

To: Village of Long Grove
From: Bridget Lane
Subject: Long Grove Senior Care
Date: June 20, 2014



The Village of Long Grove is reviewing a preliminary PUD Plat for vacant land parcel of 9.96 +/- acres on the south side of Old Illinois Route 53, between Mardan Drive to the east and Long Grove Road to the west. It has 774 feet of frontage on the south side of Old Illinois Route 53, is 427 feet deep on the west, and is 628 feet deep on the east. The applicant proposes constructing a 100 unit assisted living and memory care facility. 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

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 100 units are a 6.6% increase in the market.
2. If only 3% of the Long Grove residents older than 80 years and residents whose parents are nearing that age need to enter assisted living the 100 rooms would be completely occupied.
3. Pathway Senior Living of Des Plaines has experienced senior leadership.
4. The units under management by Pathway Senior Living grew by 2.7% from 2013 to 2014, and this development would be a 7.3% increase in the units under management.
5. Pathway Senior Living does not currently offer memory care in its facilities.
6. The employees, residents, and visitors to this facility would frequent local businesses and thereby increase Village sales tax revenues.
7. The assessed value of the property is expected to increase 100-fold with this development and thereby support the quality of local schools.

Project Description

The property under consideration is approximately 10 vacant acres. The submitted plans call for 100 units that include 40 units dedicated to memory care. This development is northwest of Alden Long Grove Rehabilitation Center.

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 \$45,654.¹

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

The residents of ALFs are generally either parents of families living nearby or residents seeking a more supportive living situation. Because ALFs are private pay, potential residents and/or their supporting

¹ Genworth 2014 Cost of Care Survey

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:

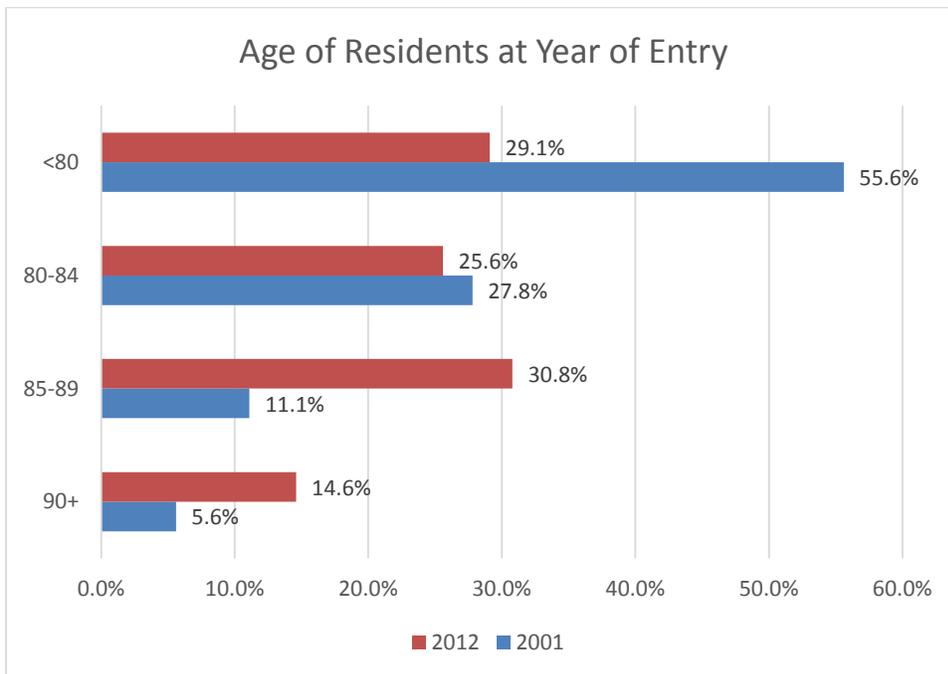


Figure 1

With the population aging into the need for ALF's and a concentration of families that may need supportive care for parents, the markets surrounding the Long Grove Senior Care project fit this proposal.

Long Grove Senior Care

Although Long Grove Senior Care will be operated and managed by Pathway Senior Living of Des Plaines, Illinois, the property ownership is a group of investors organized as Long Grove Senior Care LLC. The Long Grove Senior Care developer-owner is a subsidiary of Gart Partners LLC of Northbrook, Illinois. The principals of Gart Partners have been developing, owning, managing, and operating residential, retail, and office properties in Chicagoland since 1970. Limited Liability Corporations (LLC) is a common commercial real estate investment tool that protects investors from financial liability beyond the amount committed to a specific project. Gart Partners will complete entitlement of the property, and both build and own it; but defer day to day management of the completed development to Pathway Senior Living. This website, http://www.pathwaysl.com/our_communities, lists the properties that Pathways Senior Living currently manages. The table below summarizes the services offered at each location.

Table 3

	Independent Living	Assisted Living	Alzheimer/ Dementia Care	Supportive Living
Illinois				
Park Forest	x			x
Roseland				x
Bartlett	x			x
River Oaks	x			x
Galewood				x
Joliet	x			x
South Chicago	x			x
Sierra Ridge	x			x
Vernon Hills	x			x
Venice	x			x
Elk Grove	x			x
Oak Hill				x
Riverwoods				x
Wisconsin				
Green Bay		x		

Supportive living differs from assisted living in that the services offered qualify for reimbursement when private payer funds are exhausted. Because the Illinois Department of Public Health licenses assisted

living separately from supportive living, the Vernon Hills units managed by Pathways senior living do not appear on Table 1. The submittal to Long Grove reports that this facility will offer only assisted living.

Because Pathway Senior Living is privately held, public information on their financial status is not available. The company’s president, Jerry Finis has more than 16 years of experience in the senior care industry leading Pathway Senior Living. 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 Rank of Pathway Senior Living.

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
2013								
72	Pathway Senior Living Des Plaines, IL www.pathwaysl.com	1,336	0	1372	0	14	Private	Jerome E. Finis Principal/CEO
2014								
73	Pathway Senior Living LLC Des Plaines, IL www.pathwaySL.com	1,372	0	1,372	0	14	Private	Jerome E. Finis CEO

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

Growth in resident capacity between 2013 and 2014 was 2.7%. The 100 units proposed in the Long Grove project would spark a 7.3% increase in units under management.

Economic Impact

To determine how the development of an assisted living facility would change Village revenue, one should consider the spending by facility employees, residents, and visitors. Nationally assisted living facilities vary in staffing levels, but 100 units could involve 35 to 50 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 receive property tax revenue, it may tap that source in the future and Long Grove’s high quality schools rely heavily on that revenue making the increase in assessed value important. Using Lake County property value records it is possible to compare the vacant property’s current assessed value per square foot to the value per square foot of the most similar property in Lake County, Brookdale Plaza Hawthorne Lakes. The assessed value per square foot of land developed as Brookdale Plaza is \$29.42. The assessed value per square foot of the Long Grove property, where the Long Grove Senior Living proposes this assisted living development, is \$0.21.