

ASSISTED LIVING PROGRAM

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Assisted Living Program

The purpose of the Assisted Living Program (ALP) is to provide assisted living alternatives for low-and moderate- income frail elderly and other frail persons. It is intended to address the needs of these individuals by creating a supportive residential living environment as an alternative to institutional care. Funding is dependent upon receipt and availability of Medicaid waivers from the Rhode Island Department of Human Services. Developers are encouraged to discuss proposals for assisted living facilities with Rhode Island Housing prior to submitting a proposal.

Developers of assisted living facilities may apply for permanent first mortgage financing and housing tax credits available through the Rhode Island Housing Rental Production Program. In addition, there are various other programs offering low interest loans or grants through the Rhode Island Housing such as the federal HOME Program.

Development Size: While the ALP does not establish formal minimum or maximum size limits, applicants are advised that projects under 50 units may have difficulty delivering needed services cost effectively. Also, given the limited amount of waivers available and the program's goal to test different housing models, it is unlikely that more than 70 waiver units will be available for any one development. Larger developments may also experience longer lease-up periods and substantial initial operating losses. A minimum of 20% of all units must be restricted to occupancy for low-income individuals for a term of 30 years.

Service Requirements: Proposals must include an assisted living supportive services program with case management and either direct provision or coordination through outside service contracts for the following:

- Direct assistance to residents with at least two activities of daily living (ADLs) provided by a Certified Nursing Assistant (CNA) and including but not limited to assistance with bathing, continence, dressing, ambulating, eating and transfers.
- Assistance with housekeeping, medication oversight (to the extent permitted under state law), laundry services and transportation.
- Provision of three meals per day to residents.
- Therapeutic social and recreational programming.
- Twenty-four hour on-site response staff to meet scheduled or unpredictable needs in a way that promotes maximum dignity and independence and to provide supervision, staff and security.

Each proposed development must provide these minimum services. Developers are encouraged to structure rent and service costs in a basic package, while also allowing residents the opportunity to purchase enhanced services at an additional cost.

Target Population: The program is intended to provide assisted living alternatives to low and moderate income frail elderly and other frail elderly who are eligible for or at risk of placement in nursing facility care. While there is no minimum age, it is anticipated that most residents will be in their eighties.

Rent and Service Charges for Market Rate Units: Allowable rent and service charges for the market units must be supported by local area demographic characteristics and market comparables, as established by an independent market study. ***Please be advised that under tax credit regulations, services and rents must be billed separately.***

Rents for Medicaid-Eligible Units: As further detailed below, rent and service charges for Medicaid eligible residents may not exceed the sum of the maximum reimbursable amount under the Medicaid Waiver *plus* the maximum amount available to Medicaid eligible recipients for rent and service charges under the Enhanced SSI program *less* the required personal needs allowance

Enhanced Supplemental Security Income: Medicaid eligible residents who reside in state licensed assisted living facilities are eligible to receive an enhanced level of Supplemental Security Income (Enhanced SSI). Individuals who receive this SSI benefit are allowed to retain a minimum personal needs allowance of one hundred dollars (\$100) per month from their SSI monthly benefit prior to payment of the assisted living facility monthly fee. Developers should contact the Department of Human Services for further current reimbursement rates and details for this program.

Medicaid Waiver Reimbursements: Reimbursements for service and service related charges for Medicaid eligible residents may not exceed the maximum reimbursable amount under the Medicaid Waiver program. The proposed range of these amounts ranges from \$700 to \$1,026 per month.

Tax Credit Units: The total rent and service charges for non-elective services may not exceed the maximum allowable rents for the Housing Tax Credit Program. See Exhibit C, for calculation of rents for tax credit developments.

Unit Type and Mix: Unit types may range from studios to two bedroom apartments. No more than 20% of Medicaid Waiver units may be shared occupancy apartments. Shared bedrooms for unrelated adults will not be financed.

Unit mix guidelines for non-Medicaid Waiver units have not been developed. However Developers should demonstrate the marketability of the proposed unit types and mix. Moreover, since the market for assisted living is evolving, consideration should be given to unit mixes and physical designs that can adapt to changing market conditions as the number of facilities increase.

Design Guidelines: Developers must comply with Guidelines for Assisted Living in Section 4 of the Design and Construction Handbook.

Underwriting Terms and Requirements for Assisted Living Developments

Unless specifically modified in this section, the underwriting requirements for assisted living developments under the ALP will be as described in the Developer's Handbook.

In addition, the following are specific underwriting guidelines for the ALP:

Debt Service Coverage: Minimum of 1.25%. Higher debt service coverage may be required to achieve an 80% loan-to-value ratio.

Operating Expenses: Operating expenses, including both the residential portion and the additional assisted living cost, will be determined on a case-by-case basis in relation to each project's unit mix, building type, systems and components, location, target market, expected vacancy and turnover rates, service provider, management agent, management plan and social services plan.

Vacancy Rates: Rhode Island Housing will underwrite market units at 92% of total potential occupancy and low-income units at 95% of total potential occupancy. Rhode Island Housing reserves the right to increase these rates depending on the information determined by the market study and appraisal.

Occupancy Agreement: An Occupancy Agreement describing the rental and service obligations (including cost to the resident) of the owner and resident will be required. The Agreement should also specify conditions for admission and continued occupancy for residents.

Ancillary Income: Rhode Island Housing will recognize ancillary income equal to 2% of gross rental income if adequately supported by market and other data. Ancillary income may include revenues from beauty shop, sundries store and staff meals.

Replacement Reserves: Required deposits to replacement reserves will be determined on a case-by-case basis. Reserves will be funded from revenues in a minimum amount equal to the greater of 2% of Effective Gross Income or \$700 per unit per year for real property reserves (based on \$200 per unit per year for real property reserves and \$500 per unit per year for personal property reserves, i.e. furniture, appliances, carpeting and equipment).

Management Fees: Management fees may be budgeted in an amount of up to 5% of Effective Gross Income (including residential, service and ancillary income). Larger developments may warrant a smaller percentage. Fees are subject to approval by Rhode Island Housing.

Operating Deficit Reserve: An operating deficit reserve must be capitalized in an amount equal to the projected losses prior to stable occupancy. A 24-month cash flow analysis will be completed to estimate anticipated operating losses during the rent-up period. The cash flow will be based on an appraisal, a market study, information submitted by the Developer and analysis by Rhode Island Housing staff. In general, Developers should assume that a minimum of 10% of the units may be preleased, and thereafter units may be phased-in at a rate of 3-5 units per month. Variable expenses may be phased-in in proportion to the net monthly occupancy rate

while fixed costs should be spread across the full year's operations. Developers should assume that the development would need to run at 100% of its operating budget two months prior to full occupancy.

In lieu of a capitalized reserve, the Developer may also provide an irrevocable direct pay letter of credit as security to cover anticipated losses. Rhode Island Housing staff must approve all letters of credit.

Operating Reserve: A minimum operating reserve equal to 6 months of debt service and 3 months of operating expenses (including residential cost, service cost, and board) must be capitalized in the development budget. The operating reserve must be available to the development for the term of the mortgage. Depending on factors such as the degree of market risk, developer capacity and budget considerations, certain deals may be required to fund operating reserves of up to 6 months debt service and operating expenses. In such circumstances, Rhode Island Housing may consider allowing the incremental amount of required reserves to be funded from pledged incentive developer fee, or cash flow as a priority payment before the repayment of any deferred payment loan and cash flow distributions to the Developer.

Loan to Value Ratio: The Rhode Island Housing first mortgage may not exceed 80% of the stabilized, as-built value as determined by an independent appraisal.

Loan to Development Cost Ratio: The Rhode Island Housing first mortgage may not exceed 80% of the total development cost.

Equity Requirement: In general, the owner will be required to demonstrate a financial stake in the proposed venture in proportion to its financial capacity. A minimum of 20% equity contribution will be required of all Developers. Equity is defined as funds contributed by the general or limited partner(s) to pay approved development costs, but not including funds provided as a result of state or federally funded programs. Sources of equity could include cash, private charitable contributions, or syndication proceeds.

Development Team Capacity

Developers must satisfy the Rental Housing Production Program's threshold requirements for scoring under Development Team Capacity. Applicants for the ALP should also provide evidence for each team member of a successful track record in the development and operation of assisted living or similar types of facilities, such as nursing homes, retirement communities or congregate care facilities. Applicants should also satisfy the following specific team requirements detailed below:

Facility Operator: Ownership structures that utilize an assisted living facility operator are strongly encouraged. This could include an owner operator arrangement, or an owner who contracts or leases the facility to an experienced assisted living operator.

Facility Operators must demonstrate the ability to operate a facility over the long term. In most cases, a minimum lease or contract term of 20 years will be required. Facility operators should have at least 3-5 years direct experience in operating assisted living residences, nursing homes, or independent living complexes with supportive services. Demonstrated experience in serving the needs of the frail elderly is required. Knowledge of supportive services provision and coordination, as well as entitlement service programs, delivery, and payment procedures, is essential.

Marketing Capacity: Direct experience in the marketing of service enriched elderly housing is required, either from the facility operator or marketing agent, if one is used.

Submission Requirements

Applicants for the ALP are subject to the submission requirements for the Rental Housing Production Program. In addition, applicants to the ALP should submit the following items:

1. Development Summary

- Applicants should provide a summary narrative addressing project concept, site, marketability and needs.

Project Concept

- Describe the project concept and market niche. Provide a demographic profile of the target population in terms of age, income, level of frailty, and current living arrangement. Describe how the characteristics of the proposed facility -- including site, building, design, number of units and unit mix, level and type of service and amenities offered, and pricing -- support the target population. Quantify the number of market rate, moderate income, and low-income set-aside units to be offered, and describe funding sources, which will support residents' rent and service charges.

Site

- Describe the proposed site and assess its suitability for the target population and proposed facility in terms of accessibility to transportation, proximity to social and civic services (including shopping, recreational, and health care services), and the influence of the site's location and surrounding land uses on the target market population.

Marketability and Needs

- Identify the project's market area. From which geographic areas and from what current living arrangements do you expect the facility to draw its residents? What organizations or institutions will act as major sources of referral? What is the socio-

economic character of the primary/secondary market area(s)? Describe the demographics of the specific population by income group, elderly housing tenure, and housing values and rents. Describe any existing or planned competition to the proposed development, as well as similar formal or informal support systems available to the target resident population. Include information on area home health care providers, homemakers, congregate care or retirement facilities, etc.

NOTE: Developer should attempt to respond to these market questions as thoroughly as possible. It is recommended that an independent market study in accordance with Rhode Island Housing market study specifications be completed prior to Preliminary Approval for funding under the Rental Production Program.

2. Assisted Living Services Plan

Applicants should provide a narrative of the services to be provided on site, including, for example, food services, 24 hour staffing; personal care assistance with ADLs (dressing, bathing, ambulating, toileting, transferring, eating); housekeeping; laundry; counseling; transportation; and home healthcare services. The plan should identify whether services will be provided through facility-staffed programs or through contracts with outside vendors. Plans to coordinate services or service referrals through local service agencies or institutions should also be described. Applicants should describe how increasing or changing needs will be met over time and what measures will be taken (e.g. individualized care plans and resident participation in care plans) to ensure that each resident's needs, preferences, and freedom of choice will be respected. The plan should also describe how the facility would promote and encourage a strong and positive relationship between residents and their families.

3. Staffing and Organizational Structure

Recent industry studies have shown that the quality of services and staffing offered by an assisted living facility is critical to its successful operation. In light of this, applicants should provide a narrative describing how the organizational structure of the proposed facility will reflect the goals and mission of the developer, meet the needs of residents, and enable the facility's successful operation according to its assisted living services plan. Applicants should provide an organizational chart showing lines of accountability and responsibility, as well as a description of the anticipated staffing, including job titles, descriptions, number of positions, salaries, and full-time equivalents. The narrative should clearly articulate how the staffing will be utilized to assure smooth and efficient day to day operations, weekend coverage, 24 hour emergency coverage and coverage during employee absences due to vacation or sickness. The narrative should describe plans for staff training and development.

4. Proforma and Supplemental Narrative

Applicants should submit a disk and hard copy of the proforma included in the RFP. To the extent not covered in the proforma, applicants should also provide a supplemental narrative clarifying the following:

- Sources and amounts of revenue for different unit types (e.g. studio vs. 1 bedroom; low vs. market rate).
- Sources and amounts of revenues derived from monthly flat fees vs. a la carte services or ancillary income.
- Rent and service fees paid from resident's own funds vs. funds from subsidy sources, including Medicaid or Medicare reimbursements.
- Cost of real estate management versus service cost.
- Fixed vs. variable service related expenses.
- Detailed itemizations for staff and supplies for each program area (e.g. food services, personal care, housekeeping, etc.)

5. Application Processing

In general, applications for the ALP will be subject to the underwriting standards, submission requirements and scoring criteria contained in the current Rental Housing Production RFP. *However, applications that propose to utilize financing solely under the HOME program or non-Rhode Island Housing financing sources, may qualify for a waiver of some of the requirements in the RFP.* Developers should contact their assigned Rhode Island Housing Development Officer for further information.

Once a project has received Board approval for Rhode Island Housing financing (or a final commitment for financing from another source) and a Rhode Island Housing staff recommendation for approval to participate in the ALP, this recommendation will be forwarded for final action and disposition to the Department of Human Services.