

**To:** Village of Long Grove  
**From:** Bridget Lane  
**Subject:** HarborChase of Long Grove  
**Date:** June 17, 2014



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The Village of Long Grove is reviewing a preliminary PUD Plat for 1190 Old McHenry Road. This property currently contains a vacant and deteriorating bank building. The applicant proposes constructing a 138-unit assisted living and memory care facility with 150 beds. BDI was asked to evaluate the plan's fit with the market, the developer's capacity, and the economic value to the Village. This review is based on documents submitted to the Village by the petitioner; an examination of industry information provided by American Seniors Housing Association and the Illinois Department of Public Health; Lake County property tax records; the Experian demographics database; and documents submitted to the Village in support of the PUD application.

### Key Findings

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The document that follows provides supporting information for these findings:

1. There are 1,523 Assisted Living Units within the local market and therefore the proposed 138 units are a 9% increase in the market.
2. If only 4% of the Long Grove residents older than 80 years and residents whose parents are nearing that age need to enter assisted living, the 138 rooms would be completely occupied.
3. Harbor Retirement Associates has experienced senior leadership.
4. The units managed by Harbor Retirement Associates grew by 7.5% from 2013 to 2014 and there are plans for annual growth of approximately 9% per year for the next two years.
5. The employees, residents, and visitors to this facility would frequent local businesses and thereby increase Village sales tax revenues.
6. This development is expected to increase the assessed value of the property 10-fold. Thus, the annual property tax increment from this development could well be \$375,000 depending on its ultimate assessed value.

## Project Description

The property under consideration is 9.7 acres, with previously completed setbacks established for the bank and existing storm water mitigation per Lake County and Village regulations. The submitted plans call for 138 units that include 50 units dedicated to memory care.

## Market Overview

Assisted Living Facilities (ALF) are living arrangements that provide personal care and health services for people who may need assistance with activities of daily living, such as dressing, meal preparation, medication management, and food preparation. The level of care provided is not as extensive as that which may be provided in a nursing home. Assisted living is not an alternative to a nursing home, but an intermediate level of long term care. It legally can set a qualifying age. The alternatives to this care are home health care services and adult day care. Residents of ALF properties are almost exclusively private payers, indicating that this living arrangement attracts a relatively wealthy resident. The 2013 median annual cost of a single occupant one-bedroom assisted living unit in Illinois was \$45,654.<sup>1</sup>

In Illinois, the Department of Public Health licenses ALFs and reports these operating ALFs within the submarket containing Long Grove.

Table 1

Establishment name	Address	City	Memory Units	Total Units
Church Creek	1250 W. Central Road	Arlington Heights	21	34
Hearthstone of Arlington Heights	800 W Oakton St	Arlington Heights		100
Prairieview at the Garlands	6000 Garlands Lane	Barrington	20	50
Sunrise of Barrington	510 Northwest Highway	Barrington	24	45
Belmont Village Buffalo Grove	500 McHenry Rd	Buffalo Grove	24	114
Sunrise of Buffalo Grove	180 W Half Day Rd	Buffalo Grove	24	79
Lake Barrington Woods	22320 Classic Ct.	Lake Barrington		88
Silverado #550 Lake Zurich	550 America Ct	Lake Zurich	16	16
Silverado #555 Lake Zurich	555 America Ct.	Lake Zurich	16	16
Silverado #579 Lake Zurich	579 America Ct.	Lake Zurich	16	16
Silverado #600 Lake Zurich	600 America Ct.	Lake Zurich	16	16
Radford Green	960 Audubon Way	Lincolnshire	20	38
Autumn Leaves of Vernon Hills	500 Atrium Dr	Vernon Hills	36	36
Brookdale Plaza Hawthorne Lakes	10 E. Hawthorne Pkwy	Vernon Hills		62
Brookdale Plaza Vernon Hills	145 N. Milwaukee Ave.	Vernon Hills		54
Addolorata Villa	553 McHenry Rd	Wheeling	22	61
			Total	1,523

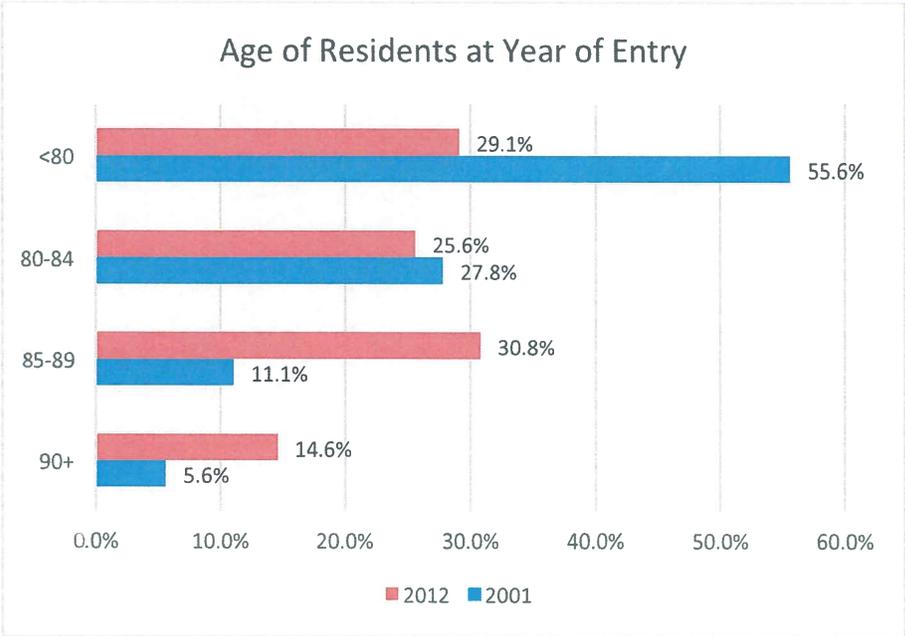
<sup>1</sup> Genworth 2014 Cost of Care Survey

ALF residents generally are either parents of families living nearby or residents seeking a more supportive living situation. Because ALFs are private payers, potential residents and/or their supporting family are relatively wealthy. The population in Long Grove and within 5-miles of the proposed development provides this potential market for ALF residents.

**Table 2**

	Long Grove	5 Miles: Long Grove
Population that may want to place a parent in an ALF (45-64 )	3,146	7,550
Median Household Income	\$158,915	\$94,661
% of Adult population	38.7%	30.1%
Population aging into ALF (65-79)	602	18,026
Median Household Income	\$121,242	\$71,833
% of Adult population	7.4%	8.6%
Median Household Income	\$46,154	\$37,289
Population That may move to an AFL (80+)	244	705
% of Adult Population	3.0%	3.5%

Because ALF residents rarely move between facilities, the key challenge to a successful project is attracting the initial occupancy. At a recent American Seniors Housing Association conference, a presentation by Margaret Wylde of ProMatura Group, LLC, offered this information on the move-in ages of residents:



**Figure 1**

With the population aging into the need for ALFs and a concentration of families that may need supportive care for parents, the markets surrounding the Harborchase project fit this proposal.

### Harbor Retirement Associates

Although the development application is by Harbor Retirement Associates, the property ownership is a group of investors organized as Long Grove Associates, LLC. An LLC is a common commercial real estate investment tool that protects the investors from financial liability beyond the amount committed to this project. Harbor Retirement Associates manages the design, entitlement, and completed project. Its website, <http://www.hraseniorliving.com/index.html>, lists its managed properties. In addition to the communities listed below, it recently took over management of Illinois' The Park of Plainfield and renamed the development as HarborChase of Plainfield.

**Table 3**

Name	Independent Living	Assisted Living	Alzheimer/ Dementia Care	Skilled Nursing
<b>Alabama</b>				
Huntsville		x	x	
Jasper	x	x	x	
<b>Florida</b>				
Coral Springs		x		
Gainesville		x	x	
Jacksonville		x	x	
Naples		x		x
North Collier			x	
Palm Harbor		x	x	
Regency Park	x			
Tallahassee		x	x	
Tamarac			x	
Venice		x		x
Vero Beach		x	x	
Villages Crossing		x	x	
<b>Michigan</b>				
Auburn Hills		x	x	
Sterling Heights			x	
<b>South Carolina</b>				
Aiken		x	x	
Columbia		x	x	x
Rock Hill		x	x	

In addition to its Long Grove property, Harbor Retirement Associates currently has 478 units at various stages of development in these towns: Shorewood, WI; Naperville, IL; Glen Ellyn, IL; Long Grove, IL; McKinney, TX; and Sarasota, FL.

Because Harbor Retirement Associates is privately held, no public information on their financial status is available. The company's president, Tim Smick has 38 years of experience in the senior care industry, including 14 years leading Harbor Retirement Associates. *Senior Living Executive*, a publication of Assisted Living Federation of America, annually publishes a list of the top 80 senior living companies. The table below reports on the 2013 and 2014 ranking of Harbor Retirement Associates.

**Table 4**

Rank	Company	Total Resident Capacity	Total Independent Living Operational Resident Capacity	Total Assisted Living Operational Resident Capacity	Total Memory Care Operational Resident Capacity	Total Number of Properties	Public or Private	Chief Executive
<b>2013</b>								
44	Harbor Retirement Associates LLC Vero Beach, FL <a href="http://www.hraseniorliving.com">www.hraseniorliving.com</a>	2,404	250	1,575	579	17	Private	Timothy S. Smick President and CEO
<b>2014</b>								
48	Harbor Retirement Associates LLC Vero Beach, FL <a href="http://www.hraseniorliving.com">www.hraseniorliving.com</a>	2,584	265	1,755	623	19	Private	Timothy S. Smick President

Source: <http://www.alfapublications.org/alfapublications/20130304#pg25>

Growth in resident capacity between 2013 and 2014 was 7.5%. With the the 478 units under development coming online over the next two years, the planned growth rate is slightly higher at 9% per year.

### Economic Impact

To determine how the development of an assisted living facility would change Village revenue, the spending by facility employees, residents, and visitors must be considered. Nationally assisted living facilities vary in staffing levels but 150 beds could involve 50 to 75 employees each day. Those employees will shop at local businesses. The visitors meeting with residents also will frequent local businesses.

Although the Village does not currently levy a property tax, it may tap that source in the future and this property is in a Tax Increment Financing (TIF) District where any rise in taxes is segregated into a fund that pays for improvements in the district. The estimated value change could provide an annual TIF revenue of \$375,000.