reports, P60-236, *Income, Poverty, and Health Insurance Coverage in the United States: 2008*, U.S. Government Printing Office, Washington, DC, 2009, Table 5, p. 17.

physically challenging. Examples of universal design features include step-free entranceways into the home; wide doorways and hallways; lever handles for all doors rather than twisting knobs; rocker panel light switches; a bedroom and full bathroom located on the main floor of the home; sufficient maneuvering space in the bedroom, kitchen and bathroom areas; and non-slip floors, steps and bath facilities.

Developing senior housing that meets current and future needs is becoming increasingly complex. Projects serving seniors and mixed populations now tap multiple sources of competitively awarded financing, including Low-Income Housing Tax Credits. In almost all cases, the development or preservation of senior housing involves leveraging federal resources with state, local government and foundation investments. In addition, reflecting the green building trend across the affordable housing industry, senior housing developers increasingly incorporate green design features. Green building allows them to reduce the energy cost burden on properties and tenants, achieve water conservation, provide healthy homes and reduce carbon emissions.

Developing senior housing in this environment requires creative approaches to solving four basic challenges:

- assembling capital
- funding operations
- funding supportive services for seniors
- building green and healthy housing

The developments described in this report have addressed each challenge in innovative ways, often by integrating available capital and operating streams to achieve multiple goals. The cases include:

- **990 Polk** (San Francisco, Calif.): Mixes low-income senior housing with permanent supportive housing for formerly homeless seniors to access capital and operating subsidy sources.
- **Emeritus House** (Cleveland, Ohio): Adds green elements to secure additional capital for preservation in adaptive reuse, overcoming conflicts between historic preservation requirements and green building goals.
- **Ewing Independent Living** (Ewing, N.J.): Incorporates housing for the developmentally disabled in a senior assisted-living setting to access capital sources and service funding, maximizing potential for aging in place.
- **Azotea Senior Apartments** (Alamogordo, N.M.): Builds lean and green, minimizing construction and operating costs in a low-subsidy environment.

These four cases illustrate the breadth and depth of Enterprise's commitment and investment, and demonstrate some of the most innovative thinking in the field today. As Enterprise moves forward with its 2009-2013 strategic plan, expanding housing opportunities for the most vulnerable — including homeless, special needs, extremely low-income, elderly, Native American and rural families and individuals — will remain a key priority. In the years ahead, Enterprise will play a critical role in raising capital, developing innovative solutions and transforming policy to create supportive environments where seniors and other vulnerable populations can lead rich, healthy lives.



990 Polk

San Francisco, California

Summary: 990 Polk is a 110-unit new construction project housing formerly homeless and low-income senior renters. It overcomes the marketing and management challenge of integrating a formerly homeless population in a low-income rental property through good design, attractive amenities and extensive on-site services.

Project Description

This new construction project in the Tenderloin neighborhood of San Francisco provides 81 studio apartments and 29 one-bedroom apartments for low-income and formerly homeless seniors. The development offers on-site resident services, outdoor gathering spaces and convenient access to neighborhood amenities. It is located in a transitional area where the Tenderloin meets the gentrifying Lower Polk neighborhood.

Developer/Sponsor

Citizens Housing Corporation (CHC), the project's co-developer and initial property manager, was a nonprofit housing development company formed to increase and preserve affordable housing opportunities. Between 1992 and 2009, CHC developed over 3,000 units, more than 90 percent of which are affordable to low-income seniors and families earning between 30 and 60 percent of the area median income. Its diverse projects included transitional housing on a former naval base; reuse of historic buildings for affordable senior and family housing; renovation of HUD Section 8 expiring-use properties; supportive housing for people with special needs; and mixed-use, transit-oriented developments. CHC ceased operations in 2009.

The project's co-developer and current property manager is Tenderloin Neighborhood Development Corporation (TNDC). Founded in 1981, its mission is to provide safe, affordable housing with supportive services for low-income people in the Tenderloin community. 990 Polk is Enterprise's fourth project with TNDC in the Tenderloin.

Before a recent expansion, TNDC owned and managed 25 buildings that provided homes for 2,500 extremely low-income seniors, families, people with disabilities, low-income wage earners, immigrants and others in the Tenderloin and nearby neighborhoods. In addition, TNDC provides on-site supportive services and resources

such as social workers and after-school programs to help residents stabilize their lives and develop a sense of community. In late 2009, TNDC absorbed CHC's property management portfolio, increasing the number of units under TNDC management by nearly one-third.

990 Polk

PROJECT TYPE
New construction. Nine-story elevator building with 110 units for formerly homeless and low-income seniors (81 studios, 29 one-bedrooms), and 2,850 square feet of retail space.

RESIDENT PROFILE
Seniors age 55 and over, including formerly homeless seniors.

INCOME TARGETING
Fifty units reserved for households earning under 45 percent of Area Median Income (AMI); 60 units reserved for households earning under 50 percent of AMI; 50 units are reserved for formerly homeless seniors.

KEY FEATURES
Attractive, efficient design with ample natural light, roof gardens, courtyard, common spaces, ground-floor commercial space.

KEY SERVICES
On-site program coordination, case management. Cooking and nutrition classes, new home orientation, basic life skills classes, multi-lingual outreach and computer training. Full-time nurse and rotating doctor provide medical support.

PROJECT COST
Total Development Cost: \$36,600,000
Per Unit: \$309,112

PERMANENT FINANCING

City and County of San Francisco-Mayor's Office of Housing	14,600,000
LIHTC Equity Through Enterprise	20,000,000
Federal Home Loan Bank AHP Loan, Mechanics Bank	1,000,000
Mental Health Services Act (MHSA) Housing Program	1,000,000
Total Development Cost	36,600,000

Amenities

990 Polk was designed to provide amenities and services to allow seniors to live independently as they age in place. Every aspect of the design of the building is intended to promote ease and interactivity, and prevent social isolation. The main lobby includes comfortable seating and open space for socializing. 990 Polk is close to many public transportation lines and to stores, amenities, medical care and civic-related services. There are also two retail spaces on the ground floor of the building, accessible from the main street.

In addition to retail spaces, the ground floor of the development contains offices for resident services providers. The apartments occupy floors two through nine. A large community room and kitchen, computer center, laundry room, solarium and outdoor patio are accessible from the second floor. Another patio is located on the seventh floor, and residents can plant their own fruits and vegetables in a community garden on the eighth floor. In the community room, residents can participate in educational programs and activities.

The property includes many green features such as Energy Star appliances, a high-efficiency irrigation system and low-VOC paints and adhesives. Ten of the units are fully ADA accessible, and the remaining units are adaptable for individuals with disabilities.

Supportive Services

Lutheran Social Services provides on-site program coordination and case management services at the development. Services include new-home orientation, basic life skills classes, cooking and nutrition classes and multi-lingual outreach and computer training. Residents access additional supports through the state of California In-Home

Support Services program, home-delivered meals through Meals on Wheels, transportation services and a host of other services for seniors. To help the formerly homeless population maintain stable tenancy, the San Francisco Department of Public Health provides a full-time nurse and regular doctor visits for medical support and medication management.

Key Challenges and Responses

As the first affordable housing project in the city of San Francisco to integrate formerly homeless and low-income seniors under one roof, 990 Polk faced a number of challenges in design, marketing and property management. Originally approved for funding using Low-Income Housing Tax Credits and Section 8 Project-Based Vouchers, the developers were asked to restructure the project to align with San Francisco's 10-Year Plan to Abolish Homelessness. Redirecting resources to support the plan, the Mayor's Office on Housing set out to develop 3,000 units of permanent supportive housing for the chronically homeless by 2010, including 700 units for homeless seniors.

After extensive negotiations, the developers agreed to set aside 50 of 110 units for formerly homeless (or at risk of homelessness) senior households. These units receive subsidies through the city's Local Operating Subsidy Program (LOSP), based on the actual operating costs of the property in a given period. Funded by local taxes, the LOSP provides five-year subsidy contracts, with two renewals, for a total of 15 years.

Residents of the 50 LOSP units are participants in the Direct Access to Housing (DAH) Program of the San Francisco Department of Public Health-Housing and Urban Health section. The program targets individuals who are released from institutional, acute or transitional treatment settings and/or have a history of rotating through various systems of care without prolonged stabilization. Of the 50 LOSP units, 10 serve residents with serious mental illnesses, and receive subsidies from the state of California Mental Health Services Act (MHSA) Housing Program.

As the project initially took shape, area residents voiced concerns over adding low-income seniors and formerly homeless people to their neighborhood. Some feared the project would add to social problems in the community. Through a series of community meetings, TNDC and CHC demonstrated that the project would provide critical resources for current community residents. They also explained that zoning allowed nearly twice as many housing units for an affordable housing project than a market-rate development. Community residents came to embrace the opportunity to transform a blighted property, assist community seniors and create a larger number of critically needed affordable housing assets.

While CHC/TNDC at first had concerns about the project's marketability, rent-up was swift and successful due to the project's location, attractive design and the reputation of the developers. In the first month, the rent-up team received 3,000 requests for applications for the 110 units. By December 31, 2008, two months after construction completion, the property was fully rented. Among the building's most attractive features for seniors are the abundant natural light and many usable open spaces inside the building and on rooftop gardens and terraces. Residents prize the range of outdoor garden spaces, with planter boxes for small-scale gardening plots on the eighth floor, roof decks on the sixth and seventh floors, as well as the internal courtyard on the second floor.

Nearly a year into operations, 990 Polk appears on track to demonstrate that in strong rental markets, senior projects that offer good design, attractive amenities and a rich service environment can create a successful, cohesive community mixing low-income and formerly homeless seniors.

This case study was written with the support of Emily Lin of Tenderloin Neighborhood Development Corporation, Keith Kiecker of Enterprise and Kimberly Black of the Corporation for Supportive Housing.



Emeritus House

Cleveland, Ohio

Summary: Emeritus House is a 56-unit assisted housing preservation project in Cleveland’s Central neighborhood. It leverages “green building” resources to achieve affordable housing preservation and rehabilitation goals in an historic, adaptive re-use context.

Project Description

Emeritus House preserves affordable housing for seniors and people with disabilities in a historic structure in Cleveland’s revitalizing Central neighborhood. For eight decades, the building has been the headquarters of the Phillis Wheatley Association (PWA), a community-based, nonprofit, social services organization. Founded in 1911, PWA’s mission is “to create a safe, caring and supportive environment where all children and youth, particularly the underserved and not served, can explore, learn and reach their potential and make a difference in themselves, our community and the world.”

Aligned with this mission, Emeritus House originally offered transitional housing to African-American women migrating to Cleveland from the South. Emeritus House later provided housing to the community under the Section 8 program.

The renovation of Emeritus House included substantial improvements to make units more marketable and use space more efficiently. By removing walls and reducing the building’s ample common spaces, the project made room to convert 28 units from efficiencies to full one-bedroom apartments. After renovation, the building includes 42 one-bedroom apartments with full kitchens, 14 efficiencies above the first floor and PWA’s administrative offices on the ground level. Eight of the one-bedroom apartments are fully accessible.

Improvements to the rehabilitated structure include new HVAC, electrical and fire sprinkler systems, as well as enhanced exterior lighting and improved security systems. The rehabilitation has also reclaimed long-empty commercial space in the basement, creating 9,900 square feet of usable space for future use.

Developer/Sponsor

The Emeritus House rehabilitation was completed through a partnership of the Famicos Foundation and PWA. One of the oldest community development corporations in the city of Cleveland, the Famicos Foundation is a nonprofit affordable housing developer with a portfolio that ranges from permanent supportive housing for chronically homeless individuals to market-rate housing for moderate- and middle-income families. Emeritus House is Enterprise’s sixth tax-credit equity investment with the developer.

The co-location of Emeritus House and PWA creates a vibrant active community for seniors. PWA provides meals to seniors, operates a child care center and music school on site, and provides space for local Boys and Girls Club activities. The community’s active resident association plans social events and activities.

Amenities

The rehabilitated Emeritus House features a computer lab for residents, a large dining room, recreation room, commercial kitchen and two small meeting rooms. New security features – including a key-card system and security cameras – were installed during the renovation.

Supportive Services

Residents of Emeritus House are supported in accessing a wide range of social and community services and resources through PWA’s on-site programming and referrals to outside service providers.

Additionally, Emeritus House’s senior residents have access to the services of the local Western Reserve Area Agency on Aging, including a Medicaid waiver program that provides in-depth screening and helps to identify community-based, long-term care options such as home-delivered meals, housekeeping and personal assistance.

Emeritus House

PROJECT TYPE

Historic rehab, preservation of federally assisted multifamily property. Nine-story elevator building with 56 units (14 efficiencies, 42 one-bedrooms).

RESIDENT PROFILE

Seniors and persons with disabilities.

INCOME TARGETING

All units receive project-based Section 8 assistance for elderly and disabled residents; 11 units reserved for households earning under 40 percent of Area Median Income (AMI); 3 efficiencies reserved for households earning under 60 percent of AMI.

KEY FEATURES

Meets Green Communities Criteria, historic preservation requirements. Amenities include a restored ballroom and staffed cafeteria.

KEY SERVICES

On-site child care, music school, Boys & Girls Club.

PROJECT COST

Total Development Cost: \$10,045,346
Per Unit: \$179,381

PERMANENT FINANCING

LIHTC and Historic Tax Credit Equity Through Enterprise and Ohio Capital Corporation		6,642,000
GMAC 1st Mortgage		356,000
Sponsor Mortgages		356,250
OHFA HDAP		250,000
Deferred Developer Fee		270,000
Ohio Green Communities Initiative		100,000
City HOME Funds		1,200,000
General Partner Capital		371,096
Cleveland Foundation		500,000
Total Development Cost		10,045,346

Key Challenges and Responses

Emeritus House broke new ground on several fronts. As the first Ohio Green Communities project, it proved a testing ground for integrating green development features in a rehabilitation project. Moreover, it was the program's first historic renovation effort and one of the first projects to use a green building incentive offered by the Ohio Housing Finance Authority (OHFA).

Emeritus House evolved from a historic rehabilitation of a project-based Section 8 project to a "green" rehab by necessity. In 2003, Emeritus House restructured its existing HUD 223(a)(7) mortgage under HUD's Mark-to-Market program. Emeritus House then pursued Low-Income Tax Credits and other funding to renovate the property. The original renovation plan consolidated smaller "junior one-bedroom" apartments to make larger apartments, reducing the total units from 56 to 49. While Emeritus House received state funding for the project, HUD required that the 56 units under its Housing Assistance Payment (HAP) contract be maintained on-site or replaced elsewhere. Emeritus House opted to retain the 56 units, but the new design resulted in a \$1 million capital gap.

Emeritus found funds to fill this gap from new green building initiatives at Ohio Green Communities, the Cleveland Foundation and OHFA.

Ohio Green Communities, a collaboration of Ohio Capital Corporation for Housing (OCCH), OHFA and Enterprise Green Communities, provided technical assistance and grant support. Enterprise and OCCH provided a \$6.6 million equity investment from syndication of Low-Income Housing and Historic Rehabilitation Tax Credits.

The project also obtained \$250,000 in soft financing from OHFA's new Housing Development Assistance Program (HDAP) to help fill the gap. Finally, the Cleveland Foundation provided a \$500,000 grant to improve the building's energy efficiency and create a sustainable living environment for its residents.

Green features include water-conserving appliances and fixtures, energy-efficient heating and cooling systems, indoor materials that emit less pollutants than conventional materials, mold prevention measures and provisions for educating residents and staff on how to maintain these green homes over time.

In making Emeritus House a "green" project, Famicos Foundation overcame a number of conflicts between historic preservation and green building goals. Improving energy efficiency by sealing the building envelope, for instance, was complicated by the need to retain historic windows and retain original brick facing and plaster walls. In the smaller apartments, adding energy-saving insulation would have reduced unit sizes below minimum standards required by HUD for Section 8 assistance.

Given these constraints, meeting cost-effectiveness criteria was especially challenging. Ohio Green Communities requires that green improvements pay for themselves (in cost savings) within a ten-year timeframe. This requirement pushed the development team to seek out innovative ways to generate cost savings, while preserving the building's historic features and eligibility for historic rehabilitation tax credits.

Through close coordination with Ohio Green Communities and historic preservation officials, Emeritus House satisfied both historic preservation and green building objectives, preserving affordable senior apartments and a vital community institution for years to come.

This case study was written with the support of David Fagerhaug of Famicos Foundation, Phil Downing (formerly of Enterprise) and Benjamin Nichols of Enterprise.



Ewing Independent Living

Ewing, New Jersey

Summary: Ewing Independent Living is a 72-unit newly constructed, accessible, sustainable apartment building. It combines design features and a la carte personal services to offer maximum opportunities for seniors and adults with disabilities to age in place safely and with dignity.

Project Description

Ewing Independent Living is an affordable community in Ewing, N.J., dedicated to seniors age 55 and over and adults with developmental disabilities. Offering affordable housing with supportive services, it provides an attractive alternative for seniors struggling to maintain their homes while managing daily personal and medical needs.

With 56 one-bedroom and 16 two-bedroom apartments in an elevator building, Ewing Independent Living has 58,000 square feet of residential space. All apartments consist of, at a minimum, an adaptable kitchen, living room, bathroom and bedroom. The development offers spacious, smoke-free, accessible apartments with walk-in/roll-in showers that have fold-down seats and grab bars. The building surrounds two large courtyards, which contain a patio, raised and low gardens for flowers and vegetables, shuffleboard and bocce courts and a play area for visiting grandchildren. Living is within walking distance of churches, community gardens, multiple retail establishments and public transportation.

Ewing Independent Living incorporates extensive green features including photovoltaic (PV) solar panels to supplement common space power usage; Energy Star appliances; low-E fiberglass windows; recycled carpet; non-vinyl composition tile; low-VOC paints and glues and Superior Walls (prefab concrete with R-15 insulation) in the foundation and first floor.

The project's 50-kilowatt solar panel system provides 25 percent of the electricity for common spaces in peak months and generates operating revenue through the sale of New Jersey Solar Renewable Energy Credits (SRECs) to investors. Investors include electricity suppliers seeking to meet the requirements of the state's Solar Renewable Portfolio Standard (RPS).

Developer/Sponsor

Rely Properties LLC is the project sponsor. The developer is Lynn Developers LLC, a unique development entity created by a passionate geriatric nurse to advance her vision for aging in place. Rebecca Lynn formed the development company and, over a 12-year period, shepherded the project through an arduous process of securing land, approvals, financing and medical certifications. Lynn sought to create a community where independent residents have the option of obtaining on-site assistance a la carte. She created Assisted Living, Inc. to provide those supportive services on site.

Amenities

All units are fully accessible, with kitchens that can be adapted for residents using wheelchairs. The two-bedroom apartments have tubs, with showers in the second bathroom. Community space includes a barber shop/beauty salon, laundry, recycling and trash facilities on each of the three floors, wellness office, spa, library and a common dining room.

Supportive Services

Ewing Independent Living is designed to provide an environment where seniors can maintain their independence while obtaining supportive services as needed. Trained and certified staff members are available to provide companionship, supervision and help with tasks such as escorting residents to the common dining room and obtaining transportation. Twelve units are reserved for adults with developmental disabilities.

Supportive services are offered on site by Assisted Living, Inc., a 501(c)(3) nonprofit corporation. Services include assistance with bathing, dressing, grooming, medication administration, meal preparation and housekeeping, as well as an emergency call system. Lunch and dinner are served weekdays in the dining room. All on-site services are offered in conjunction with visiting nurses; physical, speech, and occupational therapists; and other care professionals with the goal of helping residents remain independent and safe as individual needs change. As described below, residents at initial rent-up are paying for supportive services out-of-pocket as the project seeks approvals necessary to fund services for eligible residents through Medicaid and state resources.

Ewing Independent Living

PROJECT TYPE

New construction. Elevator building with 72 units (56 one-bedrooms, 16 two-bedrooms), and 15,000 square feet of common space.

RESIDENT PROFILE

Seniors age 55 and over. Twelve units reserved for adults with developmental disabilities.

INCOME TARGETING

Two apartments are reserved for households earning up to 30 percent AMI; 42 for households earning up to 50 percent of AMI; 28 for households earning up to 60 percent AMI.

KEY FEATURES

Large units; accessible showers with grab-bars; adaptable kitchens; green building features, including solar panels; catered meals; personal care services; barber shop/beauty salon; spa; library; wellness office; and dining room.

KEY SERVICES

Supportive services offered a la carte on site. Outside services such as visiting nurses, physical and occupational therapists, home health aides and social workers.

PROJECT COST

Total Development Cost: \$14,717,067
Per Unit: \$204,404

PERMANENT FINANCING

LIHTC Equity Through Enterprise	3,984,000
New Jersey HMFA Bond Loan	2,456,500
New Jersey HMFA Strategic Zone Lending, Developmental Disabilities, and Special Needs Housing Programs	5,506,487
Mercer County HOME Funds	600,000
Division of Developmental Disabilities	250,000
Federal Home Loan Bank of NY	670,105
Solar Grant	144,125
Ewing Affordable Housing Trust Fund	299,000
Enterprise Green Communities	47,000
GP Equity	59,850
Deferred Developer's Fee	700,000
Total Development Cost	14,717,067

Key Challenges and Responses

Rebecca Lynn's goal was to offer affordable senior housing, with access to a la carte services, without the high-cost structure of an assisted living facility. Through Rely Properties, she created a flexible living environment with design elements and support services that enable residents to age in place safely with dignity, individuality and privacy in their own homes.

The novice developer faced four primary challenges: obtaining a zoning variance and township construction approvals; financing predevelopment costs during the project's 12-year evolution; overcoming funding setbacks; and securing funding for a novel mix of affordable services to support independent living.

Obtaining approvals proved lengthy and time-consuming. Construction on the site, originally zoned for business use, required a zoning variance from the Town of Ewing and approvals from no less than six town, county and regional bodies, including the Delaware and Raritan River Canal Commission Conservancy and the Soils Conservation Commission. Changes to the development plan required repeated, extensive processes to secure necessary approvals.

Financing predevelopment costs also proved difficult. As a developer with no track record, Lynn Developers lacked access to predevelopment financing. Rebecca Lynn and her husband funded land acquisition, professional fees and carrying costs from personal resources until Rely Properties was able to secure a predevelopment loan from Enterprise Community Loan Fund.

With final development approvals in place, Rely Properties faced a setback in 2007 when New Jersey's Balanced Housing Fund, facing dwindling revenues from slowing statewide development activity, withdrew its \$3 million commitment to the project. The loss of funding forced a redesign, cutting 15,000 square feet from the building, incurring additional carrying cost and triggering a new round of zoning and land-use approvals.

Lynn scrambled to cobble together debt, equity and soft financing from a unique array of sources to complete the project in a deteriorating economic climate. The project now faced higher interest rates, along with increased requirements for project escrows and reserve accounts.

Enterprise provided nearly \$4 million in equity from syndication of Low-Income Housing Tax Credits. The New Jersey HMFA provided a \$2.5 million first mortgage loan, along with more than \$5.5 million in soft financing from three targeted housing initiatives - its Strategic Zone Lending Program, Supported Housing Rental Program (Developmental Disabilities) and Special Needs Housing Trust Fund. Mercer County provided HOME funds of \$600,000, and the Ewing Affordable Housing Trust Fund provided \$299,000. The New Jersey Department of Developmental Disabilities provided \$250,000, securing one special needs unit for the agency. The Federal Home Loan Bank Affordable Housing Program also provided capital.

The project also received support from New Jersey's Special Needs Housing Trust Fund. The \$200 million fund was created in August 2005. Nationally noted for its innovative approach, the fund provides capital funding for permanent supportive housing, community residences and other housing arrangements for people with special needs, including mental illness and physical or development disabilities. In supporting affordable housing production, it provides critical alternatives to institutionalization and homelessness.

Through its Special Needs Design Checklist and Reference Guide, the Housing Trust Fund program ensures that supportive housing addresses three key elements — user needs, design excellence and sustainable development.¹ The User Needs checklist is particularly important in integrating the special needs population with other

1 The Special Needs Design Checklist and Special Needs Design Reference Guide are on-line at www.state.nj.us/dca/hmfa/biz/devel/specneed/trust.html

rental populations. It ensures that the developer addresses the specific housing-related needs of the population to be served, including accessibility, security, day-to-day living, shared living opportunities, a healthy living environment and resident personal space.

In Ewing Independent Living's case, these goals aligned closely with the project's focus on design that supports aging in place in a green and sustainable environment.

Funding a flexible menu of supportive services for seniors in affordable housing was another core challenge for Ewing Independent Living. Drawing on her experience as a visiting nurse, Lynn designed a program of a la carte services to allow residents to maintain independence. Personal care services are available, along with access to visiting nurses, physical and occupational therapists, home health aides and social workers.

For the 12 units reserved for residents with developmental disabilities, home health care services are funded by the New Jersey Division of Developmental Disabilities. In the balance of the units, residents (or family members) pay for services out-of-pocket or, if eligible, with assistance from New Jersey State Global Options (GO) for Long Term Care program. Once the facility is licensed, this innovative new state initiative will pay for supportive services for Medicaid-eligible residents.

Established in January 2009, GO consolidates three Medicaid-supported home and community-based service programs into a single state program. The consolidation improves access to a wider range of in-home, long-term supportive services for seniors and adults with physical disabilities who meet the income, asset and nursing-facility level of care requirements established by Medicaid.

Ewing Independent Living has applied for licensure under GO. In the first step of a two-stage process, Assisted Living, Inc. applied for and received a Certificate of Need under GO's Assisted Living Program (ALP). In the second step, GO staff review site operating plans and staff qualifications and issue a license to operate. Upon licensure, Assisted Living Inc. will provide 24-hour assistance for residents participating in ALP.

Ewing Independent Living represents a remarkable alignment of accessible design, green building, specialized financing and flexible service provision, organized to allow seniors and adults with disabilities maximum ability to age in place with dignity and independence.

This case study was written with the support of Rebecca Lynn of Lynn Developers, Alan Matas of Enterprise and Pamela McCrory of the New Jersey Housing and Mortgage Finance Agency/Supported Housing.



Azotea Senior Apartments

Alamogordo, New Mexico

Summary: Azotea Senior Apartments is a 60-unit new construction project in Alamogordo, New Mexico. It provides attractive, high-quality housing cost-effectively in a low-rent, low-subsidy environment in the Southwest through extensive green building features and supportive services.

Project Description

Azotea Senior Apartments features 14 one- and two-story buildings containing 24 one-bedroom and 36 two-bedroom apartments. All of the units are reserved for households headed by seniors age 62 and over; other household members must be at least age 55. There are four fully accessible units within the complex, and all units are designed to be adaptable.

The architectural style of the development is 1950s style “modern” stucco. Each apartment home is designed with a porch or patio. Buildings are sited to create a sense of security, neighbor interaction and passive solar gain to maximize energy efficiency. Twelve of the 60 units are second-story walk-ups.

Azotea Senior Apartments incorporates extensive green elements into the design and construction of the development. The development utilizes green, nontoxic building materials such as recycled finger-jointed framing studs produced locally by White Sands Forest Products; recycled carpet and VCT tile; water-based natural paints; non-formaldehyde, wheat-based plywood; and recycled cotton insulation. The site’s landscape design

includes native or drought-resistant plants, shrubs, ground cover and trees. The buildings were designed in conjunction with the landscape design to harvest rainwater from the roofs and provide irrigation to the plants.

Developer/Sponsor

The development team consists of a partnership between Tierra Realty Trust (TRT) and Golden Spread Rural/Frontier Coalition (GSC). GSC is the sponsor and co-general partner. TRT acts as co-general partner and developer. Established in 1997, TRT is a real estate development and investment company that focuses on the development, acquisition and asset management of affordable and mixed-income multifamily communities in rural and select urban infill markets throughout New Mexico. Stephen G. Crozier, TRT’s president and founder, has 17 years of real estate development, acquisition and asset management experience. He is responsible for the planning and development of over 3,500 housing units in various parts of the country.

The project sponsor, GSC, is a HUD-designated Community Housing Development Organization (CHDO). GSC was incorporated in 1997 to provide planning, financing and administrative services to incubate and support nonprofit businesses and economic growth initiatives. GSC’s goal is to enable sponsored programs to become self-sufficient and profitable.

Azotea Senior Apartments is Enterprise’s sixth tax-credit equity investment with Tierra Realty Trust and the third with the TRT/GSC partnership.

Amenities

Building amenities include a fitness room, library, computer room, community room and central laundry facilities. Units offer emergency communication devices, directly wired to the Alamogordo Hospital, which can be utilized for a small monthly fee. On-site parking is provided, along with community gardens, picnic areas and shaded outdoor seating.

Supportive Services

A working partnership with the Alamogordo Senior Center provides convenient resident access to services such as transportation, meals at the senior center, Meals on Wheels for homebound seniors, assistance with daily housekeeping, respite care and fitness classes. In addition, residents participate in a variety of activities such as crafts, bingo, social events and an annual Senior Olympics. These services are provided free of charge to residents.

Key Challenges and Responses

Azotea Senior Apartments faced the challenge of delivering attractive affordable housing in a low-subsidy, low-rent environment with significant market competition. It met this challenge by building “lean and green”: achieving cost savings in construction, integrating green features to minimize operating costs and offering an unusual architectural design appealing to younger, healthy seniors.

Azotea Senior Apartments

PROJECT TYPE

New construction. Fourteen 1-2 story walkup buildings with 60 units (24 one-bedrooms, 36 two-bedrooms).

RESIDENT PROFILE

Seniors households age 62 and over (additional members age 55 and over).

INCOME TARGETING

Twelve units reserved for households with incomes below 40 percent AMI; 34 units reserved for households below 50 percent AMI; 14 units reserved for households below 60 percent AMI.

KEY FEATURES

Modern stucco architectural style mixing one- and two-story buildings. Extensive green features, including passive solar and rainwater harvesting. Four fully accessible units.

KEY SERVICES

Close working partnership with nearby Alamogordo Senior Center; emergency communication devices directly wired to the Alamogordo Hospital.

PROJECT COST

Total Development Cost: \$5,493,000
Per Unit: \$91,500

PERMANENT FINANCING

LIHTC Equity Through Enterprise	4,420,000
New Mexico Mortgage Finance Authority	833,000
City HOME Funds	240,000
Total Development Cost	5,493,000

TRT, recognized as a premier developer in the state, has extensive experience in designing infill housing and understanding target markets. Even given its deep experience in developing senior housing in New Mexico, TRT had its work cut out to demonstrate that the local rental market could absorb the new senior units. Market analysis showed pent-up demand for affordable senior apartments, but that the project would need to capture 34 percent of the primary market area demand in Alamogordo to be successful.

TRT conducted focus group research to assess the appeal of its two-story walk-up design. Focus groups suggested the properties would be attractive to younger, healthier seniors, who valued the fact that the walkups would provide daily exercise, enhanced safety and attractive views. The strength of the market research, coupled with the developer's strong track record, convinced Enterprise that the project could succeed in attracting its target market.

To create an attractive yet financially viable project, Azotea Senior Apartments utilized efficient design and a distinctive architectural style. Drawing on the internal efficiencies of an integrated developer/builder, TRT developed the project for a total development cost of \$91,500 per unit. At a cost in line with other Low-Income Housing Tax Credit projects funded that year, TRT included extensive green development features.

These green building features yield significant energy and water cost savings, contributing to the property's economical operations. According to the developer, residents save approximately 25 percent on tenant-paid utility costs, compared to similar properties, depending on how they manage energy in the warm and cold months. The project's low operating costs (projected at \$2,500 per month at closing) are supportable by rents equal to older existing senior properties and significantly below newer comparable developments.

Low-cost financing also contributes to the project's affordability. Enterprise provided nearly 80 percent of the development cost from syndication of Low-Income Housing Tax Credits. A long-term, low-interest rate loan from the New Mexico Mortgage Finance Authority and local HOME funds provided the remainder of the development sources. This financing structure, with modest annual debt service requirements, allows the development to operate without project-based rental subsidies.

Through good design, efficient construction, low-cost financing and green operating cost savings, Azotea Senior Apartments delivers an affordable, attractive, sustainable and cost-effective living environment for New Mexico seniors.

This case study was written with the support of Joseph Cano and Brian Windley of Enterprise, Stephen Crozier of Tierra Realty Trust and Dan Foster of New Mexico Mortgage Finance Authority.



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