

thank you all for coming this afternoon I'm Mary Munoz I lead your investment

0:06

banking team that has done all the financing for all of these beautiful projects here at Rose Villa and Bachelor

0:14

and I met when she first joined Rose Villa we talked about this Grand Vision for what might come and I thought wow I

0:22

really hope you guys can pull this off it sounds amazing and in fact not only

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have you pulled it off but the community is in a strong financial position and I

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was just amazed to see profitability improving while debt was coming online and units were being emptied it was

0:41

amazing so that leadership has continued beautifully you will have a copy of this

0:47

presentation my contact info is here so I welcome any of you who've got questions to reach out and if you'd like

0:55

to be on our email newsletter which comes out every week you are more than welcome to email email me and I'll put

1:01

you on because at Ziegler we are complete data Geeks we love this industry it is the biggest part of our

1:08

company's profitability we're a little Boutique firm based in Chicago doing not-for-profit Senior Living we have a

1:14

separate for-profit group we also Finance hospitals and charter schools and higher education but Senior Living

1:21

For not-for-profits is really a passion for us and the biggest part of that client base is like playing communities

1:28

or ccrcs like Rose Villa who put on conferences every year we publish white

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papers we have a CFO hotline we pull Finance professionals at communities all

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over the country we put questions out that those Finance folks want answered and then we compile the answers and

1:46

generate reports from those and use those graphs and slides and presentations so we just love data we

1:52

love understanding this business and we try to go because it's so important to

1:57

us above and beyond just doing financing deals and we really try to be thought leaders in the industry and help our

2:05

clients be strategic think about growth think about corporate structures to grow

2:11

mergers and Acquisitions consolidation in the industry connecting good folks

2:16

with good folks to help in financially challenged situations and in cases where

2:21

some communities may actually not need financial help but

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just want to join forces with someone strong so that's who Ziegler is and just to give you a flavor for who I am

2:34

uh this is my beautiful husband who I lost last year to alzheimer's he was 26

2:41

years older than I am and we moved into a Life Plan community so I was a

2:46

resident and this is the community that we lived in

2:52

a beautiful sunset over the petting course and my husband's a little man cave that we set up for him with all of

2:59

his books and and the dogs so I come to you not just as a banker today but as

3:05

somebody who experienced being a resident as well in a retirement community and I understand I think some

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of the perspective at least or some of the concerns and fears that you may have and thinking about growth so I just

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wanted you to know that about me so let's start a little bit with an

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overview of the industry and the opportunity all of the challenges that we've been

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through with covid the stresses on employees the stresses on occupancy but

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something that has not changed at all is this great demographic way

that's headed

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in our Direction it may surprise you to know that communities like Rose Villa only serve about 10 percent of seniors

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did you think it was more than that of course I thought it was a lot more than that I

3:53

was really shocked to find most people really would rather stay at home we have

3:58

some in assisted living and memory care that are need driven moves we're starting to see people talk more about

4:04

55 plus communities and maybe moving into not care situations but Independent

4:10

Community settings but the the actual full Continuum of Care communities do

4:16

not serve very many seniors and we've got double the number of folks over the

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age of 75 80 coming at us over the next 10 to 15 years so the baby boomers are

4:28

only very at the very beginning of starting to move into these communities there's great opportunity out there and

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the not-for-profits are not taking advantage of it they're not growing the for-profits are growing but we've got

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great a great opportunity in addition some of the the drivers that have made a

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canal care setting attractive are still out there we have a lot of two-way Journal families that can't really take

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care of Mom or Dad at home we have the the downside of social isolation of

5:01

folks that are especially in need of Assisted Living care or Memory Care

5:06

being at home alone can be really detrimental so

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we want to talk about where opportunity might stand today for Rose Villa we've

5:17

got a number of not-for-profits around the country about 1990s about

25 percent of those were big

5:26

multi-organization groups like Pacific Retirement Services if some of you know them they own Mirabella and Holiday Park

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Plaza downtown they own communities in California Washington Arizona Wisconsin there in lots of different

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states today 65 to 70 percent of organizations

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are part of multi-site groups like that so the number of single Standalone

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communities like Roseville has really really been shrinking fairly dramatically out there so the question

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is why why the growth of those multi-site providers what are the advantages what are the benefits

6:06

how could it benefit Roseville to grow and evolve your business structure and

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you know what are the downsides maybe of status quo of staying like you are today

6:19

so we've got a lot of folks coming out of covid that are busy in strategic planning that are thinking about

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change and the future to restore Financial profitability but

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then to go beyond that and and try to serve more seniors so while Roseville is

6:38

not a religious not-for-profit many of our clients have deep church Faith Roots

6:45

I still say there's a mission for every not-for-profit a lot of our for-profits talk in terms of mission so what is your

6:52

mission at Rose Villa is it to just do what you do today and keep the lid on the box or is it to serve more

7:00

seniors and to be a vibrant force in the industry to work with more of these

7:06

aging folks that are coming into retirement time so

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my message would be I think there's great benefit in looking at serving more and it taking the the wonderful things

7:18

that you all are doing here your net net zero energy buildings the The Innovation

7:23

uh with memory care kind of Without Walls a bit uh culturally here uh some

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wonderful uh culture as a community that you all bring that others could really benefit from and learn from

7:39

so what are we looking at in growth for most organizations short term a lot of folks have been very much in the

7:45

immediate short term of getting through the pandemic figuring out how to deal with all of the burnout the caregiver

7:53

shortages the nurse shortages but let's pick our heads up and start looking to the midterm what do we want

7:59

to do with Capital Improvements with campus planning you all have been doing that for some time now and doing a

8:07

beautiful job and as you start to finish out this campus what should we be thinking about in the longer term six

8:14

plus years if you want to have another location do you want to add services to your Continuum of Care Home Health Home

8:21

Care Pace affordable housing there's so many opportunities that are not being met in the marketplace out there and

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what might it mean for Rose Miller to consider some of those areas could you give me a picture of the industry these

8:36

days today we have about I love dogs

8:43

we have about 2 000 Life Plan communities like Rose Villa meaning with

8:48

independent living assisted Memory Care in most cases skilled nursing about 2

8:54

000 of those and 75 of them are owned by non-profits nonprofits also dominate The Adult Day

9:01

program but every other Retirement Community or care offering is for-profit driven

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affordable housing is a little bit deceptive because a lot of those are funded with tax credits and tax credits

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by definition are are a benefit to for-profits that usually have a

non-profit General partner or driver of

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that of that business model so sort of discount that one a little bit but nursing homes Hospice Home Health all of

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that is typically owned by for-profit providers and they are growing by Leaps and Bounds adding new locations all over

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the marketplace so while it's not a direct product competitor it definitely soaks up capacity in the marketplace and

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in a way encourages people to stay in their homes in independent living versus making that proactive decision to move a

9:54

little bit earlier to a community like Roseville in terms of the single sites and the

10:00

multi-locations I mentioned that we have had a dramatic shift since the 1990s

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over the last couple of decades toward multi-site providers so many fewer

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single-site Standalone business models a lot of these single-site organizations

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became larger by adding a second campus doing new development growing through

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acquisition maybe buying a competitor or or counterpart community in a

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complimentary Market but some also grew by being acquired by other

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multi-existing multi-sites in Oregon we have about one percent of the lifetime communities in the country about 75 percent not for profit here

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similar to the rest of the country uh average agents Community around 300 units the same as in the rest of the

11:00

country and as I mentioned Pacific Retirement Services is really the only multi-site organization based here in

11:07

Oregon in Washington we have uh several we've got Wesley Homes transforming age

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Emerald communities and I'm going to tell you a little bit at the end about Emerald communities which is very similar to the situation we're talking

11:20

about today a single site that whose leadership team decided we're really

11:25

missing out on an opportunity to grow and serve more folks in the state of Washington formed a parent company got

11:33

some Capital up to that parent built Campus number two and now that that second Community is doing very very well

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and just went through a refinancing assembly to yours so I'll come back and talk about that at the end

11:45

so this gives you a look at growth around the country you can see not-for-profits at the bottom we're kind

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of standing still the growth that we're seeing in the nonprofit sector is mostly just like the growth we're seeing on

11:57

your campus adding a new neighborhood adding some new units developing some land or converting maybe what was used

12:04

for one purpose to a new purpose but not really branching out to new locations

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the for-profit side as you can see growing tremendously and that's mostly a rental Independent Living product or a

12:17

rental independent with assisted in memory care or just assisted living and memory care that's primarily what we're

12:24

seeing a whole another set of for-profits our nursing homeowners who have been acquiring properties madly

12:31

um and those who that haven't closed during covet and we've had a lot of nursing home closures during covet

12:38

one of the research projects that we do every 100 Leading Age is our big National

12:44

Trade Organization we partner with them to do this among other research projects and the idea was if we can identify just

12:52

by unit count not quality the largest 200 organizations in the country and we

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can ask a whole bunch of questions about what they're doing that's going to tell us a lot about Trends and maybe give us

13:03

information that's valuable to send back to our client base and

providers so we

13:09

asked them how are you growing and the last two years that we did this publication the here are the answers for

13:15

those two years 58 expanding on their existing campuses that would have been roseville's answer

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42 of them doing affiliations or Acquisitions and

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affiliation is two non-profits coming together and saying let's be owned by

13:34

the same member Corporation maybe no cash changes hands at all but let's

13:39

decide to be partners under the same umbrella same leadership team we will

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collaborate however it makes sense for us to collaborate that's happening more and more across the industry

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only 16 new communities and 30 dispositions or closures I can tell you

13:58

23 years ago when I started at Zigler we never saw a closure and we never saw a sale from a not-for-profit everybody

14:05

held on to everything they had whether it was losing money or not to The Bitter End but we've had some real discipline

14:12

in our industry I'm pleased to say and the willingness to let go of our prune

14:19

branches that really are not adding to the life of the organization overall so

14:26

with covid most of those closures have been nursing homes but we also have had

14:31

some ccrcs in California the two California peo homes as The peo

14:37

Sisterhood began to dwindle both shut down eventually closed their doors we

14:44

have a market in California called Alhambra where three of the four providers in that market close to their

14:49

doors it's just demographically had shifted dramatically and they couldn't make a living there anymore just two

14:55

examples of changes in our industry and that's a great driver of growth and

15:01

diversification in an organization sometimes markets can change underneath you and if you have some other

15:07

streams of revenue streams of income from other directions that can really diversify the underlying business risk

15:14

of the organization so this is a look from a different

15:20

perspective at those 200 organizations and their growth in numbers of units

15:26

over time so you can see that the purple line there is since 1990 how big and in

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aggregate were those 200 organizations if we assumed a zero at 1990 the

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incremental growth has been nearly 50 000 units among those 200 organizations

15:46

the green line is growth through mergers and Acquisitions so around 2015 is when

15:51

we saw this shift to organizations growing by affiliation and merger

15:57

much more so than by new development and what did that coincide with coming out

16:03

of the recession prior to the recession we saw 10 to 12 new communities a year

16:08

being built today it's two to four new communities not-for-profit

16:14

Lifeline communities being built so it's become much more common to affiliate and

16:19

what that means is we're not increasing the number of not-for-profits we're actually decreasing the number of organizations and not-for-profits are

16:26

becoming a smaller and smaller and smaller part of the universe of opportunities out there for seniors

16:33

so getting down to the real Crux of why we're here today why consider growth why should Rose

16:39

villain consider growth so I would suggest to you that some of the

benefits that lead others to grow are Workforce

16:48

based Healthcare based capital and overhead maybe a little bit

16:56

less so so let's talk about where the efficiencies come from and being a larger organization in our industry each

17:03

community's got a certain number of people to serve a certain number of meals a certain amount of health care

17:08

costs so there's not really a lot of savings necessarily in taking two Life

17:14

Plan communities and putting them together that the biggest costs that we have are salary and benefits which

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usually runs 50 percent of revenues and dining programs meal cost and dining

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staff which can run another 10 to 20 percent of Revenue so now we're up to 70 percent on those two items and so those

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are the big piece that we want to tackle so think about in Workforce recruitment

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if you had four communities instead of this one might you then have the

17:45

resources to mount a training program for certified nurse assistants

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or a joint venture with a university to build a training program for certified

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nurse assistants a partnership with a university that has a nursing school that can feed folks in to intern and

18:05

hopefully work with your community could you have a high level executive chef who

18:10

can meal plan and shop for four communities and have lower level Cooks at the at the community level so you can

18:17

carry out a much more enhanced designing program than perhaps one Community could afford could you

18:24

mount a better benefit program or cheaper Health Care Program could you enter into some things that our

18:31

Millennials want like pet insurance or some of those other kinds of creative type opportunities things that are

18:38

harder to do with a single campus can be cheaper to do with a larger campus talk

18:44

about the c-suite level you've got Ambassador CEO you've got Angela could

18:49

you have a chief operating office sir and maybe an in-house legal counsel that could ultimately save a lot of money

18:55

outside the organization with higher professionals and have those people shared over four communities instead of

19:03

one those are the kinds of efficiencies that we see attracting higher powered

19:10

Ward members and and management staff candidates than would necessarily be

19:18

attracted to a single site Community it isn't that we're going to put two campuses together and not have as many

19:24

caregivers or not have as many dining or it doesn't really work that way does that make sense to folks where we're

19:30

kind of where we're seeing some efficiencies okay on the health care side Healthcare has gotten very complex

19:37

for the organizations that provide skilled nursing and many are not anymore we're seeing more organizations shutting

19:44

down that level of care going to a high Acuity Assisted Living Model new

19:49

communities being built with no health care but if you have health care what's important to you

19:55

maximizing Medicare dollars because that's where the best profit margin is that's gotten harder with Medicare

20:02

Advantage Programs so one thing that we're seeing is organizations deciding to become their own Medicare Advantage

20:09

program well that is a much more efficient strategy over multiple covering lives

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than over a small group of covered lives are partnering with someone who is a

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Medicare Advantage program and capturing more of those dollars having

a more robust rehab program that could serve

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multiple locations and not just one Managed Care contracts so we just had we

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had an affiliation in California a couple years ago one of our clients That's Heavy skilled nursing in Northern

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California partnered with a Jewish organization that had a very large nursing home and the larger partner had a big Kaiser

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contract that was really valuable to the smaller organization they came together under one umbrella so there's some some

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opportunities from the the Health Care side as well that can drive

21:00

that we talked about demographics I would encourage you all to think about

21:05

Mission about roseville's mission is it to just do what you do today or is it to

21:12

really serve more seniors over time and I think that that's worthwhile considering if you just do what you do

21:19

today and have heads down and have the lid on the box this community ultimately

21:25

will start to wither and die on the vine.

beautiful redone campus but what was

21:33

happening before was just that withering and dying on the vine before all of this beautiful Redevelopment began so they'll

21:39

be the next cycle and the next one after that and does it make sense for you to bring more more people into this

21:45

beautiful thing that you've got going the for-profit growth is creating

21:50

competitive pressure so not that poor profits are bad not the profits are good

21:55

I have a bias toward not for profits because I work with with them and I see the wonderful things that are happening

22:01

without that um outside investor return pressure that

22:07

comes with being in the for-profit side but because of that pressure

the for-profits are very active Growers and

22:13

they're going to continue to soak up market share so there is great opportunity to move sooner than later

22:20

these are some of the factors that we've seen just to take that another step leading to affiliation and merger among

22:27

groups around the country in our space that attracting Talent is a big one so

22:34

imagine you've got a concierge Who Wants To Be A Wellness coordinator and there's

22:41

no Wellness coordinator position available at Campus number one but there is a number two or number three or

22:46

number four but more career pathway opportunities that you have the more

22:51

you're going to attract people into an organization that's been a big merger driver Healthcare we talked about

22:58

financial pressure sometimes I mean sometimes it's a group in trouble that's putting their hand up and saying gosh we

23:04

really need help can you help us and your leadership team would think pretty hard about making that move but we're

23:11

also seeing organizations saying gosh we have a retiring CEO we don't really have any internal candidates we're not seeing

23:18

much in the way of quality out there could we bring all the things that we do well together and take advantage of what

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you're doing well together and be under that parent umbrella with you

23:32

um diverse science service lines we haven't really talked about so growth

23:37

can be a way of adding some new things to the product mix and service mix so

23:42

maybe there's interest in doing some affordable housing from a mission point of view maybe there's interested in a

23:50

portable apartment building with a PACE Center in it if you don't know what pace is it's one of my most favorite things in the world we have it in Oregon and

23:57

it's um it's a CARE program for the

24:02

poorest and freless seniors who get all of their care through this
this pace

24:08

entity and I encourage you to read about it if you're interested it's
really a beautiful a beautiful program technology

24:14

becoming more and more important so electronic medical records yeah
everybody's pretty much there now but

24:20

now we're getting smart home technology and call prediction technology
and all

24:27

kinds of new um Technologies coming into communities how

24:32

do you pay for those and maintain those it helps to have scale with
that

24:39

so to put a little more um detail on it in some of these areas we see
communities in transition so that

24:47

might be you might find that Northstar has acquisition opportunities
through some of this transition older campuses

24:54

that don't have the ability and expertise to redevelop just what your
team has accomplished here that could be

25:00

taken to others who don't know where to start or how to do it we
talked about benefits of scale

25:07

underperforming communities we have divestitures happening out there
hospitals divesting their senior living

25:14

assets and saying wow we have been decimated with covid the last thing
we

25:19

need is a business not core to our mission as a hospital we'd like to
put

25:24

this in your court we've got some that Covenant issues that we've had
communities facing that might create

25:31

opportunities that stepping into a situation where perhaps the
downturn is

25:36

really a short-lived downturn but in the long run you could get a
strong provider

25:41

coming in but they just didn't plan well enough to get over the hump

give you a sense of how much

25:47

consolidation has been happening since 2015 those purple bars are the number of deals and the gold line up above is the

25:56

number of communities involved in those deals so as that that line up on top

26:01

diverges what that's telling you is multi-location organizations are coming

26:07

together with other mults so one transaction might be 10 communities

26:12

that's why that Gold Line is really shooting up and just again

affirming that Trend that we see around the

26:19

country so it's not just new development that might be an opportunity for Northstar it could be affiliation

26:25

another non-profit maybe with no exchange of cash could be an acquisition that does have a change exchange of cash

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but no construction risk there or it could be just a brand new location with somebody that really feels like there's

26:38

a great fit with your team foreign so those are some of the reasons that

26:43

we're seeing organizations develop a growth strategy and decide that they really want to be more than they are

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today if you get there and I'm not saying you're all there by any means and we're going to open it up for all the

26:57

questions that you might want to throw at me here on that but a few notes that if and when you got there how would you

27:03

go about executing on that growth strategy first of all we always want to see

27:09

everyone balance existing operations when you moved in here and paid an entrance fee you entered into a contract

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and you deserve a certain amount of services you deserve the ability to reside in your apartment or your your

27:23

beautiful home uh here and we all want to see you getting what you deserve

27:30

under that contract always so that's first and foremost balancing that

with new opportunity

27:36

what's the vision and the Strategic plan what are the criteria so Ambassador has said we want to be in the Pacific

27:42

Northwest that's a very important starting point so Washington Oregon where is where you want to look at

27:49

Opportunity we want to work on fleshing out criteria like that so that it's

27:54

really clear what's going to be incremental and attractive and make

27:59

sense for North Star and Roseville having alignment between the board and

28:05

the management team is really important and being able to be nimble so I've already sent several opportunities

28:11

Master's way none of them have turned out to be the right thing quite yet but there are a lot going on out there so

28:18

rewarding risk is something I want to touch on too one of the reasons for-profits are growing so much and

28:24

not-for-profits aren't for-profits reward risk taking right and those

28:29

managers are in it to grow shareholder value to make their organizations bigger

28:34

that's what they get paid to do and if they're doing enough growth and some of them are failures but more of our

28:41

successes they're good and they're getting bonus for that so we tend to not think that way so much on the

28:47

not-for-profit side partly because the source of capital is operations and philanthropy it's not going out and

28:53

raising equity in the markets so it doesn't ever really feel like it's somebody else's Capital that we're uh

28:59

that we're working with or investing but still in all it's a perspective to be to

29:04

be thinking about the structure that tends to work really well is to put a parent company up above in your case

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North Star that can be the umbrella that can be the glue or the coordinating

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body that kind of has an eye on the well-being of everything that's

29:21

happening within the system beneath that parent company we can have

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stable operations like Rose Villa we can have new startup Community we might have

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for-profit Ventures we might have a development company we might have a

29:39

foundation we can have all different kinds of things underneath that parent and they can be all separated and

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firewalled all the risks separated or there can be some shared liability and

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obligation and it's all depends on how your team decides to set that up what we

29:59

usually see is over time as communities get developed and stabilized and they're

30:05

cash flowing and making money they might join forces with the other strong entities within the system and maybe get

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co-obligated on their debt maybe get credit ratings so my big client is human good my

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biggest client they're not in Oregon but they are in Washington California Arizona lots of other states they've got three

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different obligated groups within their system that are selections of communities who borrow together and are

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co-obligated in your case we're talking about complete separation between Rose

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Villa and whatever comes next number two with any Capital that gets committed to

30:46

number two coming through the parent company not from Roseville directly so that's how things get firewalled

30:52

initially and roosevelty gets protected from risk so we usually recommend that we get some

30:59

Capital up to that parent company that's going to be the C Capital to grow and

31:05

where is that going to come from it can come from Roseville it could be a

31:10

loan from Rose Villa that could get paid back with interest over time it could be management fees what I saw

31:17

with my client Emerald up in in Washington is they moved from having

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their CEO and CFO on the payroll of Campus number one move them up to the

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parent and had a management contract so the fees that would have gone to salary

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instead went up to the parent company to management fees they got development fees when they did

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Campus number two so Capital can begin to flow up to that parent company over

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time and it can self-capitalize but it needs to start so probably that start

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would come from from this community that startup Capital can be invested in

31:58

lots of ways it can be loans to new projects and paid back over time it can

32:04

be guarantees it can back guarantees it can be what we call liquidity support

32:10

agreements which essentially is a guarantee for a new community that has a little skin in the game but none of

32:17

those structures would come from Roseville they would come from the parent company

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and that's what's really important the other important part of that is we always like to structure any of those

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connections so that they burn away it's kind of like it's a little velcro straps

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that can go to help this new community and we can pop those drafts as we hit different Milestones so we get to stable

32:41

occupancy we can take away some of that that guarantee liability we've met

32:47

covenants for a couple years we can take away a little bit more we've paid off all the early startup debt we can take a

32:53

little bit more away so the goal would be to recycle that Capital at the parent

32:58

company over and over again in more different projects or more different growth opportunities over time

33:05

so I've mentioned Emerald communities a couple times this is what they look like they started out just as Emerald Heights

33:11

in Redmond Washington one single campus built in 1992

33:16

and a new CEO came in about 2006 the campus was dated it has not been

33:22

reinvested in it was losing money and she really put it on a major

33:27

profitability Improvement plan and similar to Roseville it was like a hockey stick kind of the classic

33:34

Improvement in profits that we usually never see the case study type but this

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was a hockey stick Improvement in profitability and major reinvestment

33:45

campaign just like you had here got really everything looking fantastic at the main campus and then they said

33:52

we need to do something new we've got more opportunity to serve more folks on the Washington Market they put a parent

33:58

company up above and emerald Heights loaned 10 million

34:03

dollars to Emerald communities as parent company and emerald communities took that 10

34:09

million dollars they found a piece of property in Gig Harbor Washington after looking for property for 10 years they

34:16

found a piece in Gig Harbor and they spent that 10 million plus a little

34:21

extra from some some friends to buy the land get it zoned get all the pre-sales

34:27

done for a new community get all the architectural design work done and then we came in and financed that project

34:35

five million stayed in the deal as a subordinated loan and the other

five was

34:41

paid back to Emerald communities and they put that up as liquidity support which went away as the community

34:47

stabilized so now the five million dollar loan has gotten repaid we have refinanced their

34:53

debt but the same structure that we just used to refinance Roseville is actually took away all of the bonds and they have

35:01

a bank transaction now that is saving them over a million dollars a year and it's been a great success story we're

35:07

now working on community number three for them which is in Hawaii so big jump

35:13

from Washington to another location and there are many many other examples of

35:19

organizations that went from one Community to two and then onward from there so lots of

35:25

case studies that we can show you but I'm going to stop there and invite as

35:31

many questions as you might have I think the resident Council had a lot of them at lunchtime so

35:38

hit me up I'm ready check check check

35:43

you all are welcome to formalography Club I hope that was just kind of helpful

35:49

background on what's happening out there and why you might want to consider growth yes helpful

35:55

kind of sort of globos you mentioned the discussion we had the

36:01

resident Council I think maybe we're just Henry I thought it was very informative uh to answer again the

36:07

question uh uh was asked there about uh you know keep north star which is really a startup no Capital it's not a good

36:14

concern um it might be helpful just to describe what what typically it might might

36:19

involved in terms of getting the seed Capital to it and what form and how much

36:24

you know sure sure

36:30

so this is a very unusual industry um in in the in the days before in the

36:36

big recession came along we had many many retirement communities like Rose Villa

36:43

believe it or not that we financed with nothing from the borrower no equity

36:49

nothing so we had other investors come in and blend in the startup Capital that

36:55

was expensive but other investors come along with the startup Capital no skin in the game from the management owner

37:01

company and then as those entrance fees came in at move-in and paid down the debt

37:07

essentially that acted like equity in the project so we ended up with maybe a 70 loan on a on a project that was

37:15

valued at 100 percent that really all changed when the recession hit in 2009 and we had some

37:24

pretty high profile borrowers that said to investors yeah

37:29

this community is in trouble yeah it's been five years we're not full but you know what it's your problem it's not

37:35

ours we didn't agree to put any more money into this thing um we are growing with other people's

37:41

money and that created as you might imagine a pretty bad taste so we have

37:46

been since the recession having our borrowers put some amount of support at

37:52

risk on these projects and we work very hard to structure the deal so conservatively

37:59

that we don't ever expect that money to get drawn upon but it's out there so the

38:05

way that it usually works is the borrower the owner will come up with the

38:11

early Capital to buy a piece of land and get it zoned and then we can bring outside investors

38:18

in to take the risk of pre-selling the project and getting the architectural work done we just want to know that

38:23

there's solid market demand we've got a piece of dirt we've got its owned and and it's likely to attract a good number

38:30

of seniors to move into it that early part of the process could

38:37

cost 5 million it could cost 25 million it really depends on what

38:42

Market you're in how expensive the land is how long the zoning entitlement process is but I would say and minimum

38:51

of probably 5 million is going to be needed at Northstar to do a meaningful

38:57

new development and then I'm about 5 million now the idea would be that that money gets paid back

39:04

just like the emerald story that I told you so they spent their whole ten but five of it stayed in five of it got

39:13

paid back when it was time for the bond financing to happen so the goal is to be paying it back

39:19

as much of it up front as we can some of it may be over time it can be

39:24

subordinated notes it can earn interest at a friendly rate well we don't want to

39:30

charge 15 interest but as a related party could you charge three or four

39:35

percent yeah so the idea is let's get a basic nugget

39:41

of capital there to North Star and then let's help leverage that Capital as far as we can to do as much as we can and

39:48

use those dollars over and over again I just did a 300 million dollar financing last year in Sonoma wine

39:54

country with Kendall Quaker organization out of Pennsylvania and the San

40:00

Francisco Zen Center and the Zen Center raised 3.6 million

40:05

dollars and Kendall at the end of the process brought one and a half

40:11

that was it for a 300 million dollar project now the developer put some of their fees

40:16

at realtest which I thought was incredibly generous of them so the Zen Center money got spent at the

40:22

beginning to lock up the land get the entitlements when we did the bond financing we paid them back

40:29

and they're three and a half and Kendall's one and a half and somebody from the developer formed this

40:35

liquidity support fund that's going to sit there and skin in the game for the benefit of investors that fill that

40:42

project is stabilized that is not very much money though for a project of that size it's earning development fees for

40:49

the Zen Center and development fees for Kendall it's earning management fees for

40:55

the Zen Center and the answer keys to Kendall both who are bringing different different parts of the value proposition

41:02

it's a 50 50 joint venture Venture so another example did that seem to does cover it

41:10

yes okay okay

41:18

so I'm confused it seems like we're doing this for other people we we're

41:23

here we've gone through this process of building and things are going well and I don't

41:30

quite understand why what's into this for us I mean uh seems

41:38

like we're doing this for everybody else to help others not not for ourselves it's

41:44

so we're reaching out to help others and in perhaps in the process of endangering

41:52

ourselves in the process I don't I don't quite get it so a couple of yeah great question a

41:58

couple of different pieces there um let me answer the second one first the endangering yourselves I can promise

42:06

you that the board and of north star and the board of resvilla would never allow

42:12

enough money to be moved from Roseville to North Star to a dangerous community

42:18

they just wouldn't so the Ambassador had said that to me this is primo priority is the ability to meet the contractual

42:25

obligations to you here is going to be very very important beyond that you're going to be isolated you're going to be

42:30

firewalled so if we did 150 million dollar project and you had a North star

42:36

had a 5 million dollar investment in that project Rose Villa is only at risk for 5 million now do you get that 5

42:43

million back maybe or maybe not but that's the the objective of how this

42:49

would go well it seems to be like they have the money to go to them we have to pay more and we should be paying so if

42:55

we have more money to give to other people I don't know well I think it would be reserves that resvilla has on

43:02

hand now so before we're if we're taking on our reserves we're we're trying to

43:08

build up reserves so we have reserves are for others and to help people if we have a downturn or some of us that don't

43:18

have enough money to get get by with 15 years from now or whatever it is so

43:24

we're giving away our reserves that we put in there for the future well Roosevelt put the reserves in there

43:30

right you paid your entrance fee for the services you're getting it came from us

43:37

well not necessarily and they came from operations right but that's not yes

43:45

from you all I guess the way that I look at it the way I look at it as a resident was I

43:52

paid my entrance fee I had an 80 refundable contract my husband got a

43:58

Life Care contract I didn't I wasn't even eligible for a Life Care contract and beyond that I had invested in a

44:04

company and it was up to them to run the company it wasn't up to me it was not my company

44:09

I paid my entrance fee for the right to live in my apartment now if anybody had taken away my right to live in my apartment or changed tried to take away

44:16

my husband's life care benefit I would have been on the work path but it wasn't really my decision to tell my management

44:24

company what to do with their income statement or their balance sheet I paid

44:29

it I'm getting what I paid for and the rest is kind of up to the board of

44:34

directors and the leadership team to build the strategy for the company that's how I think about it

44:40

so one of the problems I think that we're all facing um is that roszilla has suffered a lot

44:48

in recent years we really suffered during covid and

44:53

um we've suffered in the management changes that have occurred uh in the

44:59

last three four years and this is not the campus that many of us move to

45:05

the buildings are starting to look kind of shabby the grounds don't look that

45:11

great we've had a number of spaces or ideas not work out or clothes some of

45:19

them are coping related and I certainly can't blame anybody for that but others were failing and failed before that

45:27

so um for some people the medical system that was here and medical support I mean

45:33

even when I moved in which was three and a half years ago roseola I helped actually us navigate the Healthcare

45:40

System here moving from California to Oregon they don't do that anymore so we don't get we don't get meals every

45:47

single day in the dining room anymore you know we're not back at all to where we were and I think the perception here

45:54

is that it may look great in some Financial world but we are not getting

46:00

the services that we got at the beginning and the place isn't the way it used to be so the idea and any time we

46:09

ever ask for something be it we'd like to have something special happen we'd

46:14

like to have a service return that we used to have we are threatened and the way we're threatened is that we're told

46:21

oh well that's a very difficult choice because if you want to make that choice your fees are going to go up so

46:28

this is what's really challenging for us is I don't know that this isn't the best thing for us this may be where we really

46:34

need to go in the future but we are really struggling with the fact that people think we're great but we're not

46:39

as great as as you're saying and if you come and stay here with us and look and

46:46

talk to people you would find that people are really not that happy we would like to come back up to where we

46:51

were we would like to actually be the place that we thought we were moving into and at that point it's like with

46:58

this very successful Place yeah maybe this is what we need to do in order to fees don't go up and that you know we

47:05

can be successful I think it's the win that's and where we are right now it's a

47:11

struggle for a lot of us

47:19

well I'm not the best person to address I'll live that but I I certainly can observe that you have been in a

47:26

community undergoing a tremendous amount of change the last few years I don't

47:31

know that there was an alternative to that change looking back at where Rose Villa was before Vassar came and I I

47:38

couldn't get the CEO to even take my phone calls then so I I couldn't get on campus but I drove through and saw the

47:46

railroad yard if you will of long old buildings and it was a challenging

47:52

campus so but going through change is also really really challenging I know

47:58

that your management team here cares very much about how you feel and and wants to hear that feedback

48:06

you know I can't address the the things that are day-to-day an issue on meals or

48:12

whatever but I do feel confident that the chain that's here trying to lead

48:20

Rose Villa into the future is going to want to make sure that you are absolutely getting what you paid for

48:26

when you moved in before there's a move to do something else new in another

48:33

place I believe that from what I've been told directly by your leadership

48:40

my my secondary up question is related I've been here two years okay and

48:49

in the last two years I have been told several times the things that I thought was in my contract there's no budget for

48:55

that and some of them are safety issues or some of them are basic

49:02

building issues some of them are health issues and so the community that I thought I

49:09

was moving into is not the one that I'm now living in all of the management that I've not all

49:15

but a lot of the management that I tested or bought so my

49:20

Trust in the existing management team

49:28

I'm questioning and I need reassurance and I'm not

49:34

I'm not home and I know I've I support the whole idea of Northstar I think it's

49:40

wonderful but I'm not sure that Rose Villa is the

49:45

model community that we are holding it up to be I know it's not

49:51

um and I think we need to address a problem and have a solution before we decide that we're going to go

49:57

tell everybody else how to do this because I think we're still trying to figure out how to do this for you we're

50:03

younger we're a different organization

50:09

um and so I think it's more than I guess what I'm saying is don't matter

50:17

everybody's like we've been here two years and some of us have been here one week and uh a lot of us are here so

50:24

that's my opening my mouth yeah [Applause]

50:32

I would like to ask if there are instances or Trends whereby profit of

50:39

for-profit are acquiring or merging with men

50:46

absolutely so that everybody get the question are there for-profits that are acquiring immersion with not-for-profits

50:52

and uh yes the fact is when we've had especially Life Plan communities like

50:59

this that go up for sale and in particular go through bankruptcy and go up for sale almost always for-profit

51:07

buyers are the ones that prevail and unfortunately in about six or seven situations bankruptcy courts have this

51:15

Nest resident refunds and Resident rights and allowed bondholders to

51:21

Prevail and allowed for-profits to restructure the business model that that is unusual I think in most cases

51:29

resident obligations have been honored and when we find not-for-profits who

51:35

come together with other not-for-profits that generally is a very high priority so I mean that's one reason that I would

51:43

hope as North Star gets moving ahead that we could bring to Northstar other

51:51

not-for-profits that might be looking for a home that are not necessarily a

51:57

financial drag but that needs some some help or some leadership assistance and

52:02

might do better as part of a larger organization that yeah the for-profits are aggressive

52:08

about buying and they're not afraid to pay a premium I find when not-for-profits look at purchasing

52:15

another Community a lot of times they're they're litmus test is how much debt can

52:21

that new community support and that's all that I'm willing to do because nobody wants to come out of pocket

52:28

for some of the same reasons that we're talking about capitalizing birth star or not for profits to look at

52:34

it's been really hard to amass the capital that we do have it's been mostly through our resident contracts and

52:43

we pay you know 10 or 15 premium or next other community to buy it and bring it

52:50

in so these are our tough issues in our business yes sir I don't know I don't

52:56

buy into the concept we grow this is good in the ability as bad

53:01

I don't know why we have to grow uh here we have a

53:07

conversation here that seems to be running all right essentially managing their

53:16

foreign

53:42

with the risk involved in that now they could they could succeed or they could

53:47

fail and if they fail they're going to have a big Financial impact on us

53:53

so I am not in favor of this at all I

53:58

think we've got all well without being a member of the move

54:04

I don't know why we have to do it now so I

Mary:

I agree

54:12

there's nothing bad about stability and it's not necessary that you grow and there's a great opportunity with growth

54:19

I believe you could you be successful as a stand-alone single site Community probably for a long time unless the demographics around this area were to shifts a lot like they did in Alhambra California and suddenly nobody can get move-ins and the community dies. That's pretty unusual though. I don't think it's a have to, I think it's saying there's a great opportunity and there's opportunity to serve more folks.

and before you all

54:53

moved in you were the other folks right that Roosevelt might start serving if they expanded or if they redeveloped you

55:00

or the other people by the existing residents could have said we don't want to serve any other people we just want

55:05

to be here for ourselves why should we expand and let those other folks move on campus a lot of you and the other folks

55:12

now so it's you know we've we've got lots and lots of seniors coming our way

55:17

and I just think it's an opportunity it's not a necessity though some other it's opportunity and there's

55:23

risk there's risk and the the intention as I said is to be very very disciplined in

55:29

that any money that moves from Roseville to North Star is limited and is not

55:35

going to endanger Rose Villa and that any other Financial risk associated with

55:41

the new development is going to be limited to the money that's at Northstar and not come back to Roseville Roseville

55:48

is not going to be co-optimed for debt for any other campus not going to guarantee that for any

55:54

other campus that is there a brand name risk yeah and if you did a second campus

56:01

and it failed could that reflect back on resvilla yes but the Financial Risk is

56:07

not going to be there just whatever that initial capitalization is that could be lost yes

56:13

if a venture doesn't happen there's no way to pay back Northstar Northstar can't pay back Rosella at that

56:19

a service could lose the entire investment

56:26

whatever that investment is though but how big would that be you know it might be a couple million dollars it might be

56:32

five million dollars I I don't think it's going to be 50 million I know it's not going to be 50 million and it's not

56:39

going to be the amount of the cost of a new venture so that that's my only Point yeah

56:45

there's risk sure there's risk and and we're talking a lot about that with your lead

56:52

ER for sure they're being very very thoughtful about it and the North Star board we've already looked at a couple

56:57

of opportunities with them have them on Zoom questions were very incisive and the

57:04

decision was no on the two or three opportunities that we brought on

57:10

so they're they're being very careful very thoughtful that's as much

57:15

that's the truth and I hope I reassured you some but that's how it's played out so far

57:27

you've talked about some case studies on successes on the Smoke by side

57:32

affiliations could you name some case studies of

57:37

multiple type affiliations that have failed in perhaps research it on our own

57:46

let's see there are lots of multi-sites that are growing through

57:53

affiliation and acquisition in addition to new development

57:59

and those have been

58:04

for the vast majority of those have been successful so I let me point you to the

58:10

Leading Age Ziggler 200 which you can pull down for free online

58:16

that'll show you the 200 biggest multi-site organizations and you can look at those and see how they're

58:22

growing and who's making acquisitions the bankruptcies that we've seen have

58:29

been more um new developments that didn't fill up

58:37

in a reasonable amount of time and ran out of Reserves and um I'll give you some examples of

58:45

those it wasn't through affiliation though so the clear at Water Tower Place

58:50

in Chicago was a new campus that financed in 2007

58:58

and there were there were 80 reservations that went to about 20 overnight finally

59:04

my brothers failed when they started construction they had some oil tanks that didn't show up

59:11

anywhere on any drawings of downtown Chicago they went way over budget on construction then they had this way slow

59:18

fill because of all this pre-sale cancellations they ended up in in bankruptcy and were bought by a

59:24

for-profit um there are some communities in Texas the Sears Methodist communities got into

59:32

some trouble they've just been sold to a multicycle life space there is a community called engineer in

59:39

Texas which you can find a lot of press about that is a ground police deal that's in default

59:46

that is really a bad situation you can read about that that was owned by a company called senior quality lifestyles

59:53

which kind of blew it on their portfolio of campuses and had several go from very

1:00:01

successful to very troubled over a period of a couple of years the

poor management

1:00:06

no cost control major service Creed providing all kinds of bennies to

1:00:12

Residents without anybody looking at the cost of those and changed accounting systems and had no numbers for a year

1:00:19

and a half and then suddenly find a bear on the verge of bankruptcy that was really an unforgivable type situation

1:00:28

um one of the really bad ones was the name riff in Connecticut it was in

1:00:35

Connecticut um that was the first one I know of where

1:00:41

residents lost money I became Covington at South Hills the residents lost money ultimately through

1:00:48

bankruptcy court we're representing two in California right now called California Nevada Methodist child Center

1:00:54

and Bankruptcy Court the worst the South Side agent on those so those are a few that you can read

1:01:01

about

1:01:09

in our culture monies a very key metric

1:01:15

are you showing us Financial histories and rejections and

1:01:20

trends we sell money I you know World stories very receptive

1:01:27

a person coming into this discussion in a kind of neutral stance would be really persuaded by what they're seeing

1:01:35

but I'm curious about who who out there is doing a really effective job of

1:01:40

taking into a life-changing risk of climate change I

1:01:46

did not hear that phrase presentation at all yeah I think we're at the beginning of

1:01:54

retirement communities beginning to show to change how they are being constructed

1:02:00

and what they're doing in response to climate change the the big project if that's what you're asking me the big project is

1:02:06

Sonoma that I talked about the 300 million dollar one with the Zen

Center and Kendall is not Net Zero Energy but

1:02:14

it has a lot of low carbon footprint heavy recycling

1:02:20

construction material recycling food recycling all the food which is going to go to the organic Gardens which are a

1:02:26

Zen work practice in the organic Gardens are going to feed back into the kitchen

1:02:31

and have kitchen food opportunities for residents which is what they do at the Zen centers

1:02:38

and so that was the first Marine bond issue that was ever done in senior living

1:02:43

then Terwilliger Plaza here downtown is building their new tower to the passive house

1:02:49

in our second the second green bond issue in the industry we did both of those last year

1:02:55

I think it's really new but I tell you the Baby Boomers were loving it all day long the average depositor at um the Zen

1:03:03

project in Sonoma 72 years old and it sold out in a matter of nine weeks

1:03:10

it was amazing and I've never seen something go that fast so I think that

1:03:15

the Net Zero buildings you're doing and that is really the future and of course in Oregon we would expect to have uh and

1:03:22

on the west coast I think in general we have more cognizance of the importance of that from a lifestyle point of view

1:03:29

but I think we're going to see a lot more of that in new communities is that really your

1:03:35

question did I answer it sorry okay then I didn't understand what

1:03:41

you were asking well you said that one of the reasons

1:03:47

for doing this is because some of the organ oh what's what are we talking about one

1:03:53

percent or five percent of the report what percentage of them

1:03:59

uh goodness impact yeah I it's hard to quantify

1:04:05

that specifically what what I would point you to is uh some of the examples that I made up

1:04:13

like uh being able to mount a CNA training

1:04:19

program if you had enough communities to support that or like the executive chef

1:04:25

who allows you to have lower level dining staff Cooks at the various communities it's those kind of

1:04:31

incremental savings that help the labor shortage and help with the food cost and

1:04:39

budget to hopefully bring higher quality at lower cost the two communities that

1:04:44

have a full Continuum of Care are still going to have the same number of meals needed and the same number of caregivers

1:04:50

needed you know whether they are under the same ownership or they're under separate ownership it's really that that c-suite

1:04:59

service and and what benefits can you get from being larger that allow you to

1:05:04

support Morgan to get better manage to your contracts and you um the Medicare Advantage thing that I

1:05:10

talked about could you be large enough to mount your own Medicare Advantage plan that way and then you make a higher

1:05:17

margin on your Medicare short stay Revenue we have revenue and skilled nursing it it's going to be those sort of incremental savings that I

1:05:23

would see really being the meaningful part of

1:05:31

becoming large and then just serving serving more people which you may say is not

1:05:37

important to you but I I love seeing our not-for-profits be a bigger part of the

1:05:42

pie out there and creating alternatives for people to

1:05:48

places to live

1:05:53

does that answer them thank you yes sir oh we have friends in Bedford who will

1:06:02

work very Catholic by the road Valley Manor if possible okay I'm I'm

1:06:08

interested in what is your understanding of what happened there oh my understanding and I will readily

1:06:16

confess that I I didn't get a chance to read everything that happened but I believe the

1:06:22

the concern was that Pacific Retirement Services

1:06:28

had taken some cash off the balance sheet of Rogue Valley

1:06:35

Manor to the parent company level and used some of it to develop a golf course

1:06:40

tell some other things that were incremental to

1:06:46

a incremental to the business and and prs's Minds

1:06:53

um and that that money was over and above any management fees that were owed to PRS and was that fair to the red

1:07:00

Valley residents but I think that was the gist of it is that right bathroom yes

1:07:06

but I didn't read all the detail in all the court readings and so forth I would have loved to do if I had time to

1:07:13

I think that's what what happened to yourself and I think that's why this communication is happening right now you

1:07:19

know your team wants you to know gosh and quickly figure out 5 million is a sweet spot and and ultimately we want to

1:07:26

have a loan of 5 million from Roseville to North Star we want to be transparent about that have residents know about

1:07:33

that have you have the opportunity to ask questions of not only your team but an outside party like me that hopefully

1:07:41

is helpful so that's not what how they did how they did it is specific still is

1:07:48

yes specific Retirement services are still in business and they are quite quite a Powerhouse actually they have

1:07:55

a brand new community at Arizona State University in Tempe where I live in Phoenix and it's a gorgeous high-rise

1:08:02

and they're in the fill up process there and I think that's about their at 311.

1:08:08

community yes so Holiday Park class is part of

1:08:14

them you're a Bella downtown Cascade Manor and Rogue Valley Manor they have a

1:08:20

Mirabella in Washington Mirabella and Phoenix they've got a couple of communities in Wisconsin that they

1:08:27

affiliated they got through an affiliation and they have Trinity terrorists in

1:08:32

Texas not that at all and a bunch in California

1:08:39

several management contracts and then one that they own Peninsula region for California and UC Davis

1:08:45

they have two University days to communicated if you did and they have been working on housing about 25

1:08:50

oh good part of their mission yeah it wasn't yeah

1:08:57

not for profit for Pacific yes Holiday Park was an up-for-profit

1:09:03

before PRS to come over yes so that was an affiliation that was

1:09:08

successful I don't know the reason why that kind of predates me coming into this business but I'm not sure why they

1:09:15

took them over there Holiday Park is now very stay or double a rate that's a very

1:09:22

strong rated community yes ma'am

1:09:28

on one of the slides that you had up there

1:09:33

it was talking about various Services provided by ccrcs so down at the bottom

1:09:40

right it was something about skilled nursing and how

1:09:47

it was less and less becoming less and less and forecasted I

1:09:53

believe also to become less and less um of a focus

1:10:01

having skilled nursing is one of the reasons of course why many of us choose

1:10:06

a CCRC and I can see from many of the things you discussed why
1:10:13
that would be uh less of a focus financially and
1:10:19
orienting towards making money and so on but could you give a little
Fuller um
1:10:24
discussion about that sure I would be happy to there have been a lot
of
1:10:31
headwinds in the skilled nursing space coming from
1:10:36
Staffing shortages and nursing shortages to
1:10:41
Medicare Advantage squeezing down the margin so let me let me back up
a step
1:10:47
so typically in the skilled nursing setting what most organizations
have done is they've made
1:10:53
a profit margin on their Medicare short stay we call it that that
means
1:10:59
the hospital discharge on Medicare usually after every placement RV
replacement or something like that
1:11:05
coming in for Rehab that's paid really well by Medicare directly
before a
1:11:10
Medicare Advantage started making it kind of an HMO thing that profit
margin generally helped make up for long-term
1:11:18
care stays and Medicaid and then in between that you've got kind of
the private pay maybe residence aging
1:11:26
and the Continuum who's cost just being covered so
1:11:32
Medicaid has been a losing proposition for most folks for a long time
it pays pretty well in Oregon but not in most
1:11:38
places the Medicare stay profit margins been
1:11:44
getting squeezed by Medicare Advantage making it into more of an HMO
kind of a
1:11:50
product then you had hmos squeezing the margin on private insurance
patients in
1:11:56
in skilled nursing and you've had Medical Technology yet Governor such
that

1:12:02

if you're reasonably healthy when you go in for a hip replacement or knee replacement you really can maybe rehab

1:12:07

at home I did after my knee replacement and you get the machine and the engineer and all that good stuff that you don't

1:12:13

necessarily need to be in a hospital setting if you if you're you know your overall health is is

1:12:18

strong enough so we had average length of stay getting shorter and shorter profit margins

1:12:24

getting squeezed staffing issues that we're making it tough and then we had a bunch of double rooms

1:12:33

and in some cases three and four person rooms that when covet hit were a disaster

1:12:38

infection accessible so I'll add all of that together and we've had a number of

1:12:44

organizations in States like Oregon where you can provide a fair bit of care and an assisted living setting Arizona

1:12:51

where you can provide affirmative care California say you know what instead of

1:12:57

still nursing I'm going to change my license to high Acuity assisted living in that setting I don't have to staff as

1:13:04

high and I really don't need this at this High I don't think or I can choose

1:13:10

when the staff that high depending on the patient mix that I have so we've had a bunch in California go to

1:13:17

that high Acuity model we've had three and Phoenix go to that high Acuity Assisted Living Model

1:13:24

we've got you know Joe William Plaza did it a long time ago here Capital Manor did it a long time ago here

1:13:30

we have three or four in Seattle that have done that and then we've got new

1:13:35

communities that are getting built without skilled nursing so the last four in California didn't have it my zen

1:13:42

Kendall project has no still nursing without four under construction

in Florida right now none of which have

1:13:48

still nursing so they're all doing independent assisted living memory here

1:13:53

and so I don't think that means skilled nursing is a bad business to be in it's just we have fewer organizations who

1:14:00

want to take that on and say we really are going to figure out how to manage that well pretty much have to have private rooms

1:14:07

nowadays post covid and can we what I say to my clients like that is can you

1:14:14

be a center of excellence for still nursing in your Marketplace and maybe you've got even more folks to hold for

1:14:20

on for referrals Mary's Woods no longer has any silver

1:14:26

so that's what's happening and that's it's been all of those kind of headwinds

1:14:31

at once and I've just LED some organizations to say we're done we just can't do this anymore

1:14:40

uh I'd just make a comment about Tom's question about how much cost savings can you see that it is a common rationale

1:14:47

for various types of accommodation of mergers Acquisitions Etc that you're going to see commonly

1:14:53

but the data on that is very mixed after our lunch chat I was just reading a

1:14:58

pretty big study of a bunch of Hospital mergers now you should see all of the

1:15:03

same arguments work there right they have more buying power more opportunities for staff to move Etc and

1:15:11

it turns out yes they did find the cost of reside production it was

1:15:17

now that's a probably not enough of a reduction to really move the needle

1:15:22

very far so so I think you have to be a little bit careful in taking a big process

1:15:29

ing your um one of the kind of you mentioned earlier this idea of Arizona could

1:15:34

probably do just fine in less than demographic relationships well again

1:15:40

Northstar having a bunch of ccrcs paying management piece absolutely gives some

1:15:46

diversity to Northstar and protects them from exactly that but if one of the ccrcs under the

1:15:53

umbrella was having trouble it's a different proposition to say okay all you other ccrcs we need to give

1:15:59

you know money to help out poor Rosella that's uh it's not at all clear that

1:16:05

everybody else in the umbrella would be okay with that argument not sure we would be it right so it could happen to

1:16:11

somebody else so again some of these benefits you have to be a little bit careful about I think I'm not sure that

1:16:18

all of them can be dependent on

1:16:23

[Applause] but it was things like I had five

1:16:30

hospitals in one market merged together and they shut down four Radiology centers and went to a mobile MRI and

1:16:36

they shut down one heart center and went to one Heart Center and they shut down

1:16:41

two neonatal units and went to one neonatal unit so that was major major

1:16:47

savings but we can't really do that an hour industry but I do think there are

1:16:54

as we said some opportunities to to do things that the the c-suite level and

1:17:00

strategically and bringing more resources to the table the supporting other communities in the

1:17:07

system this is something that all of our multi-sites go through and

1:17:12

um I had a client in the Bay Area the Episcopal community based in San

1:17:17

Francisco with six communities and all of their six were borrowers they were an

1:17:23

obligated group all working together and even so one of the residents at one of

1:17:28

their communities pitched a fit and ended up bringing a lawsuit that our

1:17:33

money is getting used for these other five we're the profitable one out of the

1:17:39

six and so when your co-borrowers can get cooled and and everybody's cross

1:17:46

guaranteeing and sharing the same gut load and that type of thing so that is a

1:17:52

potential part of the future in uh in a big growth scenario but I guess I would

1:17:58

also say that's part of the mission of the not-for-profit right instead of the

1:18:03

the rising tide that lets all the votes there let's make everybody as successful as we can that's a long way from where

1:18:11

you are as a single campus today to be part of a six campus multi-site

1:18:17

servicing a big major metro area like that we do have organizations that do that

1:18:23

and that they work it's like how obligating and then you share resources

1:18:28

yes sir I think one of the big concerns that I've really heard voiced here is

1:18:34

that many of us are on fixed income we're facing a season of inflation and

1:18:41

the question is what will this do to our fees but we wind up seeing something coming

1:18:47

back at us if we partner with organizations that are in trouble what's it going to do to

1:18:54

my monthly fee here so again I think if the process which is

1:19:01

but I understand it will be is to make it defined Financial contribution from

1:19:08

rosevela up to North Star that's the end of the Financial Risk at that point so

1:19:13

if that one contribution or to be funded through a surcharge on

1:19:19

your monthly fees then yes that would cost you something but if it's something that money that comes out of reserves

1:19:26

and still leaves plenty of reserves for the community there should be nothing

1:19:31

different in your monthly fee increases than there otherwise would be for whatever inflation is related to this

1:19:36

campus and its operations would be my answer to that faster

1:19:46

does that help I I mean there's not an ongoing risk to that other entity as the

1:19:51

intent so it can't really affect your monthly fees

1:19:56

what perspective when I what I said earlier about the preserves we paid in the reserves

1:20:01

it's not my money but it went in there it came from it came from all of us uh one way or the

1:20:08

other and it bothers me that if we need the reserves we've got high

1:20:15

inflation coming up we don't know what's happening it bothers me that we give the reserves to somebody else when we might need them

1:20:22

here right originally yeah yeah well that's a very

1:20:29

important balance and we want to see this campus clearly I

1:20:36

investors and so I care very much about the success of this campus over the long run and it's really important that any

1:20:43

Capital that comes out of Reserves at Roseville would be a measured amount

1:20:49

that doesn't jeopardize the longer term Capital plan so we have a lot of very recent construction here I have

1:20:56

communities that their buildings are 25 50 years old and so the level of

1:21:02

reserves relates a lot to the age of buildings but part of the financial

1:21:08
planning process is how much an annual capex do we want to see on this
campus
1:21:13
and what are the appropriate reserves to fund that
1:21:21
yeah yes ma'am
1:21:30
so we are all I mean
1:21:36
the whole 14 years yes the
1:21:42
was was in front of us and each year we got a little bit of the
1:21:51
Apple but never the whole Apple we're so close
1:21:57
to that whole Apple and now it's been moved out again
1:22:02
um there's a brand new Apple a brand new
1:22:07
never before understood Apple out there I'm tired I want my original
apps
1:22:15
I'm just weary I'm just weary of construction you mean the apple is
the
1:22:21
completed Community yeah we finally get into the apple and now it's
been moved
1:22:26
out again um and we're all aging
1:22:32
our function is increasing as we age
1:22:38
and yet we're supposed to have all this energy to be able to grow a
brand new Apple and
1:22:43
and I I don't have it I just got out from heaven
1:22:50
and we haven't got our Apple yet
1:22:55
it's like Kathy said we're we're the other day the Astra said that
1:23:01
um the facility as as far as getting our workers done is broken
1:23:08
that was from her work it's broken so our apple is not healthy yet
1:23:15
it's out there but it's not healthy yet and yet we're supposed to
except
1:23:22
his brand new created Apple but we don't have the other one yet it's

just it's it
1:23:28
to me is is frustrating to me it's overwhelming
1:23:34
um I I can't see anything bright and shiny out there it's
1:23:41
just just a shadowy scary um Garden that none of us understand
1:23:49
I understand and that that's hard if you've been in a place of a lot
of change on this campus for a while as
1:23:57
beautiful as it is turning out to be and you know it's got to be very
hard to live through
1:24:02
I guess I would just say have while that's being managed to also be
working
1:24:10
on the long-term strategy is important and if you waited to look at
1:24:17
anything long-term until everything was perfect here it'll never
happen and so it's for the management team I know for
1:24:25
you all it's it's not your Balancing Act it's their Balancing Act to
have but I
1:24:30
think what they're trying to do is pay attention to what's here and
also take a
1:24:36
little time to look out ahead because if they don't start that even if
it moves slowly it just never is going to get any
1:24:43
traction and opportunities have these happen we least expect it so
we've
1:24:49
already we've already had some really interesting opportunities that
we've
1:24:54
talked about that I know would have been wonderful for rosilla that
just Northstar wasn't ready yet
1:25:00
so I don't think there's any intent to ignore what you need today and
I certainly hear you on the construction
1:25:06
fatigue that's that's super hard I get it
1:25:12
yes ma'am yes well one aspect of the environmental
1:25:19
climate change situation is that we are more vulnerable
1:25:25
now to the fires and I just moved up here from Ashland in

1:25:31

one of the main reasons that say the main reason why I sold my house and moved was

1:25:37

because of the threat of fire and the smoke which was terrible yeah

1:25:44

and of course there's there's always earthquake

1:25:50

chances and I don't you know want to want to do with a person here but um it

1:25:57

seems that our reserves are very important for for those two

1:26:02

possibilities yeah yeah and then if I may say

1:26:08

um with regard to the mission um

1:26:13

we can have I think a a generous mission

1:26:19

for the people who are going to move in here after those of us die because this

1:26:25

is the last place most of us are ever going to live and therefore

1:26:31

there will be nutrition shall we say so

1:26:37

the people who move into this beautiful place will have the advantage of how

1:26:44

how lovely it is yeah I understand I understand so I

1:26:50

don't think we need to feel guilty about not having a mission two

1:26:56

heck you know spread Roseville around the country okay

1:27:03

well one theme I definitely hear today is is if we're going to transfer some reserves to Northstar for growth we

1:27:10

should really understand how much that is and how much we need to keep and for

1:27:16

what purposes and really have that laid out and I think that's something that your team can work on and we can work on

1:27:23

with them so that you really feel clear about that and how much capital reinvestment is going to be happening

1:27:29

here and not being impaired I am moved to Northstar

1:27:34

so thank you all for coming it's five o'clock yeah you got to the

airport to go back
1:27:40
to her home tonight
1:27:52
[Applause]