FUTURE PLANNING FOR SENIOR LIVING

SHOULD YOU CONSIDER A SATELLITE COMMUNITY?

Warwick Woodlands in Lititz, PA

Satellite communities are popping up around the country in many shapes and forms. Life Plan Community (LPC) sponsors and other senior services providers are increasingly turning to this expansion option when current campuses are built out, partnership opportunities emerge or new markets are explored.

As senior living providers seek creative opportunities to maintain vitality and market presence, satellite campuses can offer distinct advantages for attracting a new generation of older adults.

- Growth opportunity
- Expanded market reach
- Distinct alternative product such as living in a more urban setting
- Unique partnerships such as University Based Retirement Communities
- Leveraging existing campus resources and services
- A new value proposition – from Care Model to Vitality Model

Land is Finite: Expand via Satellite

A significant impetus for the uptick in satellite campuses is the opportunity to expand beyond existing campus "walls." As smaller, single site providers struggle to survive in an era of increasing competition, operating cost increases and diminishing Medicare reimbursements, independent living growth is becoming an imperative. However, it is not always possible or desirable to increase density on an existing LPC campus.

Many communities, like Vicar's Landing in Ponte Vedra Beach, Florida, are at or near their development capacity. The Life Plan Community was developed in 1983 on a 24.3-acre site within Sawgrass, a private resort and residential community that is also home to the flagship Tournament Players Club (TPC) for the PGA Tour. The main campus has flourished with a robust wait list, but the site has been built out over the years. A new satellite property, less than a mile away, fulfills the need for future growth capacity.

> *"The demand for Vicar's Landing has exceeded our capacity for years since we had built out the existing property and had height restrictions that prevented us from building up. The ability to purchase a large, nearby tract of land to build the Oak Bridge satellite campus allows us to address the demand," says Bruce Jones, Vicar's Landing CEO.*


Vicar's Landing in Ponte Vedra Beach, Florida

Other communities, particularly those in tightly developed areas, face an onerous entitlement process making on-campus expansion difficult or even impossible. While renovations can help make older housing appealing to current consumers, this strategy works best in concert with some level of expansion — especially since housing updates frequently involve combining smaller units which ultimately results in a reduced census rather than growth.

Moravian Manor Communities has accomplished critical growth through two satellite expansions. The first "bite sized" expansion encompassed 12 "Townhomes on Hendricks Place" on a 3.5 acre infill site across the street from the original campus. This was followed by development of a nearby 72-acre property into the Warwick Woodlands campus. The first phase included ten freestanding two-story townhomes, 70 duplex carriage homes and 56 apartments, as well as a restaurant that is open to the public. Later phases have added more carriage homes and subsidized apartment homes.

> *" Moravian Manor's continuous transformation over time of the Warwick Woodlands campus has been spectacular. Satellite campus growth tends to attract strong interest from investors," says Amy Castleberry, Managing Director for Ziegler.*
>
> *" Bank lenders and institutional investors view these smaller scale projects as less risky than the development of a full-scale campus all at once. In addition, the reduction or elimination of amenity and healthcare space provides significant construction cost savings and a more affordable project."*

A satellite location allows for growth without compromising scale or overcrowding a campus. Focus groups for LPCs throughout the country have highlighted that both current and prospective residents value open greenspaces on campus. These stakeholders frequently have concerns about community growth negatively impacting their living experiences. Construction activity on a satellite location also avoids disrupting daily activities for current residents and staff members.


Warwick Woodlands in Lititz, PA

Expanding Your Reach with a Satellite Community

A satellite campus provides a means to reach a wider base of potential residents, and often an untapped or underserved market. This could be a younger cohort – with many satellites focused on 55+ active adults – or a different income level, culture or special interest.

Chestnut Ridge at Rodale, currently under construction, has enabled Phoebe Ministries to expand its geographic reach. This community, repurposing the former Rodale publishing campus in Emmaus, Pennsylvania, offers a wellness focused lifestyle for those over the age of 60.

> "Adding a satellite campus can help a Life Plan Community extend reach into the market or attract a different demographic (i.e. middle-market)," says Lynn Daly, Executive Vice President for H.J. Sims. "Our providers are often able to add these satellite independent living campuses without adding significant new overhead. Being able to spread the community's overhead over more revenue-producing units increases the financial feasibility of the satellite campus, even if/when targeting a more moderate price-point. It's a great way to expand your mission and impact more lives."

Satellite communities offer an alternative to living directly on a retirement campus. This enables community sponsors to extend their reach to those who may not be ready to consider a full-service Life Plan Community representing the entire continuum of care. A satellite location can also avoid the potential for creating an "us versus them" dynamic that can result when a new neighborhood is added to an older campus.

> "We are seeing more senior services providers considering workforce housing," shares Eric Endres, Partner at RLPS Architects. "A satellite campus can be a good fit for incorporating intergenerational housing to address this need."

The Oaks at Cypress Cove is a 65+ satellite luxury home expansion. The 12-acre gated campus includes 24 elevated residences, 24 villas and a clubhouse. All of the residences feature smart home technology and upscale finishes. Though it is part of the Cypress Cove community, the new site provides an exclusive brand that could not be accomplished as part of the main campus.

> "Satellites are a great tool for 'microbranding'," shares Margaret Yu, RLPS Director of Client Experience. "You can create a new product with its own brand without diluting or conflicting with your existing persona in the marketplace."

A satellite community also provides an opportunity for implementing sustainable design initiatives on a smaller scale. Passive design, WELL Building, LEED or other innovative strategies could be explored as a means of mission alignment. This could also serve as a market differentiator, appealing to stewardship-minded consumers.

3 Provide a Downtown Alternative

According to an AARP poll[1], older adults want to live in a community with grocery stores, health care providers, safe parks, trails and streets, and opportunities for community engagement. A 2022 Wall Street Journal article[2] reinforces the idea that seniors want to live where there are choices for dining, entertainment and shopping nearby.


The Oaks at Cypress Cove in Fort Myers, Florida

Landis Place on King in Lancaster, PA

Many LPCs are located in a suburban or rural setting with no walkable connection to off-campus amenities, services or even other types of non-senior housing. A satellite campus allows these community sponsors to offer an urban alternative to a stand-alone, isolated setting. And urban does not have to mean a major city — in fact many satellites are springing up in conjunction with the revitalization of smaller towns and neighborhoods.

Moravian Manor Communities' Warwick Woodlands campus serves as a natural extension and connection between downtown streets and sidewalks. The community includes limited on-site amenities with the intention that its active adult residents will avail themselves of the many downtown resources. Services like dining and housecleaning are a la carte so residents can choose what fits their lifestyle.

Developing an urban satellite community provides the opportunity to attract new residents who want to experience a connected, pedestrian-friendly lifestyle, taking advantage of the sense of history, place and diversity a downtown has to offer. This may include a Life Plan Community association, but can also function as a separate entity.

> *" Another opportunity we are starting to see for satellite campuses is the redevelopment of former religious order sites or former parochial schools in cities and inner ring suburbs," says Castleberry.*

Currently under construction, Landis Place on King in Lancaster, Pennsylvania is 55+ housing designed to serve older adults at a moderate or lower income level. This rental housing option does not have advance fees and avoids the higher asset and income level requirements associated with a traditional Life Plan Community. Landis Place on King also responds to consumer preferences for a diverse living experience that provides authentic inclusion in a thriving downtown community.

> *"Our vision is that Landis Place on King be an integral part of the West King Street neighborhood and complement the residences and businesses that already exist and make the neighborhood so special," said Evon Bergey, Vice President of Operations for Landis Communities.*

Placing a satellite community in an urban setting capitalizes on an existing network of services and amenities. The existing infrastructure requires no financial investment by senior services providers, although there is the potential to form mutually beneficial partnership arrangements.

Simply locating the satellite within a vibrant downtown creates an attractive living option with an incredible diversity of dining and service options well beyond a typical LPC budget.

> *" Innovative providers will leverage the thriving economy adjacent to an urban satellite location to populate tenant space and bolster revenue without incurring operational costs," states Dan Godfrey, AIA, RLPS Partner. "It's the best of both worlds."*

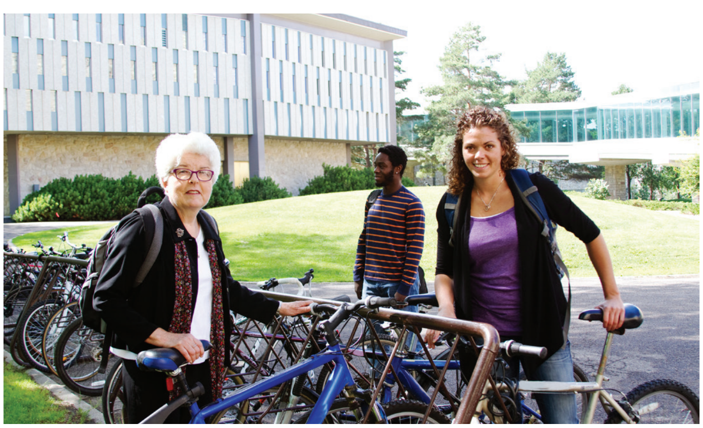
4 The UBRC Option

There has been a good deal of buzz around University Based Retirement Communities (UBRCs). Even in the midst of the COVID-19 pandemic, industry experts have predicted a rise in their number[3] as both higher ed and senior living seek creative strategies for future vitality.

Andrew Carle, former Director of George Mason University's Program in Seniors Housing Administration, is credited with coming up with the term, University Based Retirement Communities,™ along with specific criteria to qualify as a UBRC.[4] However, there are a number of business and operational variations that have been mutually beneficial for colleges and senior living providers. Each partnership is somewhat unique and terms are often used interchangeably.

For senior living providers, a UBRC provides a differentiator in an increasingly competitive marketplace. It can provide instant branding and name recognition, as well as staffing resources in the form of student internships or part-time employment. There are the obvious benefits of authentic lifelong learning experiences and intergenerational interactions. However, UBRCs can also offer more robust athletic, recreational and performing arts amenities than a typical retirement community campus.

The Village at Penn State in State College, PA



Beverly Asper, Director at Baker Tilly US, states, "A market study is imperative not only for determining if some form of UBRC is viable, but also, the size and price point your local market can support, as well as the appropriate levels of care to be included."

Anticipated alumni impact should also be considered, along with competition and other market factors.

"A market study can help determine how likely alumni are to move into this type of community," Asper points out. "Current UBRCs report anywhere from 50% to less than 10% of their resident population being alumni or former faculty and staff. This variability can be a reflection of various factors including geographical location, alumni engagement trends and strength of ties between the two entities."

Universities and senior living providers have much to offer one another. There is no standard LPC / UBRC formula for success beyond the basic themes of lifelong learning and intergenerational connections. This means that each institution and senior living provider must determine the best fit for their specific circumstances. It all starts with a conversation to envision the potential for what can be achieved.

Edenwald Senior Living and Goucher College are currently exploring the potential to jointly develop a University Based Retirement Community (UBRC). The two organizations are considering new residences immediately adjacent to Edenwald on land leased from Goucher College.

"The vision is to take advantage of shared opportunities for academic, social and cultural programming," according to Mark Beggs, Edenwald President and CEO. "The UBRC concept integrates lifelong learning with attractive residences, services and amenities tailored for active seniors."

5 Leveraging Current Resources So That Satellite Campuses are Not Just for Active Adults

Most satellite expansions tend to focus on independent living, often targeting a younger group than those who would typically consider a Life Plan Community. Sometimes at-home services are available or residents may have the option to transition to the main campus if they require a higher level of care at some point.

At Landis Place on King, an on-site care navigator will connect moderate income residents to services in the broader community.

Other sponsors have included higher care options. The decision is influenced by various factors such as distance from the main campus, desire to introduce a new care model or simply mission-alignment.

> *"If those living at a satellite campus will have access to the full continuum of care, then capacity to either provide that care through the existing campus infrastructure or by including a care component in the satellite expansion must be part of the equation," says Yu.*

Vicar's Landing's Oak Bridge Campus will initially include 109 independent living units consisting of 43 cottages and two apartment buildings containing 66 flats. The master plan calls for assisted living and memory care residences to follow in later phases to serve this increased census.

Satellite communities can function independently as stand-alone communities. There can also be varying levels of connections to daily life on the main campus. Depending on proximity, this can require frequent transportation services between the campuses.

For Vicar's Landing, there will be transportation between campuses and intentional introduction of complementary amenities, rather than duplicating services and spaces.

> *"With the proximity of the two campuses, we built the Oak Bridge campus to complement, rather than duplicate, amenities. We anticipate residents from the main campus going over to the Oak Bridge campus for dinner, for events, and vice versa," Jones said.*

A satellite campus can be the means for a community sponsor to adjust overall census for long-term financial stability.

Communities that are struggling with a low ratio of independent living units to skilled care beds often turn first to downsizing skilled care, which may leave underutilized or empty buildings on campus. Instead, others have turned to a satellite community as a means of rightsizing higher levels of care.

6 Satellite Campuses Provide the Opportunity to Shift from a Care Model to the Vitality Model

Most LPCs have embraced the need to transition from a traditional "Care" model to a future-ready "Vitality" model.

> *"Before COVID, the senior living industry was already shifting from the current continuum of care model to more of a resident directed care model with a focus on wellness and preventive health," states John Franklin, Principal for Pearl Creek Advisors, LLC. "Like many other industries, the pandemic has accelerated senior living services providers into the future. COVID has shown that it is imperative that organizations shift from the current care model to a vitality model that emphasizes social connection, healthcare navigation, purpose and agency. "*

But embracing the need and implementing the change are two different things. Many longstanding LPCs struggle with this implementation in terms of resident and staff member resistance to change.

Current residents are apprehensive about losing services and access to care, and ultimately end up paying more for less. They fear an 'us versus them' culture will emerge from this transformation. Depending on the implementation strategy, their fears may be well-founded.

Staff members often feel change will force them to inherit additional responsibilities to keep current residents happy while addressing new resident expectations. This fear layered on top of a team of people that is already spread too thin due to workforce shortages can be the breaking point for some.

The domino effect of this fear-based resident and staff resistance then causes cautious leadership to hesitate about implementing a change that could result in a loss of valuable staff members and unhappy current residents. The unfortunate consequences of this transformation avoidance can cause once-vibrant life plan communities to gradually become obsolete. Meanwhile, competitors offering the new value proposition of a vitality-based community are poised to capture the former's market share.

A value-shift is perhaps the greatest advantage of a satellite community.

"Having spoken on this topic in front of many boards and industry conferences, I hear that many existing organizations are finding it very difficult to make the culture shift in adopting this new value proposition," Franklin shares. "Building a satellite community without the headwinds of an existing culture that resists change creates an excellent path by which organizations can adopt and execute on the new value proposition."

It allows community sponsors to adopt and operate a vitality-based model campus without having to drag reluctant team members and existing resident populations through the philosophical and physical transformations that must occur. The new campus model, once up and running successfully, can then provide the assurances needed to persuade parent-community staff members and residents of the benefits of the new value proposition.

Is a Satellite Right for You?

Like any development today, creation of a satellite community has its challenges. Escalating land and construction costs, site scarcity and lengthy entitlement processes are just a few of the potential obstacles.

There can also be concerns about the potential "risk" associated with a new development and the resulting impact on an existing community.

"At HJ Sims, we've financed satellite campuses as part of the Obligated Group, leveraging the strength of your main campus. More often than not, our clients prefer to finance the new campus as a stand-alone, separate entity with no-recourse to the parent," shared Daly. "That way, in the unforeseen situation that the satellite campus fails, it does not have a detrimental impact on the 'mother-ship'."

While urban areas represent an opportunity to reach more people, competition is likely to be higher for those sites. American Seniors Housing Association President David Schless has predicted that one-fourth of new senior living development over the next five years will be in downtown urban areas[5] as developers recognize these areas have been underserved by the sector, which in the past has focused on the suburbs.

The 3.5 acre site for The Townhomes on Hendricks Place illustrates the potential for a protracted process when seeking an "in-town" satellite location. This bite-sized expansion entailed four land purchases spanning a period of 30 years!

Regardless of the type of satellite campus being considered, senior services providers should start the conversation with marketing and financial advisors.

"One of the most important considerations is "Will you be competing with yourself?" says Craig Kimmel, AIA, RLPS Partner. "If your current site is at capacity and you just need space to grow, it may not be an issue. But, if it's a neighboring property with a similar product to what you already have, it could directly impact your ability to market your existing (and most likely older) housing stock in the future."

A satellite community does not have to conform to traditional financial constraints. Financial variables, like entry fees, monthly charges and operational costs can be reinvented based on the new context of the satellite.

"Entry fees and/or monthly rent could vary depending on whether the new building includes tenant space or other revenue generating program elements," states Godfrey. "Services and operational costs could be offset by preexisting adjacent services in the surrounding urban fabric. Monthly rates may differ if services are purchased ala carte style as the needs of the occupants evolve."

Hendricks Place Townhomes in Lititz, PA

Once financial feasibility and market potential is confirmed, RLPS assists with site planning including test fits to determine density that can be achieved for various housing types. Our team also reviews potential amenities, walking distances, access points, service connections and other issues directly impacting the senior living experience and future marketability.

Research conducted by Ziegler's Senior Living Investment Banking team shows that of all of the new not-for-profit communities currently in the planning or development phase, roughly one out of three are satellite campuses that will be in close proximity to an existing, full-continuum community.

> *"This is a very attractive growth strategy for providers who are looking to build upon their existing brand and bring forth an alternative choice for seniors in their market", says Lisa McCracken, Ziegler's Director of Senior Living Research.*

With proper planning, satellite campuses allow for incremental growth and expanded market reach. They can neighbor a main campus or be located in another geographic area. A satellite can appeal to a new market group or meet a need for more of what already exists at a Life Plan Community.

There is no standard template. The right mix of housing and amenities should be tailored to each sponsor's unique mission, values and market realities.

Considering a satellite community?

We'd love to talk to you about your objectives and site potential to support those goals.

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Satellite Site Considerations

- **Does the site offer sufficient density to offset development costs?**
- **What services are available to this site – is it easy walking distance to a downtown or other location for services and supplies?**
- **How will staffing be handled for the satellite? Is it close enough for shared resources?**
- **Will residents from the satellite access the main campus and/or vice versa?**
- **Will an on-site care component be needed or can care be provided by new or existing home health and/or home care service lines?**
- **Are there existing amenities or site infrastructure that you can leverage?** (e.g. buildings that can be converted to senior living uses or shared uses with greater community, natural features that should be emphasized, etc.)
- **Does the satellite offer opportunities to partner with other entities or proximity to services planned or already in place?** (e.g. a downtown, college campus or mixed use development that has restaurants, a clinic, beauty salon etc.)
- **Does the location/product offering complement what you have now?**
- **Will the satellite campus be an extension of parent brand, or will it have a new brand identity? How will marketing efforts support and/or be impacted by this?**

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RLPS Architects' Contributors: Eric Endres, Dan Godfrey, Craig Kimmel and Margaret Yu

Footnotes
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