SESSION 3-D
INCREMENTAL GROWTH
Innovative Design for Independent Living
MAY 12, 2015 / 4:30 – 5:30 P.M.

Kenneth Partin, President/CEO
Givens Estates Retirement Community

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Penick Village

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Arbor Acres United Methodist Retirement Community

Gregg Scott, AIA, Partner
RLPS Architects

Introductions

增量增长

- 低风险
  - 金融风险
  - 测试产品
  - 适应未来
Incremental Growth

• Fast Results
  ✓ Quick to Market
  ✓ Quick to Build
  ✓ Quick on Returns

Incremental Growth

• Increased Diversity
  ✓ Expands Products
  ✓ Attracts New Blood
  ✓ Nimble for Change

Three Case Studies

Givens Estates
Penick Village
Arbor Acres
Overview
Location: Asheville
Founded: 1975
Campus Size: 205 Acres
Residents: 750
Accommodations/Services
Independent Living 402
HUD Villas 78
Assisted Living 46
Skilled Care 70
Memory Care 14

Why Expand ILU?
• Diversify Products
• Replace Old Stock
• Broaden Revenue Sources
Three New Initiatives

- Creekside Homes
- Meadowmont Homes
- Gerber Park

Creekside Homes
Asheville

Strategy for Expansion

- Replace Existing Villas
Strategy for Expansion

- Replace Existing Villas

- Incremental - Phase I

- Incremental - Phase II
Strategy for Expansion

- Replace Existing Villas
- Incremental Phase I
- Incremental Phase II
- Incremental Phase III

Strategy for Expansion

- Presales @ 75%
- Payback @ 3.4 years
- Plan Adjustments
Strategy for Expansion

- New Inventory
- Incremental Growth
- Phase I 18 Cottages
- Three Models

Pre-sales 75%
Strategy for Expansion

- New Inventory
- Incremental Growth
- Phase I 18 Cottages
- Three Models
- Pre-sales 75%
- Payback - Immediate

Strategy for New Development

- Affordable Housing
- Incremental Expansion
- Adjustments if Needed
Thank you!
Penick Village

Community Profile

Mission: We are a family creating a loving community by making each day great for one another.

Vision: We have an uncompromising commitment to deinstitutionalizing the aging experience.

Campus from 1990-2007

• 48 cottages built from 1974-1990
• One building - 1964 with two expansions

Goal for every expansion: Choice!

• Services and care
• Floor plans
  ✓ Diversity for two reasons:
    • Feel
    • Price points
• Cottages
• Apartments
• Best of Both
First Bite of the Elephant: 2007-2008

• $2.35M
• Paid with Entrance Fees
• Generates $300,000 annual revenue
• Only incur variable costs

First Bite

Small House Model of Care

• $2M – Capital Campaign
• ~$700K Annual Rev
• Nearly 100% Census at all times
Small House

Woodlands & Village House Expansion 2010-2011
- $32.4M Project
- 69 Apartments
- Village House = Community Center = Central Hub
- Increased Census by 100

Woodlands & Village House
Update Existing
2012-2015
• Interior and Exterior of Cottages
• Create Residential Assisted Living
• Update of Skilled Nursing

Update Existing

Parkview
• 16 Unit Apartment Building
• Pre-sold
• Annual P&I will be ~ $275K
• Annual Revenue - $700K
Why is this important?

Annual Revenues
FY 2000 $8.65M
FY 2015 $15M

“We have to do well, so we can do good.”

Why is this important?

• Fall in love with the marketplace, not our product
• Fall in love with the marketplace, not our master site plan
• Fall in love with the marketplace, not our wishes

Lessons Learned

• Fall in love with change
• Fall in love with creative
• Fall in love with flexibility
• Feel 100% good about that funky feeling of laying hard on the brakes!
• Re-group often to check the plan
Future

• Can we become a non-entrance fee dependent CCRC?
• What do we have to do to be a free standing CCRC?
• What do we have to do if we become part of a system?

Future

• How do each of our actions create responsible fiscal steps so we can answer all the above questions to best live our mission and vision?

Thank you!
Arbor Acres

Community Profile

- Incorporated: Dec. 1975
- Opened: March 1980
- Campus: 82 acres in Winston Salem, NC
- 501c3 corporation, licensed as a CCRC
- 100% Private Pay (no medicare or medicaid licensing)
- CARF Certification
- FITCH Rating - BBB+
Arbor Acres

Community Profile

- 454 residents
- 264 Independent Living Units
  139 houses and 125 apartments
- 102 Assisted Living Beds
  30 of those as memory care
- 65 Skilled Nursing beds
  all private rooms

Arbor Acres

Situation in 2008

Several original construction one level apartments on campus (28 years old)
- Significant issues
  - Very tired buildings
  - High maintenance costs
  - Small (1 BR 560 SF; 2 BR 800 SF)

Arbor Acres

Situation in 2008

Several original construction one level apartments on campus (28 years old)
- Redeeming qualities
  - Inexpensive
  - Great location (proximity to campus core)
  - Connected to main campus by covered walkway system
  - Served mission of affordable housing
Arbor Acres

Situation in 2008

Several original construction one level apartments on campus (28 years old)

- Poor economy!!! Real estate sales market had evaporated

Arbor Acres

Expansion Goals

- Replace worn outdated properties
- Diversify product offering with a low to medium cost product (mission)
- Generate new and additional revenues if possible

Arbor Acres

Expansion Goals

- Utilize available space without infringing on existing houses
- Minimize up-front capital investment and avoid need to borrow funds
- Allow for incremental growth based on vacancies
- No presales requirement due to not borrowing
Arbor Acres
Solution – The Houses on Bayberry

Bayberry Cluster Homes
- Five clusters of four homes each
  - 2 two bedroom homes
  - 2 one bedroom homes
- Contract signed in fall 2008
- The first two clusters began in March 2009
- Cost $1,637,000 (including site work and covered walkway connecting clusters to existing entrance to apartment building)

Arbor Acres
Bayberry Cluster Homes
- Entrance fees of $1,058,000 (65% of cost)
- All units pre sold before construction begun!!!
- Return on investment – 5.8 years based purely on operating surplus or the turnover of 4.5 units.
Arbor Acres  Bayberry Cluster Homes

- Economy of construction costs by committing to all units regardless of presales
  *If we build them, they will come!*
- A third cluster of four homes built in 2010.
- All presold before construction!!

Arbor Acres  Bayberry Cluster Homes

<table>
<thead>
<tr>
<th>Current fees:</th>
<th>Entrance Fee</th>
<th>Monthly Fee</th>
</tr>
</thead>
<tbody>
<tr>
<td>Two bedroom (1,187 sq ft)</td>
<td>$160,245</td>
<td>$2,652</td>
</tr>
<tr>
<td>One Bedroom (1,060 sq ft)</td>
<td>$143,100</td>
<td>$2,495</td>
</tr>
</tbody>
</table>

100% occupancy since construction, less minor turnover downtime.

Plan to construct clusters four and five in near future.

Arbor Acres  Campus Map
Arbor Acres

Bayberry Cluster Homes

Two-Bedroom

Two bedrooms, two baths, kitchen, dining area, living room, garage. 1160 square feet.

One-Bedroom

Bedroom, bath, kitchen, den, living room. 1000 square feet.
Arbor Acres
Other Initiatives

Thank you!

Q & A