

A Comprehensive Senior Housing Needs Analysis in Rockford, Minnesota

Prepared for:

Rockford HRA
Rockford, Minnesota

June 2011



Maxfield

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June 24, 2011

Ms. Nancy Carswell
Rockford HRA
6031 Main Street
Rockford, MN 55373

Dear Ms. Carswell,

We are pleased to present our study titled "*A Comprehensive Senior Housing Needs Analysis in Rockford, Minnesota.*"

Based on our analysis, several factors strengthen the ability of Rockford to support the development of new senior housing, including a growing senior population and household base, high percentages of homeownership and income-eligibility (for market rate housing), stabilizing for-sale housing market, strong community orientation patterns, and lack of existing senior housing alternatives in the PMA. These factors, when considered alongside calculated demand, give insight into the types of and timing for new development that will meet the housing needs of seniors in the City of Rockford.

The conclusions and recommendations section of this analysis provides three housing related priorities for the City of Rockford, including funding for an elevator at Rockford Manor (immediate need), 20-24 unit service-intensive facility (anytime within 5 years), and 30-unit market rate active adult rental community (5 to 10 years). Detailed recommendations on the positioning and marketing of these housing concepts are provided along with estimated absorption rates.

We have enjoyed completing this study and are available should you have any further questions or require additional information.

Sincerely,

MAXFIELD RESEARCH INC.

Matt Mullins
Vice President

Kristi Freiborg
Research Analyst

Attachment

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Introduction

Maxfield Research Inc. was engaged by the Rockford HRA to assess the housing needs of seniors in Rockford, Minnesota. The analysis includes recommendations on the amount and types of senior housing that should be developed in order to meet the needs of current and future older adult and senior households who choose to reside in the City.

Summary of Findings

- Maxfield Research reviewed eight sites as identified by the City of Rockford as potential senior housing locations. A review of senior housing site selection criteria and a site ranking is summarized in the *Location Evaluations* section of the report.
- The primary draw area (“Primary Market Area”) from which the majority of demand for senior housing in Rockford will be generated includes Rockford City, Rockford Township, and Greenfield City. Remaining demand will be generated from seniors who live just outside the draw area and have an orientation to Rockford, seniors who are choose to return to Rockford from retirement locations, and parents of adult children who live in or near the area.
- The older adult and senior population is growing significantly faster than the population as a whole. Over the next five years, the 55+ age cohort is projected to add +305 households, which will directly increase housing need for senior housing alternatives.
- Factors that strengthen support for senior housing in Rockford include forecast growth among senior age cohorts, high percentages of homeownership and income-eligibility (for market rate housing), strong community orientation patterns, and lack of available senior housing alternatives in the local area.
- The types of senior housing available today form a continuum of care from a purely residential level to intensive medical care. Products range from completely independent active adult products to service-enhanced congregate housing and service-intensive assisted living and memory care housing.
- The only existing senior housing facility in the Primary Market Area is Rockford Manor, a 24-unit active adult rental community that offers subsidized housing through the Rural Development program. The building has no vacancies and has two seniors on the waiting list.
- With the lack of existing senior housing alternatives in the PMA, senior residents of the Primary Market Area must relocate to senior housing alternatives outside the PMA in order to find housing and services that meet their needs. The survey of senior housing alternatives located near but outside the PMA reveals that nearby facilities are experiencing strong performance and high occupancy levels.

EXECUTIVE SUMMARY

- By 2020, excess demand for senior housing alternatives that could be captured by a project(s) in the City of Rockford is estimated as follows:

• Market rate active adult rental	=	33 units
• Market rate active adult ownership	=	15 units
• Affordable active adult rental	=	8 units
• Subsidized active adult rental	=	10 units
• Congregate	=	23 units
• Assisted living	=	15 units
• <u>Memory care</u>	=	<u>11 units</u>
Total	=	115 units

- Senior housing-related priorities identified for the City of Rockford are the following:

- 1) Seek funding for addition of elevator at the existing Rockford Manor (immediate need)
- 2) Develop a 20-24 unit assisted living and memory care facility, including units for both private pay and Elderly Waivers residents (by 2015)
- 3) Develop a 30-unit active adult market rate rental community (5 to 10 years)

Study Impetus

Maxfield Research Inc. was engaged by the Rockford HRA to assess the housing needs of seniors in Rockford, Minnesota. No specific site was considered in the assessment but a discussion of several possible sites that could accommodate senior housing is provided. The *Comprehensive Senior Needs Analysis* provides recommendations on the amount and types of senior housing that should be developed in order to meet the needs of current and future older-adult households who choose to reside in the City. Senior housing needs were evaluated across the continuum of care; including active adult, congregate, assisted living, and memory care.

Scope of Services

The scope of the study includes:

- Discussion of possible sites for senior housing development;
- Delineation of the primary draw area (“Primary Market Area”) for senior housing products in Rockford;
- Analysis of demographic trends and characteristics that would impact the demand for senior housing in Rockford;
- Survey of existing and pending competitive senior housing alternatives in and near the Primary Market Area;
- Calculation of the number of senior housing units needed in Rockford by product type in 2010, 2015, and 2020;
- Specific recommendations for a senior housing community in Rockford that would meet the needs of seniors living in the PMA;
- Discussion of marketing recommendations to increase the effectiveness of the marketing campaign and to expedite the absorption period;
- Estimation of projected rate of absorption of the senior housing units by service level.

This report includes both primary and secondary research. Primary research includes interviews with rental property managers and other housing professionals. Secondary research is credited to the source when used, and is used as a basis for analysis after a careful review of other factors that may impact projections. All of the information on existing and proposed housing developments was gathered by Maxfield Research Inc. and is accurate to the best of our knowledge.

Potential Sites for Senior Housing Development

Maxfield Research Inc. concisely reviewed eight sites as identified by the City of Rockford as potential senior housing locations. The following is a discussion of site location criteria and an evaluation of the sites under consideration.

Senior Housing Site Selection Criteria

Although location is a critical component for locating a new senior housing project, site selection for senior housing combines three separate industries: real estate, health care, and hospitality. As such, the dynamics of a good site can be skewed based on the product type (i.e. active adult lifestyles vs. service-intensive housing).

Regardless of the type of senior housing considered, there are numerous questions and criteria to assess when evaluating potential site locations for future senior housing. Perfect sites are rare, as there usually has to be some compromise and trade-offs. The following questions should be addressed when analyzing a senior housing site location:

- Are the surrounding land uses compatible, well-maintained, and aesthetically pleasing?
- Are there any negative environmental issues that cannot be corrected?
- Site acquisition costs (i.e. purchase price)?
- Is the property located in a flood plain?
- Is the proposed project out-of-scale relative to surrounding land uses?
- What does the zoning code and comprehensive plan reveal regarding permitted land uses?
- Does the site have the necessary utilities?
- Does the site allow for adequate open space, circulation, and parking?
- Can the site accommodate fire safety equipment, trash removal trucks, etc.?
- Is there adequate road frontage?
- Does the site allow for ingress/egress, visual separation from surrounding land uses, and space for adequate landscaping and lighting?
- Is the site walkable for residents?
- Proximity to public transportation, groceries, shopping, banking, places of worship, parks, pharmacies, and medical clinics?
- What is the proximity of the site to caregivers and employees?
- How many units are permitted on the site?
- Will the land and infrastructure costs model a financially viable development?
- What is the proximity of the site to other competitive senior housing facilities?
- Will local citizens object to the planned use?

Although there are countless questions to ask when evaluating a future site location, the aforementioned list provides a benchmark when weighing site selection criteria.

LOCATION EVALUATIONS

Potential Sites in Rockford

The map on Page 5 illustrates the eight potential locations that are identified for potential senior housing development. The following text summarizes each of the sites as reviewed via a wind-shield survey of the site locations. It should be noted our evaluation is from a marketability stand-point only and does not consider all of the criteria as outlined in the *Senior Housing Site Selection Criteria* on Page 2. Aerial photos of the eight sites and a site location map follow.

Proposed Site 1

The first potential site is located in the *Meadows of Rockford* subdivision which is a detached townhome development that has been developed since 2005. The subdivision is located just west of Hamlin Avenue/Elm Street circling around Iris Lane. The subdivision is platted for 55 lots; 26 lots are platted around the outer-edge of Iris Lane and the remaining 29 lots are located within the perimeter. The potential senior site is located within the Iris Lane perimeter on land that is vacant.

Proposed Site 1 – Iris Lane



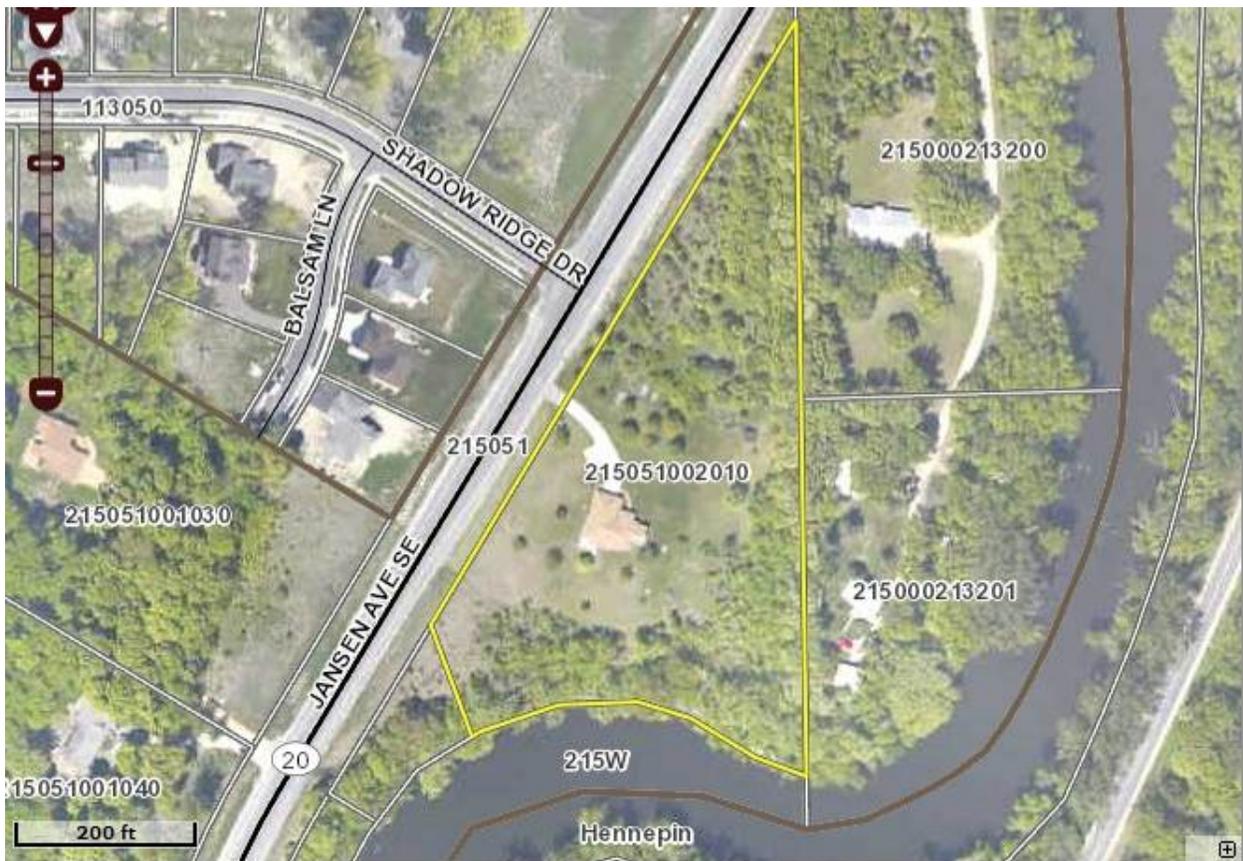
LOCATION EVALUATIONS

Due to the one-level living lifestyle among detached townhome buyers, the subdivision could be re-positioned to accommodate senior housing resulting in an “aging in place” neighborhood. Detached townhomes typically have a high percentage of active older adults (55 and over) that desire maintenance-free living. However, it is very likely the existing *Meadows of Rockford* homeowners would oppose a multi-story senior-living building directly across from their homes. Even so, the interior parcel could be rezoned to accommodate a one-level living senior concept that has residential architectural features that would blend with the surrounding neighborhood.

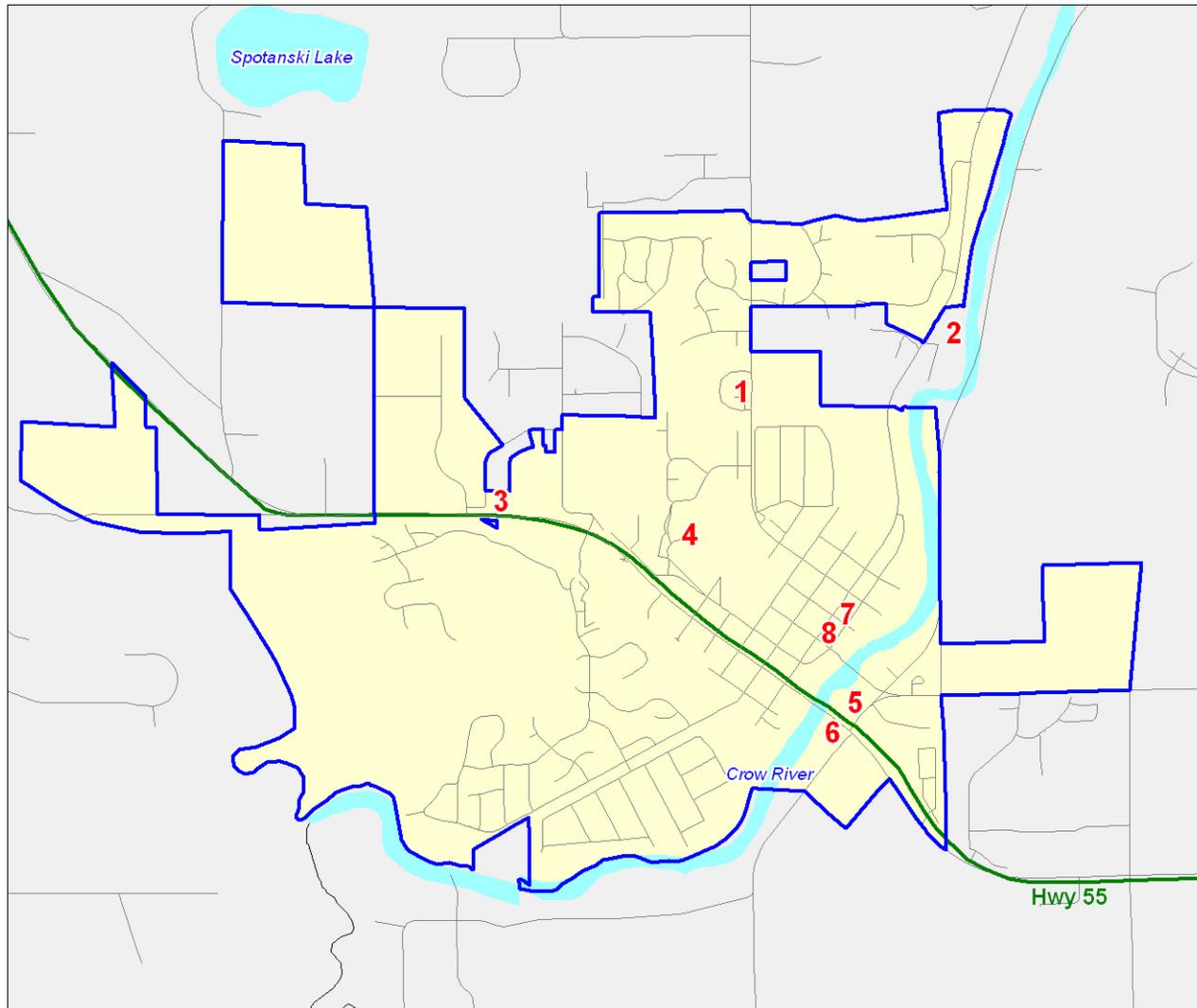
Proposed Site 2

The second site is located just outside of the municipal border northeast of Downtown Rockford. The site is located along Jansen Avenue SE east of Shadow Ridge Drive. The property is zoned “R-1 Urban/Rural Transition” and abuts the Crow River on the southern property border. Although the property is not within municipal boundaries at this time, the City of Rockford would annex the property should development ensue.

Proposed Site 2 – East of Jansen Avenue SE



Potential Sites for Senior Housing Development



LOCATION EVALUATIONS

The property would have excellent access and visibility from Jansen Avenue SE. and would be a short drive from Downtown Rockford. Although the site would be easily accessible to most Rockford residents, persons unfamiliar with Rockford may have difficulty finding the site if they are unfamiliar with the community. Therefore, should a senior housing developer pursue this site, we recommend signage from Highway 55 that would direct traffic to the site. Due to the remoteness of the site, the property would best suit frailer seniors who would not want the pedestrian friendliness that more active independent seniors would seek (i.e. proximity to shopping, church, library, etc.). Finally, the property could also be positioned to take advantage of river views. Although the site could be positioned to take advantage of river views, the proximity to the flood plain could hinder future development on this site.

Proposed Site 3

Proposed Site 3 is also known as the “Blaine Jones” site. The property has Highway 55 frontage and is located just east of the Highway 55 and Bleck Road intersection. The site is on the border of the municipal border is zoned Highway Commercial. Access to the site is via Gilbert Avenue Southeast and the site has excellent highway visibility. Given the site’s proximity to Highway 55 and the commercial/industrial land uses to the northwest of the site, the site is more oriented towards commercial uses. However, if senior housing was pursued on the site, a service-intensive product such as assisted living or memory care would be preferred.

Proposed Site 3 – Blaine Jones



LOCATION EVALUATIONS

Proposed Site 4

Proposed Site 4 is located in the Boulder Ridge subdivision of Boulder Ridge Drive. The subdivision is zoned R-2 Medium Density and has been developed with twinhomes since 2005. However, a large portion of the subdivision remains undeveloped due to the slowdown in the housing market. As a result, the western half of the site could be replatted and repositioned for alternative residential uses. Given the site's surrounding residential uses the site should remain a residential location, however a low-density senior housing product such as cottage-style patio homes could be well-positioned in this neighborhood. We do not recommend a high-density vertical multifamily product due to the existing residential land uses.

Proposed Site 4 – Boulder Ridge Area



LOCATION EVALUATIONS

Proposed Sites 5 & 6

The corner of Highway 55 and Rebecca Trail includes two potential sites for development. These sites are located near the eastern municipal boundary and are potentially “gateway” sites into Rockford from the westbound motorist. Both sites are adjacent to the Crow River on the western boundary and are zoned and guided for commercial development.

Site 5 is located northwest of the intersection and has an abandoned commercial use on the site. The property is bound by single-family to the north and is a short walk to Downtown Rockford. Site 6, located southwest of the intersection, is vacant and is north of an existing multifamily housing development and is directly west of a commercial/industrial use

Proposed Sites 5 & 6 – Highway 55 & Rebecca Trail



Both sites could support senior housing development; however we find Site 5 to be the preferred location at the intersection of Highway 55 and Rebecca Trail. Site 5 has more appeal from a development perspective due to its “right-in right-out” on Highway 55, adjoining land uses, and walkability/proximity to Downtown Rockford

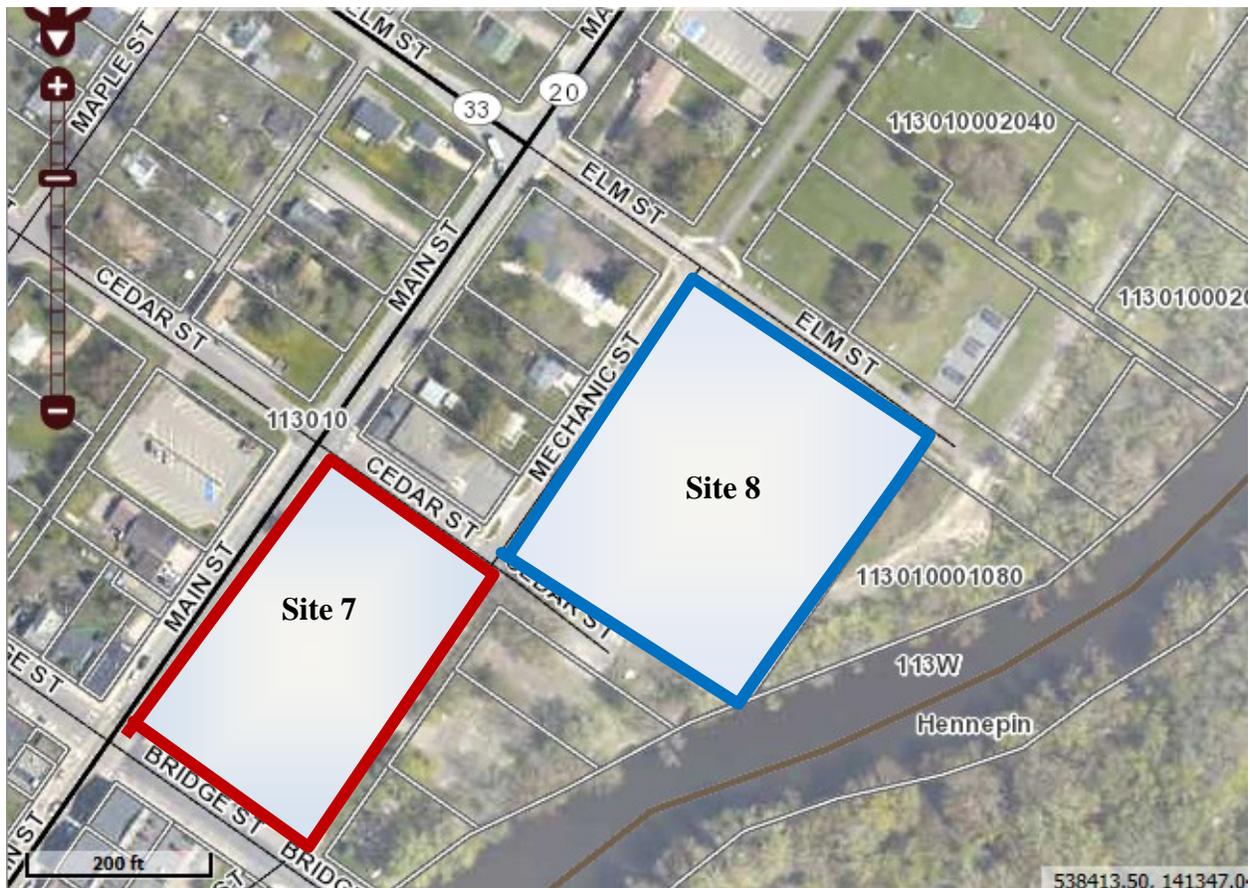
LOCATION EVALUATIONS

Proposed Sites 7 & 8

There are two city blocks in Downtown Rockford that could be redeveloped which could include a senior housing component. First, proposed Site 7 encompasses the block between Main Street and Mechanic Street, while bound by Cedar Street and Bridge Street. This block is mostly occupied by commercial uses on the southern half and residential uses on the northern half. Proposed Site 8 is bound by Mechanic Street to the west, Elm Street to the north, Cedar Street to the south, and open space to the east. Presently this block is occupied by single-family homes with open space east to the Crow River.

Maxfield Research finds both locations very desirable for senior housing. Downtown redevelopment could include a mix of real estate uses including residential, commercial, and civic destinations. Both sites are within easy walking distance to the post office, city hall, river, parks, and bank. A downtown location would be appealing for active seniors who can walk to the aforementioned destinations.

Proposed Sites 7 & 8 – Downtown



LOCATION EVALUATIONS

Although we find the two locations excellent for senior housing uses, we acknowledge it will be very difficult to redevelop these sites without a public-private partnership. Mixed-use developments tend to be complex and face several challenges; such as higher costs than single-use developments, financing gaps, and unproven concepts in some locations. Furthermore, lenders have to assess and underwrite each use of the project independently of the others. With underwriting standards becoming stricter across the board, it can sometimes be challenging for lenders to sign off on every use. As a result, we believe financing assistance from the City of Rockford may be required.

Finally, the proximity of Site 8 to the Crow River and the floodplain would have to be further evaluated to determine the feasibility of the site for redevelopment. Development costs could soar should the property have flood plain restraints that would require enhanced structural engineering on the building. Although we find both of these sites very attractive for senior housing development, neither site is “shovel ready” and will require compounded due diligence and planning.

Site Rankings

Although each of the site locations has positives and negatives, Maxfield Research has ranked the sites from a **marketability and aesthetic** stand-point. The following rankings could also be modified based on the senior housing product offered on the site (i.e. independent vs. service-intensive). However, our rankings are assessed based on a **full-spectrum of senior care** from active adult (no services) to memory care (service-intensive). The following are ranked from highest to lowest:

- 1.) Site 7 – Downtown location along Main Street
- 2.) Site 8 – Downtown location along Mechanic Street
- 3.) Site 5 – Northwest quadrant of Highway 55 and Rebecca Trail
- 4.) Site 6 - Southwest quadrant of Highway 55 and Rebecca Trail
- 5.) Site 2 –East of Jansen Lane
- 6.) Site 3 –Boulder Ridge
- 7.) Site 1 –Iris Lane
- 8.) Site 3 – Blain Jones; Highway 55 and Bleck Road

Introduction

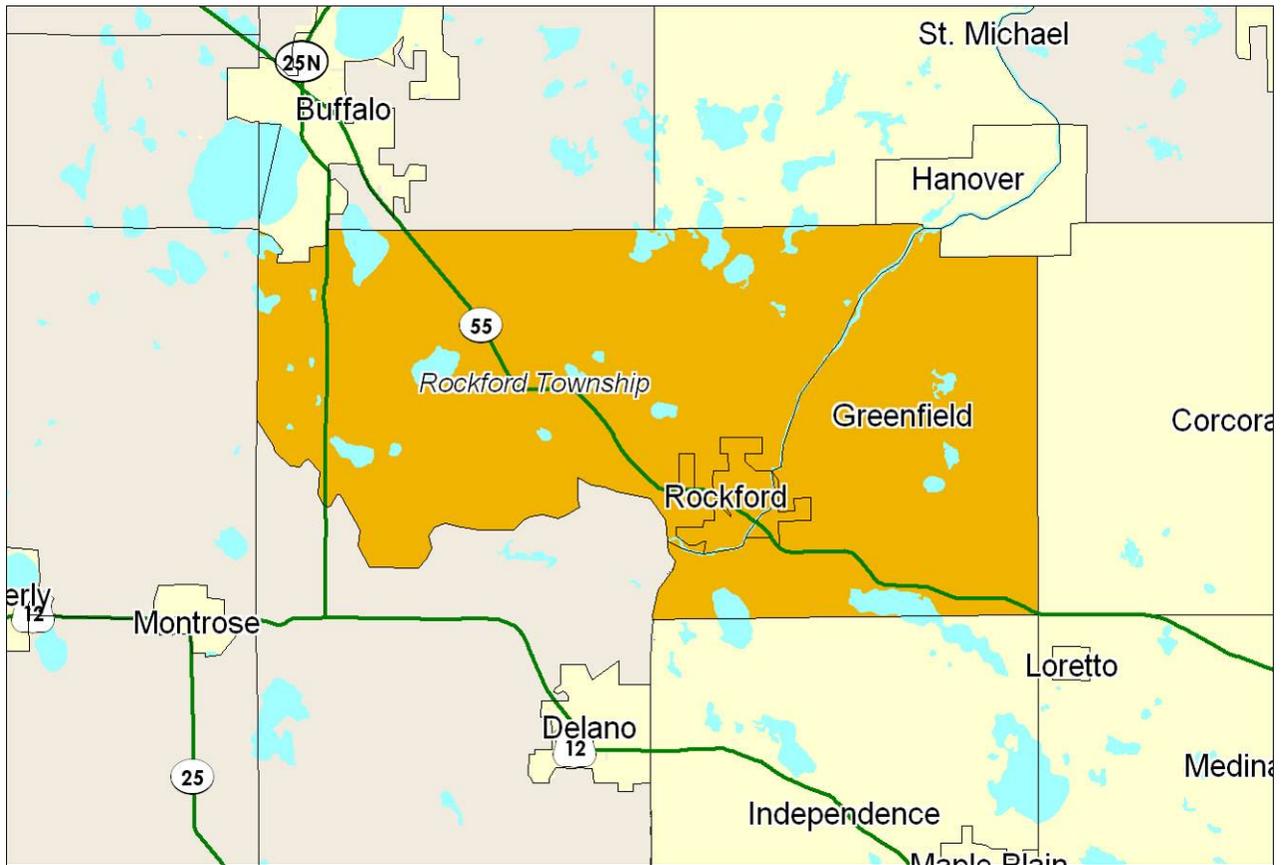
Demographic characteristics and trends are an important component in assessing senior housing needs in any given draw area. This section of the report examines key demographic factors related to the demand for senior housing. Included is a review of overall growth trends and an analysis of the demographic composition of the older adult and senior population for the area determined to be the primary draw area for senior housing in Rockford.

Market Area Definition

Based on traffic and community orientation patterns, geographical and man-made barriers, locations of existing senior housing facilities, character of the City of Rockford, and our experience in senior housing feasibility, we estimate that the primary draw, herein referred to as “Primary Market Area,” for senior housing in Rockford would be derived from Rockford City, Rockford Township, and Greenfield City.

A map illustrating the geographic areas included in the Primary Market Area is shown below.

Rockford PMA



DEMOGRAPHIC ANALYSIS

This draw area is considered to be the geographic expanse from which the majority—we estimated 75%—of demand for senior housing would come. The remaining portion of demand will come from outside the defined Primary Market Area (PMA). These potential residents will include people currently residing just outside the PMA who have an orientation to the area (i.e., church, doctor, etc.), people who once resided in the area but desire to move back to be near friends and family, and parents of adult children living in the PMA. These groups are estimated to account for at least 25% of the total demand for senior housing in Rockford.

Population and Household Growth Trends

Table 1 presents overall population and household growth trends and projections for the Primary Market Area. The 1990, 2000, and 2010 population and household figures are from the U.S. Census Bureau. Maxfield Research Inc. calculated estimates and projections based on data from ESRI, Metropolitan Council, and the Minnesota Demographic Center.

The following are key points from Table 1:

- As of 2010, the Primary Market Area totaled 10,287 people and 3,719 households, which represents growth of +815 people (+8.6%) and +468 households (+14.4%) since 2000. Approximately 42% of the population in the PMA is located in the City of Rockford.

	Estimates and Forecasts					Change			
	1990	2000	2010	2015	2020	2000-2010		2010-2020	
						No.	Pct.	No.	Pct.
Population									
City of Rockford	2,665	3,484	4,316	4,805	5,315	832	23.9	999	23.1
Remainder of PMA	4,830	5,988	5,971	6,430	7,030	-17	-0.3	1,059	17.7
Total PMA	7,495	9,472	10,287	11,235	12,345	815	8.6	2,058	20.0
Households									
City of Rockford	980	1,296	1,622	1,880	2,100	326	25.2	478	29.5
Remainder of PMA	1,492	1,955	2,097	2,225	2,440	142	7.3	343	16.4
Total PMA	2,472	3,251	3,719	4,105	4,540	468	14.4	821	22.1
Household Size									
City of Rockford	2.72	2.69	2.66	2.56	2.53				
Remainder of PMA	3.24	3.06	2.85	2.89	2.88				
Total PMA	3.03	2.91	2.77	2.74	2.72				

Sources: U.S. Census; Met Council; MN Demographer's Office; ESRI; Maxfield Research Inc.

- The majority of household growth over the last decade occurred in the City of Rockford. Approximately 325 households were added to the City (+25.2%), which accounted for nearly 70% of the growth in the PMA overall. The remainder of the PMA grew by about 140 households.

DEMOGRAPHIC ANALYSIS

- Growth over the next decade is expected to be greater than the previous decade with the addition of +2,060 people (+20.0%) and +820 households (22.1%) through 2020. Nearly half of this growth is forecast in the City of Rockford; growth in outlying areas will also serve to further develop the City of Rockford as new retail and services may be viable with increasing population and household bases nearby.
- Comparing population and household growth rates reveals that household growth has outpaced population growth and will continue to do so through 2020. This relationship between the population and household growth rates is the result of decreasing household sizes (people per household). While several demographic factors contribute to this trend, the aging of the baby boomer population is significantly driving down household sizes, which results in higher household growth rates in comparison to population growth rates.

Because the impetus of this study is to assess housing needs among the senior population, from this point forward, our demographic analysis will focus on the Primary Market Area's 55+ population base.

Population and Household Age Distribution and Trends

Table 2 shows the age distribution of the Primary Market Area's older adult and senior population and household base from 2000 to 2015. Figures for 2000 are sourced from the U.S. Census Bureau. Estimates and projections are based on data from ESRI, a national demographics services firm, with adjustments calculated by Maxfield Research Inc. to reflect local trends and regional forecasts.

The following are key trends observed in the distribution of the Primary Market Area's adult population and household base:

- Overall, the older adult and senior population is growing significantly faster than the population as a whole. Over the last decade, the age 55+ population grew by +677 people (+53.2%) while the overall population grew by +815 people (+8.6%).
- In 2010, the PMA's 55+ age cohort comprised 19.0% of the population overall, up from 13.4% in 2000. Over the next five years, growth in the senior age cohorts will increase this percentage to 22.0%.
- Numerically, the strongest growth is forecast for the 55 to 64 age cohort (+253 people and +140 households) from 2010 to 2015; this growth continues the trend of the strong growth last decade in the 45 to 55 and 55 to 64 age cohorts as many older adults on the leading end of the baby boom generation will be aging into their 60s.
- Slowest growth is forecast for the older age cohorts, particularly older seniors age 80+. Lesser growth in these cohorts is the result of a period of lower birthrates during the Great Depression, which impacts the number of seniors in this age cohort today.

DEMOGRAPHIC ANALYSIS

- In addition to aging seniors who comprise the market for senior housing alternatives, adult caregivers often relocate their aging parents to senior housing alternatives near them. As adult caregivers continue to reside in the PMA, an increasing number of seniors may choose to relocate to senior housing alternatives to be near their adult children. Therefore, changes in the age 45 to 64 age segments indirectly impact demand for senior housing alternatives. Over the next five years, growth of about +200 people between the ages of 45 and 64 is forecast in the PMA, which will strengthen market support for senior housing products.

**TABLE 2
POPULATION & HOUSEHOLD AGE DISTRIBUTION
PRIMARY MARKET AREA
2000 to 2015**

POPULATION							
Age	2000	2010	2015	2000 - 2010		2010 - 2015	
45 to 54	1,321	1,756	1,701	435	32.9%	-55	-3.1%
55 to 64	794	1,128	1,381	334	42.0%	253	22.4%
65 to 69	175	365	447	190	108.6%	81	22.3%
70 to 74	123	216	321	93	75.6%	105	48.4%
75 to 79	97	115	180	18	18.3%	65	56.6%
80 to 84	52	71	85	19	37.3%	14	19.4%
85+	32	55	63	23	72.3%	8	14.3%
Total 55+	1,273	1,950	2,476	677	53.2%	525	26.9%
Total 65+	479	822	1,095	343	71.7%	273	33.2%
Total 75+	181	241	328	60	33.3%	87	35.9%
Tot. Pop.	9,472	10,287	11,235	815	8.6%	948	9.2%

HOUSEHOLDS							
Age	2000	2010	2015	2000 - 2010		2010 - 2015	
55 to 64	495	658	798	163	32.9%	140	21.3%
65 to 74	209	373	481	164	78.6%	108	28.9%
75+	130	158	213	28	21.7%	55	34.8%
Total 55+	834	1,189	1,492	355	42.6%	303	25.5%
Total 65+	339	532	694	193	56.8%	163	30.6%
Total 75+	130	158	213	28	21.7%	55	34.8%
Tot. HH	3,251	3,719	4,105	468	14.4%	386	10.4%

Sources: U.S. Census Bureau; Met Council; MN Demographer's Office; ESRI; Maxfield Research Inc.

In summary, growth in the Primary Market Area's age 55+ population is generated primarily from aging residents who already reside in the PMA. A second portion of growth in these older adult and senior age cohorts is derived from individuals who desire to move into the area. Additional residents to the PMA will primarily consist of previous residents with a preference for or association with the area, those who will want to be near their adult children, and seniors residing just outside of the PMA who will move to find housing products that meet their needs and preferences. As the resident population ages into their retirement years, and as the baby boomer generation's parents currently need and will continue to need support services, demand for senior housing in the PMA will increase.

Older Adult and Senior Household Incomes

Table 3 provides data on incomes for older adult and senior households in the PMA in 2010 and 2015 based on information provided by ESRI. The data in Table 2 helps determine demand for senior housing based on the size of the market at specific income levels. This data is incorporated into our demand calculations, which are presented in a following section. It is important to note that the data does not account for the asset base of senior households or supplemental income that a senior household could gain from the proceeds of a sale of a home or from contributions from family members.

The frailer the senior, the greater the proportion of their income they will typically spend on housing and services. Studies have shown that seniors are willing to pay increasing proportions of their incomes on housing with services, beginning with an income allocation of 40% to 50% for market rate adult senior housing with little or no services, increasing to 65% for independent/few-services care and to 80% to 90% or more for assisted living and memory care housing. Seniors also often use the proceeds from the sales of their homes, as well as financial assistance from their adult children, as supplemental income in order to afford senior housing alternatives.

The following are key points from Table 3:

- In 2010, the median income for all age 65+ households in the PMA was \$61,659. Within this age group, the median income for households between the ages of 65 and 74 was \$65,641 and for households age 75+ was \$46,723. The higher median income for younger senior households (age 65 to 74) compared to older seniors (age 75+) is primarily due to the fact that a higher proportion of younger seniors are married and are more likely to have two pensions, along with the fact that many younger seniors continue to have income-producing employment.
- The target market for senior housing with services is typically senior households with incomes of at least \$40,000 (\$50,000 in 2015 after adjusting for inflation). As of 2010, there are an estimated 355 senior households (age 65+) in the PMA with incomes of at least \$40,000, accounting for about 67% of all 65+ households.
- The income-qualified market is forecast to grow to about 505 households (+42%) over the next five years after accounting for inflation. With household growth across the income spectrum, the percentage of age of income-qualified households is forecast to increase to 73% all 65+ households.
- Lower income households comprise a second portion of demand for housing products that are available at lower rent rates or subsidized through various Waiver or government-funded programs. Demand calculated in this analysis includes deep subsidy and affordable products for seniors earning incomes below 60% of the Area Median Income. Due to limited availability of housing with rent discounts, unmet demand for deep subsidy senior housing products – and particularly for very low-income service-enhanced housing – is often substantial.

DEMOGRAPHIC ANALYSIS

**TABLE 3
OLDER ADULT (55+) INCOME DISTRIBUTION
PRIMARY MARKET AREA
2010 & 2015**

2010								
	55-64		65-74		75+		Total 65+	
	No.	Pct.	No.	Pct.	No.	Pct.	No.	Pct.
Under \$15,000	14	2.1	11	2.9	38	23.7	48	9.1
\$15,000-\$24,999	19	2.9	37	9.8	37	23.1	73	13.8
\$25,000-\$34,999	55	8.3	16	4.2	17	11.0	33	6.2
\$35,000-\$49,999	70	10.7	55	14.7	5	3.5	60	11.4
\$50,000-\$74,999	132	20.0	95	25.5	14	8.7	109	20.5
\$75,000-\$99,999	153	23.2	33	8.8	18	11.6	51	9.6
\$100,000-\$149,999	125	19.1	92	24.8	17	11.0	110	20.7
\$150,000-\$199,999	76	11.5	4	1.0	8	5.2	12	2.2
\$200,000 or more	14	2.1	31	8.3	4	2.3	35	6.5
Total	658	100.0	373	100.0	158	100.0	532	100.0
Median Income	\$79,628		\$65,641		\$46,723		\$61,659	
2015								
	55-64		65-74		75+		Total 65+	
	No.	Pct.	No.	Pct.	No.	Pct.	No.	Pct.
Under \$15,000	11	1.4	9	2.0	39	18.1	48	6.9
\$15,000-\$24,999	19	2.4	31	6.4	30	14.1	61	8.8
\$25,000-\$34,999	49	6.1	10	2.1	18	8.4	28	4.1
\$35,000-\$49,999	60	7.5	42	8.8	8	3.5	50	7.2
\$50,000-\$74,999	144	18.0	125	26.0	20	9.3	145	20.8
\$75,000-\$99,999	186	23.3	46	9.6	31	14.5	77	11.1
\$100,000-\$149,999	177	22.1	156	32.4	40	18.9	196	28.3
\$150,000-\$199,999	128	16.0	11	2.3	19	8.8	30	4.3
\$200,000 or more	24	3.1	50	10.4	9	4.4	59	8.5
Total	798	100.0	481	100.0	213	100.0	694	100.0
Median Income	\$88,353		\$85,755		\$64,337		\$80,030	
Change 2010 to 2015								
	55-64		65-74		75+		Total 65+	
	No.	Pct.	No.	Pct.	No.	Pct.	No.	Pct.
Under \$15,000	-2	-17.8	-2	-14.4	1	2.7	-1	-1.2
\$15,000-\$24,999	0	-2.2	-6	-15.3	-7	-17.8	-12	-16.6
\$25,000-\$34,999	-6	-11.0	-5	-33.5	0	2.7	-5	-14.4
\$35,000+	86	18.0	94	34.1	44	79.7	138	41.7
Total	77	11.8	81	21.8	39	24.5	120	22.6
* 2010 income for 75+ cohort amended from ESRI estimates.								
Sources: ESRI; Maxfield Research Inc.								

Senior Household Tenure

Table 4 shows the number of households age 55+ that owned and rented their housing in the Primary Market Area in 2000 and 2010, according to the 2000 Census and the American Community Survey (five-year estimates) published by the U.S. Census Bureau. This information provides an indication of the propensity to rent among the senior household base. In addition, the data lends insight regarding the number of households that may still have homes to sell, and could potentially supplement their incomes from the sales of their homes to support monthly fees for senior housing.

- As seniors age, they may no longer desire or be able to maintain their single-family homes. Some seniors may prefer to move to housing that offers them greater freedom from maintenance and/or offers them support services. In 2010, 94% of the age 55 to 64 age cohort, 80% of the 64 to 74 age cohort, and 80% of the 75+ age cohort owned their housing.

TABLE 4 SENIOR HOUSEHOLD TENURE PRIMARY MARKET AREA 2000 & 2010									
	Age of Householder								
	55-64		65-74		75+		Total 65+		
	Own	Rent	Own	Rent	Own	Rent	Own	Rent	
2010									
No. of Households	622	36	299	74	126	32	426	105	
Homeownership Rate	94%		80%		80%		80%		
2000									
No. of Households	429	38	183	11	97	27	280	38	
Homeownership Rate	92%		94%		78%		88%		
Change									
No. of Households	193	-2	116	63	29	5	146	67	
Pct. Change	45%	-5%	64%	569%	30%	17%	52%	177%	
Sources: U.S. Census - 2000 and 2005-2009 American Community Survey; Maxfield Research Inc.									

- Among all seniors age 65+, homeownership decreased eight percentage points from 88% in 2000 to 80% in 2010.
- With a high percentage of homeownership in later life, many seniors in the PMA will have access to substantial equity from the sales of their homes to use toward senior housing alternatives. Potential proceeds from the sales of seniors' homes are considered later in this analysis.

Tenure by Year Householder Moved Into Unit

Table 5 provides a snapshot of the years in which households (all ages) moved into housing units in the PMA, according to the 2000 Census. Coupled with resale data, this information provides greater insight into the likely asset base of senior households based only on their home equity.

The following are key findings from Table 5:

- Approximately 21% of homeowners in the PMA moved into their home more than 20 years ago (as of 2000). Virtually no renters (2.1%) moved into their home in the same time frame, which points to the more transient lifestyle of the typical renter household, particularly in younger age cohorts.
- Just over 60% of homeowner households moved into their homes in the ten years preceding the 2000 Census compared to 90.9% of renter households.

TABLE 5						
TENURE BY YEAR HOUSEHOLDER MOVED INTO UNIT						
PRIMARY MARKET AREA						
2000						
Year Moved In	Owner-Occupied		Renter-Occupied		Total	
	No.	Pct.	No.	Pct.	Pct.	Pct.
1999 to March 2000	416	14.5	94	24.5	510	15.7
1995 to 1998	794	27.7	194	50.7	988	30.4
1990 to 1994	537	18.7	60	15.7	597	18.4
1980 to 1989	521	18.2	27	7.0	548	16.9
1970 to 1979	426	14.8	0	0.0	426	13.1
1969 or earlier	175	6.1	8	2.1	183	5.6
Total	2,869	100.0	383	100.0	3,252	100.0

Sources: U.S. Census Bureau; Maxfield Research Inc.

- It is likely that many of the households who moved into their homes in the 1960s, 1970s, and 1980s are aging into their older adult and seniors years. Further, the majority of homeowners who purchased before 1990 own their homes outright and will have equity to tap into upon the sales of their homes.
- Data from the American Association of Retired Persons (AARP) suggests that the vast majority of senior homeowners (85%) have paid off their mortgages and own their homes free and clear. This indicates that senior homeowners usually have more substantial equity than younger homeowners and can usually generate additional income upon the sale of their home.

Home Values

Table 6 presents home resale data in the Primary Market Area that is sourced from the Northstar MLS. Data is presented for 2000, 2006 to 2010, and 2011 YTD (through the end of May). This data is useful in that it represents the amount of equity seniors may be able to derive from the sales of their homes that could be used to cover the cost of senior housing alternatives.

The following points are key findings from Table 6:

- The median resale price of homes in the PMA has decreased annually in each assessed year from 2006 to 2010. Over these five years, the median sales price decreased from about \$257,800 to \$177,000 (-31%).
- Compared to 2010, the 2011 year-to-date median sale price increased +4% to just under \$184,000 and the average sale price increased +16% to about \$248,700.

TABLE 6 SINGLE-FAMILY RESIDENTIAL SALES PRIMARY MARKET AREA 2000 to 2011 YTD*							
Year	Number of Sales	Median Selling Price	% Chg.	Average Selling Price	% Chg.	Average Market Time (Days)	
2000	80	\$176,950	--	\$202,124	--	36	
2006	108	\$257,825	--	\$358,772	--	86	
2007	100	\$245,000	-5%	\$332,013	-7%	75	
2008	90	\$207,000	-16%	\$296,932	-11%	70	
2009	100	\$186,750	-10%	\$224,240	-24%	72	
2010	97	\$177,000	-5%	\$214,591	-4%	76	
2011 YTD*	38	\$183,950	4%	\$248,728	16%	155	
<i>Change '00 to '10</i>		<i>17</i>	<i>\$50</i>	<i>0%</i>	<i>\$12,467</i>	<i>6%</i>	<i>40</i>
* 2011 YTD includes all sales through the end of May.							
Source: Northstar MLS; Maxfield Research Inc.							

- Currently, homes are selling in average market time of 155 days, which is likely higher due to the winter months included in the year-to-date calculation. Over the entire course of 2011, it is likely that homes will sell closer to the average market time of 76 days calculated for 2010.
- The median resale price in 2010 is roughly equivalent to that in 2000 while the average resale

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price increased about +6%. The average market time increased 40 days.

- At the estimated 2011 YTD median resale price in the PMA (\$183,950) a senior household could generate approximately \$6,840 of additional income annually (about \$570 per month), if they invested in an income-producing account (4% interest rate) after accounting for marketing costs and/or real estate commissions (7% of home sale price). Used dollar-for-dollar, these proceeds would support living in congregate housing (estimated monthly rent of \$1,800) for about eight years. For service-enhanced housing, proceeds would last about four years at a typical assisted living facility (estimated monthly fees of \$3,500) or about three years at a typical memory care facility (estimated monthly fees of \$5,000).
- Although the real estate market in the PMA is showing signs of improvement, the slowdown in the real estate market will continue to have some impact on the ability and willingness of seniors to sell their homes, particularly those in the market for independent housing products. Until the market recovers, demand for independent housing products may be less than our calculations suggest.

Summary of Growth Trends and Demographic Characteristics

The PMA is poised to capture greater household growth than last decade with the addition of about 2,060 people (+20.0%) and 820 households (+21.1%). We expect growth to hasten over the later half of the decade as the economy still has several years before reaching full recovery.

Growth among the senior base is forecast to continue to outpace growth overall. Over the next five years, the 55 and older age cohort is projected to experience to grow by about +305 households, which will directly increase housing need for senior housing alternatives. Additional sources of senior housing demand include pent-up demand from existing seniors who are unable to find housing that currently meets their needs and preferences as well as seniors moving to the PMA from other areas to be near their adult children, among other reasons. Additionally, with increasing incomes and the recovery in the housing market, an increasing number of seniors will be able to income-qualify for market rate senior housing alternatives over the next five years.

Overall, the existing and forecast senior base appears to be in a position to support new senior housing development in the City of Rockford through 2020. Factors that strengthen support include forecast growth among senior age cohorts, high percentages of homeownership and income-eligibility (for market rate housing), strong community orientation patterns, and lack of available senior housing alternatives in the local area, which is discussed in the following section.

Introduction

The preceding section examined demographic factors that impact demand for senior housing products. This section provides an overview of contemporary senior housing alternatives and an assessment of the current supply of senior housing alternatives in and near the Primary Market Area. Additionally, any planned or proposed senior housing developments in the PMA are identified.

Types of Senior Housing

For analytical purposes, Maxfield Research Inc. classifies senior projects into four categories based on the level and type of services offered:

Adult/Few-Services projects are similar to a general occupancy apartment or condominium building, in that they offer virtually no services but have age-restrictions (typically 55+ or older). Organized activities and transportation are usually all that are available at these projects. Because of the lack of services, adult/few-services projects typically do not command the rent premiums typical of more service-intensive senior housing.

Congregate projects (or independent living with services available) offer seniors support services such as meals and/or housekeeping. These projects typically dedicate a larger share of the overall building area to common areas to accommodate for the smaller units and to encourage socialization. Congregate projects attract a slightly older target market than adult housing, typically seniors age 75+. Rents are above those of the adult/few-services buildings, even at the exclusion of services. Sponsorship by a nursing home, hospital, or other health care organization is common.

Assisted Living facilities come in a variety of forms, but the target market for most is very frail seniors, generally age 80 or older who are in need of extensive support services. Absent an assisted living option, these seniors may otherwise need to move to a nursing facility. At a minimum, assisted living projects include two meals per day and weekly housekeeping in the monthly fee, with the availability of a third meal and personal care (either included in the monthly fee or available for additional cost in tiered service packages or a-la-carte). Assisted living facilities also have either staff on duty 24 hours per day or 24-hour emergency response.

Some assisted living facilities offer self-contained dwelling units similar to a regular senior apartment with full kitchens and spacious rooms. Projects offering kitchens in the units may include only two meals per day while those without kitchens in the units generally provide three. Other projects do not have kitchens and are merely updated versions of board-and-care facilities with sleeping units and communal living spaces.

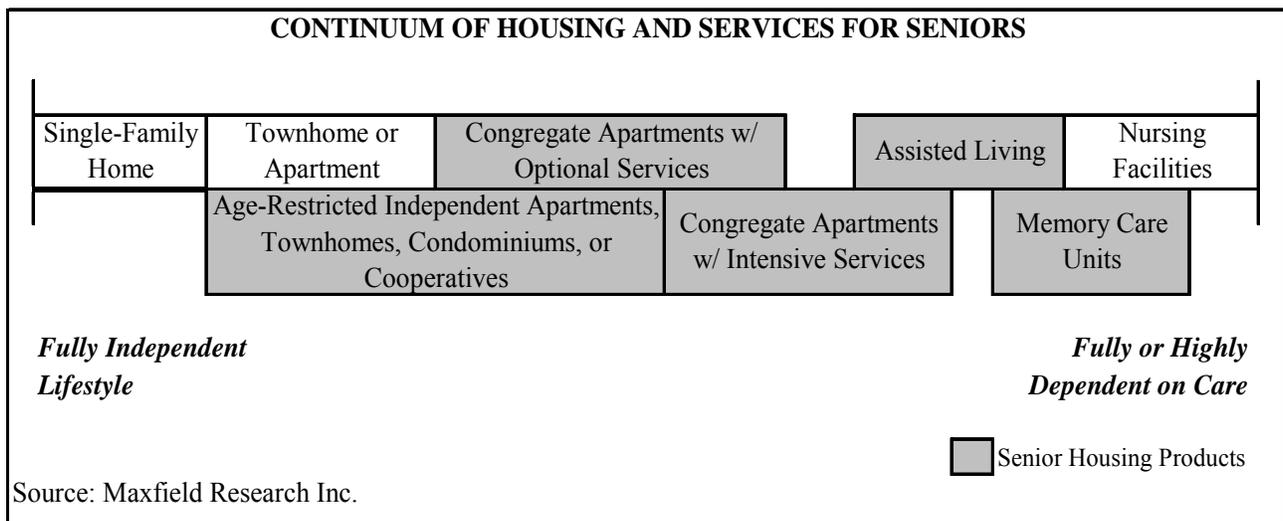
Monthly fees vary depending on the number and type of services included and the size of the units, but most facilities have fees starting at over \$3,000 per month. Because of the high cost of care, many facilities accept financial assistance through Elderly Waivers or other financial assistance programs.

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Memory Care facilities are designed specifically for seniors suffering from Alzheimer’s or other dementias. Projects will consist mostly of suite-style or studio apartment units and allocate large communal areas for activities and programming.

In addition, staff personnel typically undergo specialized training in the care of this population. Because of the greater amount of individualized care required, staffing ratios are much higher than traditional assisted living. The costs of care are also higher. Monthly fees for memory care units typically start at about \$4,000 per month.

Unlike conventional assisted living, however, which deals almost exclusively with widows or widowers, a higher proportion of people afflicted with Alzheimer’s are in two-person households. Therefore, the decision to move a spouse into a memory care facility involves the caregiver’s concern of incurring the costs of health care at a special facility while continuing to maintain their home.



Today’s senior housing products form a continuum of care from a purely residential level to intensive medical care. Often the services offered at these projects overlap with one another and make these definitions somewhat ambiguous. In general, however, distinctions in clientele are made within each type of facility.

Adult/few-services projects tend to attract younger, independent, and active seniors; congregate projects serve independent seniors who desire support services (i.e., meals, housekeeping, transportation, etc.); and assisted living projects tend to attract older, more frail seniors who need assistance with daily activities but do not need the intensive medical care provided by a skilled care facility.

Senior Housing In and Near the Primary Market Area

In order to assess senior housing needs in the City of Rockford, Maxfield Research conducted an inventory of senior housing facilities located in and near the Primary Market Area. The following discussion focuses on the performance and positioning of senior housing facilities included in the inventory.

Table 7 on the following page provides a summary of facilities included in the inventory. Table 8 and Table 9 detail the year built, service levels, location, unit type and mix, unit sizes, pricing, amenities, and features for each community. The following discussion highlights key points from the inventory.

Active Adult Housing

- The only senior housing facility located in the PMA is Rockford Manor, a 24-unit active adult rental community that offers subsidized housing through the Rural Development program. This facility opened in 1984 and is currently 100% occupied. There are two seniors on the waiting list as of June 2011.
- According to our conversation with the property manager at Rockford Manor, the building is not able to fully meet the needs of seniors in the community due to the lack of an elevator. Many residents of the building's second floor have their names on the waiting list for first floor units; the external waiting list is entirely for first floor units.
- Due to the lack of second floor accessibility at Rockford Manor, it is likely that frail seniors who need subsidized housing have moved to all ages subsidized housing or moved outside the PMA to communities such as Ridge Drive in St. Michael or Autumn Trails in Rogers in order to find housing that meets their needs and preferences.
- Although there are no market rate active adult communities (rental or for-sale) in the PMA, seniors are likely currently residing at all ages market rate properties in the PMA or have moved to other communities near but outside the PMA. Among the market rate active adult communities included in the survey and located outside the PMA, there is only one vacancy for an overall vacancy rate of 0.6%.
- The Cottages of Albertville was built approximately 15 years ago with a townhome-style concept, which is very desirable with its one-level living, attached garages, maintenance-free lifestyle, private unit entrances, and relative affordability. This concept would be very well received in the City of Rockford, should active adult rental housing be considered for future development.
- An alternative to the townhome-style units of Cottages of Albertville is a multi-story building like Heritage Place in Rogers and Village Place in Buffalo. This design often makes economic sense when land prices are high and the size of available parcels require small building footprints.

SENIOR HOUSING MARKET ANALYSIS

TABLE 7 SUMMARY OF SENIOR HOUSING FACILITIES IN/NEAR THE PRIMARY MARKET AREA June 2011				
Area	Property Name	City	Year Built	Number of Units
Market Rate Active Adult Rental				
<i>No market rate active adult rental communities are located in the PMA.</i>				
Near the PMA	Heritage Place	Rogers	2005	75
	Village Place Apartments	Buffalo	2002	38
	Cottages of Albertville	Albertville	1997	44
Market Rate Active Adult Ownership				
<i>No market rate active adult ownership communities are located in the PMA.</i>				
Affordable Active Adult Rental				
<i>No affordable active adult rental communities are located in the PMA.</i>				
Near the PMA	Village Place Apartments	Buffalo	2002	10
Subsidized Active Adult Rental				
In the PMA	Rockford Manor	Rockford	1984	24
Near the PMA	Ridge Drive I & II	Saint Michael	1980	42
	Autumn Trails	Rogers	2003	20
Congregate				
<i>No congregate facilities are located in the PMA</i>				
Near the PMA	The Legacy of St. Michael	Saint Michael	2010	18
Assisted Living				
<i>No assisted living facilities are located in the PMA</i>				
Near the PMA	The Legacy of St. Michael	Saint Michael	2010	39
	The Legacy of Delano	Delano	2009	35
	Lake Ridge Manor	Buffalo	1987	28
	Sunrise of Buffalo	Buffalo	1980	69
Memory Care				
<i>No memory care facilities are located in the PMA</i>				
Near the PMA	The Legacy of St. Michael	Saint Michael	2010	14
	The Legacy of Delano	Delano	2009	16
	Sunrise Cottages of Buffalo	Buffalo	1993	48
Source: Maxfield Research Inc.				

SENIOR HOUSING MARKET ANALYSIS

- Overall, market rate active adult rental housing has a weighted average price per square foot of \$1.00. Individually, the communities have the following weighted average price per square foot: Heritage Place at \$1.05; Village Place at \$1.00; and Cottages of Albertville at \$0.93.
- Some recent development of ownership product has been oriented toward the target market for active adult housing. Even through new subdivisions haven't been age restricted, homes that are single-level (either attached or detached) with association maintenance and small, efficient living spaces will continue to meet the needs of the market segment desiring active adult ownership product.

Service-Enhanced Housing

- The Legacy of St. Michael is the newest development included in the inventory with an initial occupancy date of March 2010. The community offers three service levels – congregate, assisted living, and memory care – in a campus-style environment.
- The congregate and assisted living components at The Legacy of St. Michael are combined in a catered living concept in that services are delivered to seniors in any unit, allowing seniors to age in place as their needs increase. Therefore, at any given time, the number of units utilized at either level may change. Currently, 18 of the 57 catered living units are utilized at the congregate level and 39 are utilized at the assisted living level.
- According to our conversation with the Executive Director at the Legacy of St. Michael, the building achieved nearly 70% lease-up in its first month of initial occupancy and has since sustained high occupancy rates. The success of the campus has been due, in part, to its progressive catered living concept and strong draw from the immediate area (i.e. City of Saint Michael), which previously had no senior housing options.
- Every service-intensive housing community surveyed accepts Elderly Waivers. The availability of units that offer residency to seniors who use public sources of funds fills an essential gap in the delivery of assisted living housing to very low-income seniors. Without this option, very low-income seniors, many of whom are still semi-independent and better served in assisted living environments, end up in nursing facilities.
- The Sunrise of Buffalo community is an older facility (built in 1980) that was repurposed from an old hospital. Seniors using Elderly Waivers occupy approximately 60% of the units. Some units are harder to lease due to the design disadvantages of being a repurposed facility. In addition to design issues, the Executive Director commented that new facilities nearby have impacted its ability to maintain high occupancy rates. Currently, there are eight vacant units, which calculated to a vacancy rate of 11.6%.

SENIOR HOUSING MARKET ANALYSIS

<p align="center">TABLE 8 INVENTORY OF SENIOR HOUSING FACILITIES IN/NEAR THE PRIMARY MARKET AREA June 2011</p>						
Project Name	Year Built	Units/ Vacant	Unit Mix	Unit Size	Monthly Fee	Comments
Market Rate Active Adult Rental						
Heritage Place 21255 John Milless Dr <i>Rogers</i>	2005	75 1 <i>1.3%</i>	34 - 1BR 30 - 1BR+D 11 - 2BR	774 - 774 915 - 955 1,074 - 1,164	\$855 - \$855 \$915 - \$955 \$1,130 - \$1,195	55+ community; multi-story.
Village Place Apartments 113 1st Ave NE <i>Buffalo</i>	2002	38 0 <i>0.0%</i>	16 - 1BR 22 - 2BR	640 - 660 880 - 915	\$725 - \$765 \$800 - \$800	55+ community; 48 units total in a multi-story building; mixed-income (10 affordable & 38 market rate).
Cottages of Albertville 5580 Kalland Ave <i>Albertville</i>	1997	44 0 <i>0.0%</i>	8 - 1BR 36 - 2BR	750 - 750 980 - 1,050	\$785 - \$785 \$900 - \$925	55+ community; one-level townhome style units. Nearby walking path. Scheduled daily activities.
		Total Units	157			
		Overall Vacancy Rate	0.6%			
Affordable Active Adult Rental						
Village Place Apartments 113 1st Ave NE <i>Buffalo</i>	2002	10 0 <i>0.0%</i>	3 - 1BR 7 - 2BR	640 - 660 880 - 915	\$612 - \$612 \$721 - \$721	55+ community; 48 units total in a multi-story building; mixed-income (10 affordable & 38 market rate). Income-restricted at 50% AMI.
		Total Units	10			
		Overall Vacancy Rate	0.0%			
Subsidized Active Adult Rental						
Rockford Manor 8830 Walnut Place <i>Rockford</i>	1984	24 0 <i>0.0%</i>	24 - 1BR	650 - 650	30% AGI	Rural Development; mostly seniors. Maintain waiting list for 1st floor units but hard to lease second floor due to lack of elevator.
CONTINUED						

SENIOR HOUSING MARKET ANALYSIS

<p align="center">TABLE 8 INVENTORY OF SENIOR HOUSING FACILITIES IN/NEAR THE PRIMARY MARKET AREA June 2011</p>						
Project Name	Year Built	Units/ Vacant	Unit Mix	Unit Size	Monthly Fee	Comments
Ridge Drive I & II 696 & 698 Ridge Drive <i>Saint Michael</i>	1980	42 2 4.8%	40 - 1BR 2 - 2BR	-- --	30% AGI	Rural Development; 26-unit, two-story building and 16-unit, one-story building. Rental assistance for 25 units. Laundry on each floor.
Autumn Trails 21845 129th Ave N <i>Rogers</i>	2003	20 0 0.0%	20 - 1BR	--	30% AGI	HUD 202; one-story building. Rent includes water, sewer, and trash. Common laundry.
		Total Units	86			
		Overall Vacancy Rate	2.3%			
Congregate						
The Legacy of St. Michael* 4400 Lange Ave NE <i>Saint Michael</i>	Mar 2010	18 0 0.0%	48 - 1BR 9 - 2BR	599 - 812 749 - 877	\$1,375 - \$2,000 \$1,600 - \$2,000	Three-story building. Services are delivered to the unit, so number of units at IL/AL change. 15 units are Elderly Waiver.
		Total Units	18			
		Overall Vacancy Rate	0.0%			
Assisted Living						
The Legacy of St. Michael* 4400 Lange Ave NE <i>Saint Michael</i>	Mar 2010	39 0 0.0%	48 - 1BR 9 - 2BR	599 - 812 749 - 877	\$2,475 - \$3,000 \$3,000 - \$3,400	Three-story building. Services are delivered to the unit, so number of units at IL/AL change. 15 units are Elderly Waiver.
The Legacy of Delano 1350 St. Peter Ave E <i>Delano</i>	June 2009	35 2 5.7%	EFF 1BR 2BR	470 - 470 445 - 553 520 - 832	\$2,700 - \$2,700 \$2,600 - \$2,775 \$2,900 - \$2,950	Three-story building; accepts EW. Move-in scheduled for early July; current physical vacancy = 2.
CONTINUED						

SENIOR HOUSING MARKET ANALYSIS

**TABLE 8
INVENTORY OF SENIOR HOUSING FACILITIES
IN/NEAR THE PRIMARY MARKET AREA
June 2011**

Project Name	Year Built	Units/ Vacant	Unit Mix	Unit Size	Monthly Fee	Comments
Lake Ridge Manor 310 Lake Blvd S <i>Buffalo</i>	1987	28 0 0.0%	28 - EFF	--	\$2,685 - \$3,240	One-story building; accepts EW Nursing home and physical therapy on-site. Rents also include laundry and medication management.
Sunrise of Buffalo 201 1st St NE <i>Buffalo</i>	1980	69 8 11.6%	65 - EFF 4 - 1BR	168 - 288 480 - 480	\$1,740 - \$2,700 \$3,120 - \$3,270	Two-story building; repurposed hospital building. Accepts high number of EW residents (currently 42 units). Affiliated memory care nearby.
Total Units		171				
Overall Vacancy Rate		5.8%				
Memory Care						
The Legacy of St. Michael* 4400 Lange Ave NE <i>Saint Michael</i>	Mar 2010	14 1 7.1%	14 - 1BR	372 - 378	\$4,200 - \$4,700	Three-story building. Strong demand and lease-up for memory care and building overall. Available unit is from unit turnover.
The Legacy of Delano 1350 St. Peter Ave E <i>Delano</i>	June 2009	16 0 0.0%	16 - EFF	319 - 334	\$3,800 - \$3,800	Separate, secured memory care facility adjacent to assisted living. Maintains full occupancy.
Sunrise Cottages of Buffalo 411 8th St NW <i>Buffalo</i>	1993	48 <i>n.a.</i>	48 - EFF	--	\$3,480 +	Affiliated assisted living nearby.; accepts EW.
Total Units		78				
Overall Vacancy Rate*		3.3%				
* Catered living facility with 57 congregate/assisted living units; currently, 18 units are congregate and 39 units are assisted living with one vacancy.						
** Excludes vacancy information from Sunrise Cottages of Buffalo (not available).						
Source: Maxfield Research Inc.						

SENIOR HOUSING MARKET ANALYSIS

**TABLE 9
UNIT FEATURES/BUILDING AMENITIES/SERVICES
IN/NEAR THE PRIMARY MARKET AREA
June 2011**

	Unit Features			Building Amenities							Services				Other	
	Full/Partial Kitchen	Walk-in Closet	Balcony or Patio	Community Room	Dining Room	Craft/Hobby Room	Library	Fitness Room	Storage	Workshop	Garage Parking	Meals	Housekeeping	Home health Care		Transportation
Market Rate Active Adult Rental																
Heritage Place	F	Y	N	Y	N	N	Y	Y	Y	N	U	N	N	N	N	Full-size W/D; BBQ/patio area.
Village Place Apartments	F	Y	N	Y	N	N	N	Y	Y	N	U	N	N	N	N	Common laundry.
Cottages of Albertville	F	N	N	Y	N	N	N	N	N	N	A	N	N	N	N	Full-size W/D; walking paths.
Affordable Active Adult Rental																
Village Place Apartments	F	Y	N	Y	N	N	N	Y	Y	N	U	N	N	N	N	Common laundry.
Subsidized Active Adult Rental																
Rockford Manor	F	Y	N	Y	N	N	N	N	N	N	N	N	N	N	N	Surface parking.
Ridge Drive I & II	F	Y	N	Y	N	N	N	N	N	N	N	N	N	N	N	Surface parking.
Autumn Trails	F	-	-	Y	N	N	N	N	N	N	N	N	N	N	N	Surface parking.
Congregate																
Legacy of St. Michael	F	S	N	Y	Y	N	Y	N	N	N	U	1/d	1/w	Y	Y	W/D; patio; beauty shop; garden plots.
Assisted Living																
Legacy of St. Michael	F	S	N	Y	Y	N	Y	N	N	N	U	2/d	1/w	Y	Y	W/D; patio; beauty shop; garden plots.
Legacy of Delano	P	Y	N	Y	Y	N	N	Y	N	N	N	3/d	1/w	Y	Y	Media room; bistro cafe; beauty shop; laundry
Lake Ridge Manor	N	N	N	Y	Y	Y	N	N	N	N	N	3/d	1/w	Y	N	Inc. laundry and med manage.; PT on-site.
Sunrise of Buffalo	N	N	N	Y	Y	Y	N	N	N	N	N	3/d	1/w	Y	N	Scheduled van transportation.
Memory Care																
Legacy of St. Michael	P	N	N	Y	Y	N	Y	N	N	N	U	3/d	1/w	Y	Y	Secured patio; weekly personal laundry.
Legacy of Delano	P	Y	N	Y	Y	N	N	Y	N	N	N	3/d	1/w	Y	Y	Secured patio; weekly personal laundry.
Sunrise Cottages of Buffalo	N	N	N	Y	Y	Y	Y	Y	N	N	N	3/d	1/w	Y	Y	Weekly personal laundry.

Y = Yes; N = No; S = Some; F= Full Kitchen; P = Partial kitchen (kitchenette); A = Attached Garage; U = Underground Parking; D = Detached Garage.

Source: Maxfield Research Inc.

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- Typically, congregate housing includes one or two meals per day, weekly housekeeping, activities, and scheduled transportation in the monthly rent. Assisted living usually includes two or three meals per day along with personal laundry (if laundry is not available in-unit) and limited personal care assistance with activities of daily living. Memory care housing includes more personal care assistance in addition to the services provided in assisted living housing.
- Additional services are available a-la-carte for all assisted living communities surveyed. Memory care services are usually delivered in tiered service packages; for example, The Legacy of Delano offers three service packages ranging from an additional \$400/month to \$900/month for memory care housing. Overall, assisted living housing with moderate services is typically \$3,000 to \$3,500 per month and memory care is \$4,000 or more.

Nursing Facilities In and Near the Primary Market Area

Nursing facilities provide the most service-intensive housing available and meet the needs of seniors with complex medical needs beyond what can be accommodated in traditional assisted living environments. In addition, seniors who exhaust private funds and do not have financial support from family members and/or are unable to find an assisted living facility that accepts Elderly Waivers reside in nursing facilities with the assistance of Medicare funding. Overall, nursing facilities are not competitive with senior housing alternatives due to the institutional feel and complex levels of care offered in a nursing home.

Table 10 provides a summary of nursing facilities located near the PMA; there are no facilities located in the PMA.

Area	Property Name	City	Number of Beds
<i>No nursing facilities are located in the PMA</i>			
Near the PMA	Lake Ridge Care Center of Buffalo	Buffalo	65
	Park View Care Center	Buffalo	124
	Haven Homes Inc.	Maple Plain	67
	Golden Living Center	Delano	58
Source: MN Department of Health and Human Services; Maxfield Research Inc.			

Interviews

Maxfield Research Inc. conducted interviews with professionals who work with senior housing, senior services, and community-based resources in and near the immediate area. The following points summarize the most important points from these interviews.

- Seniors in the City of Rockford have a strong orientation to their local community. Should senior housing be available in the City, seniors would have a strong preference toward that community over other options located outside the immediate area.
- In spite of the strong preference of seniors to continue to reside in Rockford, the lack of a grocery store and medical clinic is a significant disadvantage, especially for active and independent seniors. This disadvantage will make it more difficult to retain senior residents for independent senior housing but will have less of an impact on retaining seniors for a service-enhanced housing community.
- In an effort to mitigate the lack of retail and services in the City of Rockford, transportation services currently provide and will continue to provide seniors with accessibility to retail and services in nearby areas. The River Rider program currently offers transportation three days per week along with transportation provided by the Delano Senior Center once weekly.
- The location of seniors' families and adult children is a driving factor in the selection of senior housing communities, particularly for assisted living and memory care where seniors are less independent. It is likely that seniors currently residing in senior housing communities located in Delano, Buffalo, and outside the immediate area will relocate to Rockford, should senior housing become available.
- Many family members of seniors contribute toward the cost of senior housing and services, especially in an area like the PMA where farmland and independent businesses are passed to family members leaving the seniors with few assets and little savings. However, not all seniors have sources of financial support from their families, which makes Elderly Waivers an essential part of delivering assisted living housing to very low-income seniors.
- The addition of an elevator at the existing Rockford Manor community was mentioned several times as a way to more effectively meet the needs of very low-income seniors.

Pending Senior Housing Developments

One proposed senior housing development was currently identified in the City of Rockford. Sacred Path Living has proposed a 20-unit development to be comprised of ten units of enhanced assisted living and ten units of memory care. A building location for the development has not been determined, and the project is still very preliminary.

Introduction

Earlier sections of this report examined growth trends and demographic characteristics of the PMA, current senior housing market conditions, and proposed or planned projects that may come on-line and satisfy some market demand. The current section utilizes findings from earlier sections to quantify the housing needs by senior housing product type for seniors residing in the PMA and in the City of Rockford specifically.

Demand Methodology

Demand methodology employed by Maxfield Research utilizes capture and penetration rates that blend national senior housing trends with local market characteristics, preferences, and patterns. Our demand calculations consider the following target market segments for each product type:

Affordable and Subsidized Active Adult Rental Housing: The typical income-restriction for affordable housing products in Wright County (60% AMI) is currently \$35,280 for a one-person household and \$40,320 for a two-person household. Although the majority of seniors have only one person per household, we conservatively use \$40,320 as the upper end of the income range. We exclude homeowner households earning incomes between \$30,320 and \$40,320 who, after considering equity from the sales of their homes, would exceed the upper income threshold and would be able to afford the monthly rents at market rate rental housing projects. To account for inflation, our figures in 2015 are adjusted to include households earning incomes below \$45,620 but exclude homeowner households earning incomes from \$35,620 and \$45,620. All income-qualified 55+ households are considered in the total market base. Capture rates are applied to separately quantify the number of seniors who need deep subsidy and affordable housing products.

Market Rate Active Adult Rental and Ownership Housing: Most households earning incomes above the upper threshold for affordable active adult housing would be able to afford market rate senior housing products. Therefore, in 2010, we include all age 55+ households earning incomes above \$40,230 as well as homeowner households earning incomes between \$30,320 and \$40,320 who would be able to afford the monthly rents after factoring in equity from the sales of their homes. To account for inflation, these figures are adjusted to include households earning incomes at or above \$45,620 in 2015 and homeowner households earning incomes between \$35,620 and \$45,620. All income-qualified 55+ households are considered in the total market base.

Congregate Housing: Due to the availability of services, congregate housing typically attracts older, frailer seniors. Although the cost of housing and services in congregate housing is above the cost of rent in active adult housing, seniors often contribute higher proportions of their incomes for housing with services than for housing without services. Hence, the income-qualified market is defined as seniors earning incomes at or above \$35,000 in 2010 and at or above \$39,600 in 2015. Additional seniors who are homeowners with incomes just below these ranges (i.e. \$25,000 to \$35,000 in 2010) are also included. Only income-qualified 65+ households are considered as only a few, if any, older adults (age 55-64) reside in congregate housing communi-

ties.

Assisted Living Housing: With even more services included and available for residents of assisted living housing, seniors must have slightly higher incomes in order to afford the cost of care and be able to pay with private funds. Many seniors who are unable to pay with private funds may utilize Elderly Waivers, CADI Waivers, or other forms of financial assistance; however, since these calculations consider private pay assisted living housing only, this segment of the potential market for assisted living housing is not included. The income-qualified market in 2010 for assisted living housing includes all age 75+ seniors earning incomes above \$40,000 as well as two-thirds of the homeowner households earning incomes below that level. Due to the typical age of residents in assisted living housing, only income-qualified 75+ seniors are considered in the total market base.

Memory Care Housing: Memory care housing is the most service-intensive product level considered in this analysis, and therefore is typically the most costly for seniors and their families. It is estimated that seniors will spend up to 90% of their incomes to afford assisted living and memory care housing. In order to income-qualify for memory care housing that generally costs a minimum of \$4,000 to \$4,500 per month, seniors will need to earn incomes of at least \$60,000 and/or be able to qualify after considering home equity and other assets. All income-qualified seniors age 65 and older are considered in the market base for memory care housing.

After calculating the number of age- and income-qualified seniors for different housing products, specific market penetration and capture rates are applied to each age cohort in order to quantify the demand potential for various housing products. We consider the following factors when assigning appropriate penetration and capture rates across the age cohorts and for various housing products:

- PMA household incomes, household tenure, and home values in comparison to other Metro Area communities;
- Metro-wide penetration and capture rates and comparisons to other geographies that are similar to the PMA;
- Existing competitive inventory of senior housing communities, including the location and age of existing facilities, absorption of new product, and overall market performance;
- Information made available from surveys with senior housing communities, including draw patterns and resident profiles; and
- Statistical information from reputable sources about the percentage of seniors by age cohort who reside in senior housing alternatives and for what length of time.

Lastly, in addition to demand being generated by the PMA, we also account for a percentage of demand (estimated at 25%) that results from the positive net movement of seniors to the PMA should new senior housing product come on-line. The locations of adult caregivers, community orientation patterns, personal preferences, and quality and availability of senior housing alternatives in the PMA will all aid in attracting seniors from outside the PMA to relocate to senior housing inside the PMA and more specifically, in the City of Rockford.

Demand for Senior Housing in Rockford

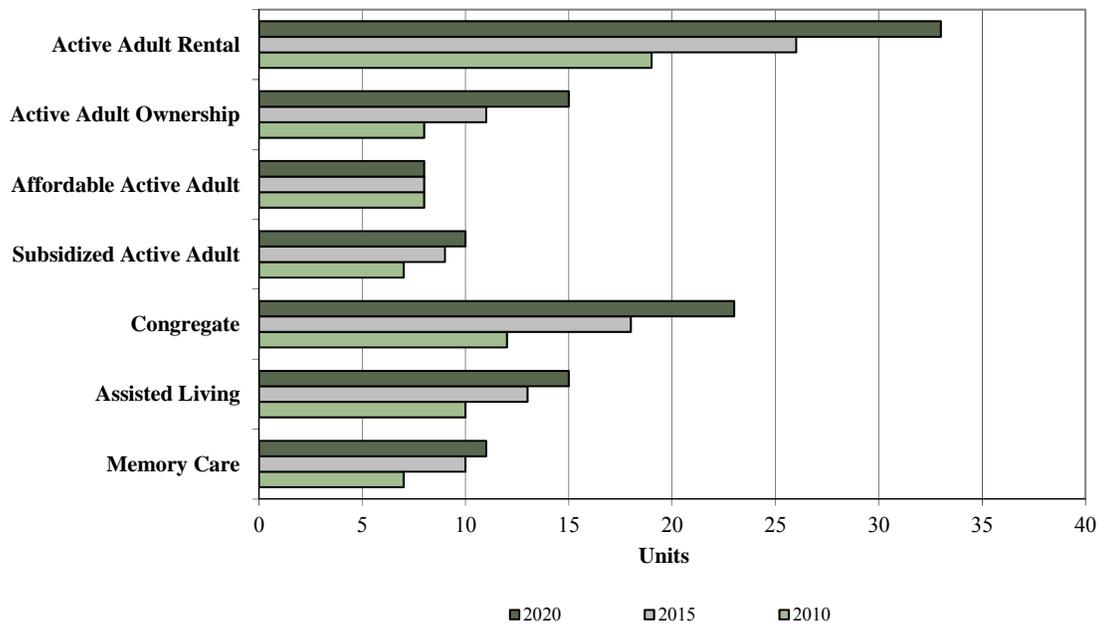
Based on the previously described demand methodology, Table 11 displays total and excess demand by service level in the PMA and quantifies excess PMA demand that could be realized by a senior housing project in the City of Rockford. Demand is calculated by service level in 2010, 2015, and 2020.

The **total demand** in the PMA is currently (in 2010) 164 senior housing units. After adding in additional demand from the net movement of seniors to the PMA and subtracting the existing supply at market equilibrium, **excess demand** is calculated for 127 senior housing units, of which 70 units could be realized in the City of Rockford.

Over the next five years, senior housing demand in the PMA is calculated to reach a **total demand** of 198 senior housing units. At that time, **excess demand** is calculated for 170 units in the PMA, of which 94 units could be captured in the City of Rockford.

Demand for senior housing alternatives will continue to growth through 2020 with **total demand** calculated for 229 units and **excess demand** calculated for 208 units. Excess demand that could be realized in the City of Rockford will grow to 116 units by 2020, an increase of 45 units over the decade.

Units Capturable in Rockford by Service Level, 2010 to 2020



DEMAND ANALYSIS

**TABLE 11
SENIOR HOUSING DEMAND BY PRODUCT TYPE
PRIMARY MARKET AREA
2010, 2015, & 2020**

	ACTIVE ADULT				SERVICE-ENHANCED		
	Market Rate Active Adult Rental	Market Rate Active Adult Ownership	Affordable Active Adult Rental	Subsidized Active Adult Rental	Congregate	Assisted Living	Memory Care
2010							
Total demand potential in the PMA	30	12	12	30	15	12	9
(Plus) Demand from outside the PMA (25%)	8	3	3	8	4	3	2
(Less) Existing units ^{1,2}	0	0	0	(23)	0	0	0
Equals total excess demand in the PMA	38	15	15	15	19	15	11
(Times) Percentage capturable in Rockford	50%	50%	50%	50%	65%	65%	65%
Equals total demand capturable in Rockford	19	8	8	7	12	10	7
2015							
Total demand potential in the PMA	42	18	12	32	22	16	12
(Plus) Demand from outside the PMA (25%)	11	5	3	8	6	4	3
(Less) Existing units ^{1,2}	0	0	0	(23)	0	0	0
Equals total excess demand in the PMA	53	23	15	17	28	20	15
(Times) Percentage capturable in Rockford	50%	50%	50%	50%	65%	65%	65%
Equals total demand capturable in Rockford	26	11	8	9	18	13	10
2020							
Total demand potential in the PMA	52	24	13	35	28	19	14
(Plus) Demand from outside the PMA (25%)	13	6	3	9	7	5	4
(Less) Existing units ^{1,2}	0	0	0	(23)	0	0	0
Equals total excess demand in the PMA	65	30	16	21	35	24	18
(Times) Percentage capturable in Rockford	50%	50%	50%	50%	65%	65%	65%
Equals total demand capturable in Rockford	33	15	8	10	23	15	11
¹ Existing units are subtracted at market equilibrium -- 95% occupancy for active adult rental housing, 98% occupancy for active adult owner housing, 95% occupancy for congregate housing, 93% occupancy for assisted living housing, and 93% occupancy for memory care housing.							
² Proposed/planned units are not considered. Should new any new projects come online in the PMA, less excess demand could be realized in Rockford.							
Source: Maxfield Research Inc.							

RECOMMENDATIONS AND CONCLUSIONS

Introduction

Several factors strengthen the ability of Rockford to support the development of new senior housing, including a growing senior population and household base, high percentages of homeownership and income-eligibility (for market rate housing), stabilizing for-sale housing market, strong community orientation patterns, and lack of existing senior housing alternatives in the PMA. These factors, when considered alongside calculated demand, give insight into the types of and timing for new development that will meet the housing needs of seniors in the City of Rockford.

Below are three senior housing-related priorities identified for the City:

- 4) Seek funding for addition of elevator at the existing Rockford Manor (immediate need)
- 5) Develop a 20-24 unit assisted living and memory care facility, including units for both private pay and Elderly Waivers residents (anytime within 5 years)
- 6) Develop a 30-unit active adult market rate rental community (5 to 10 years)

Recommended Housing Concepts

The following discussion outlines specific recommendation for the concepts identified to be the most viable in Rockford.

Subsidized Active Adult Rental Housing

The existing Rockford Manor is meeting an essential need for subsidized active adult rental housing in the City of Rockford. However, many seniors do not feel comfortable and/or cannot reside at the community due to the lack of elevator accessibility to the upper floor of the building. Although all units are currently filled, many current residents of the building have their names on the waiting list for first floor units. Additionally, the external waiting that includes two seniors is for the first floor units.

It is likely that seniors unable to use the stairs have been forced to relocate to other subsidized active adult rental communities in nearby cities or reside in subsidized all ages rental communities. Should an elevator be added to the existing building, the building will be able to more effectively serve its intended target market.

Service-Enhanced Senior Housing

Service-enhanced senior housing provides essential assistance with activities of daily living in a supportive housing environment. Without local service-enhanced housing options, seniors are forced to relocate to other communities outside the PMA, use in-home services, which often become insufficient over time, or relocate to skilled nursing facilities. In spite of the alternatives, seniors are best served in customized service-enhanced housing environments that fit their per-

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sonal and medical needs. Therefore, developing a small-scale enhanced living environment within the next two to five years should be a high-ranking housing priority for the City of Rockford.

Excess demand for assisted living and memory care housing that could be captured in Rockford is calculated for 17 units in 2010 and is forecast to grow to 26 units by 2020. These figures are for private pay residents only and do not account for residents who could subsidize their housing and services through Elderly Waivers or other programs. Therefore, should waiver funds be accepted, demand that could be realized in Rockford is much greater. We estimate that at least 25% of the total assisted living and memory care units at a building could be subsidized through Waivers, depending on the financial feasibility of the development, which would increase development potential to 35 units by 2020.

In the near-term, we recommend a small-scale, neighborhood-style project with a combined total of 20 to 24 assisted living and memory care units. Approximately 60% of the units (12 to 14 units) should be assisted living and 40% of the units should be memory care. At least 25% of the units should be available to seniors using Elderly Waivers and other sources of financial assistance. The community could be designed as two smaller homes, one each for assisted living and memory care, or as a combined facility with a separate, secured unit for memory care.

Common area amenities should include separate dining areas for each service level, community/activity room, resident lounge area, and outdoor patio (must be secured for memory care). We recommend that all units include the following features:

- Individually controlled heat/air;
- Kitchenette with dorm-size refrigerator, microwave, sink, and cabinet space;
- Ample closet space;
- Private bathroom with roll-in shower and grab bar;
- Emergency call system; and
- Attractive finishing and design.

Services and amenities to be included in the monthly rent for **assisted living** are the following:

- Initial care assessment and ongoing monitoring;
- Three meals/day plus snacks;
- Weekly housekeeping and linen change;
- Two loads of personal laundry per week;
- 24-hour staffing;
- Activities and social programming;
- Van transportation to shopping and outings;
- All utilities, including heat, electric, water, sewer, and trash;
- Basic cable/satellite and local telephone service; and
- Surface parking.

RECOMMENDATIONS AND CONCLUSIONS

In addition to the services and amenities outlined for assisted living, **memory care** should also include the following:

- Higher staffing ratios;
- Limited assistance with grooming/dressing;
- Assistance with two showers or baths per week;
- Twice daily safety check;
- Medication set-up; and
- Dementia/Alzheimer's specific activities and programming.

For both assisted living and memory care, additional personal care services should be made available either through tiered service packages or a-la-carte.

Table 12 displays the recommended unit mix, sizes, and base monthly rents for a new assisted living and memory care community in the City of Rockford. Monthly rents are quoted in 2011 dollars and may be trended upward by 3.0% annually to account for inflation.

TABLE 12 SERVICE-ENHANCED HOUSING CONCEPT CITY OF ROCKFORD June 2011			
<u>Unit Type</u>	<u>Number of Units</u>	<u>Unit Size (Sq. Ft.)</u>	<u>Base Monthly Rent</u>
<i>Assisted Living</i>			
Studio	50%	425 - 475	\$2,700 - \$2,800
1BR	50%	600 - 650	\$2,900 - \$3,050
<i>Total Units</i>	<i>12 - 14</i>		
<i>Memory Care</i>			
Studio	100%	350 - 400	\$4,500 - \$4,650
<i>Total Units</i>	<i>8 - 10</i>		
Monthly rents/fees are quoted in 2011 dollars and can be trended upward by 3% annually until opening. Services as specified in the "Comprehensive Senior Housing Needs Analysis in Rockford, MN" are also included in these rents/fees.			
Source: Maxfield Research Inc.			

The proposed 20-unit Sacred Path Living development in the City of Rockford could be reconfigured slightly to meet these recommendations. Should this development move forward, the assisted living and memory care senior housing needs in the City of Rockford would be satisfied until the later half of this decade. An expansion of the Sacred Path Living development may be considered later in the decade to meet the housing demand that is calculated to grow by 2020 and beyond.

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Market Rate Active Adult Rental Housing

With significant growth in the age 55 to 64 age cohort and no existing active adult rental housing options in the PMA, the second development concept that has the most market support over the next decade is market rate active rental housing. With the current slowdown in the for-sale housing market and with increased demand calculated later in the decade, we recommended delaying development of this building until 2015 or later. In the meantime, seniors have options at market rate general occupancy rental communities, including those located outside the PMA. Further, a greater array of retail and services, potentially including a grocery store, in the City of Rockford that may come on-line over the next decade will increase market appeal for Rockford as a location for market rate active adult rental housing.

In 2015 or later, we recommend development of a 30-unit market rate active adult rental building. Should adequate land be available, the most desirable concept for this housing product would be a townhome-style community with single-level living, attached garages with sufficient storage space, private patios, and fully equipped kitchens and laundry rooms. A clubhouse with an adjacent outdoor patio area would be sufficient for common area amenities.

Table 13 displays the recommended unit mix, sizes, and base monthly rents for a new market rate active adult rental community in the City of Rockford. Monthly rents are quoted in 2011 dollars and may be trended upward by 3.0% annually to account for inflation. Rents include general community maintenance, grounds keeping (including snow removal), and professional property management.

Unit Type	Number of Units	Unit Size (Sq. Ft.)	Base Monthly Rent
<i>Market Rate Active Adult Rental</i>			
1BR	25%	725 - 750	\$850 - \$900
1BR+D	25%	900 - 950	\$975 - \$1,125
2BR	50%	1,000 - 1,050	\$1,150 - \$1,250
<i>Total Units</i>	<i>30</i>		
Monthly rents/fees are quoted in 2011 dollars and can be trended upward by 3% annually until opening.			
Source: Maxfield Research Inc.			

Since positioning and preferences continue to evolve, we strongly recommend that the City of Rockford complete an updated market analysis closer to 2015. An updated analysis would aid in re-evaluating the positioning of a market rate rental community that would be most successful in the City of Rockford.

Marketing Considerations

The following points are general marketing recommendations for new senior housing development. These recommendations should be implemented if and when the housing concepts outlined in this analysis come online.

- Once development plans are finalized, begin marketing as early in the development process as possible. Timely and strategic marketing will aid in achieving rapid lease-up of units.
- Establish a web presence for the project early in the marketing period. Although seniors looking for housing alternatives may not fully utilize online resources, the Internet would be an appropriate tool to educate adult caregivers, who often provide primary support in the selection of housing products, on potential housing options for their senior parents.
- Develop attractive brochures detailing information on support services, building design, features, amenities, and monthly fees. These items should be made available prior to construction. Create separate marketing materials that provide tailored information for seniors and adult caregivers in the PMA.
- Allow adequate time for education and marketing efforts. Seniors who choose to sell their homes may need six months or more to prepare their home for sale and to find a buyer, especially if the home is older, smaller, or in need of repair.
- Open houses and tours should be implemented to give area seniors and caregivers a chance to become acquainted with the new community as well as to form friendships with future residents.
- Network with social service and healthcare providers, the senior center in Delano, and other nearby housing providers as these sources may provide referrals to the community.
- Many future referrals will come from residents and families of residents; therefore, it is important to continually maintain a high-level of quality, service, and staffing at the community.

Projected Absorption

Calculated absorption rates depend on the quality and effectiveness of the marketing campaign, season in which the community opens for occupancy, development of any new competitive projects near the PMA, and the strength of the for-sale housing market and economy overall. Assuming these factors are considered and optimized, the following points calculate absorption by service level.

- For the 12 to 14 assisted living units, we forecast that stabilized occupancy (93%) would be reached within six months of initial occupancy. This assumes that 50% of the units

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would be pre-leased and that the remaining five to six units will be leased at an average rate of 1.0 to 1.5 units per month.

- We forecast that the eight to ten memory care units would reach stabilized occupancy (93%) in approximately three months. This assumes that 50% of the units would be pre-leased and that the remaining units will be leased at an average rate of 1.5 to 2.0 units per month.

As an example, the most recent nearby development - Legacy of St. Michael - achieved between 65% and 70% occupancy in its first month followed by rapid lease-up of remaining units. The dynamics impacting the St. Michael market and Rockford market are slightly different, but they are similar in the strength of orientation from the local community and lack of sophisticated senior housing alternatives available. Particularly for memory care, a new service-enhanced housing project in Rockford should lease-up quickly.

Lease-up of the active adult community will depend largely on the market conditions at the time the project comes on-line. An updated analysis will be able to closely approximate lease-up after considering these factors and re-evaluating the positioning and performance of similar product in and near the PMA.