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Historic &
Multi-Credit
Deals

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Medicaid Enters the Mix

Evergreen Village,
Bloomington, IN

2019 Vision Award Winners

MULTI-CREDIT CASE STUDY:

Evergreen Village

Medicaid can provide support for affordable assisted living

By Mark Fogarty

Piggybacking, layering multiple tax credit awards or other financing sources to make a project work, is a technique familiar to every developer of, and investor in, affordable housing. The industry is always scouring the financial landscape for new funding to tap, and there is one that is now starting to get some traction in the states where it is practical – adding Medicaid subsidies to housing subsidies to make affordable assisted living possible.

Anyone who has priced assisted living possibilities for aging parents and found the cost to be north of \$5,000 a month is sure to welcome beautifully built facilities for seniors at or under 60 percent of area median income as alternatives to dingy Medicaid nursing homes. So far, only a few states, New Jersey, Indiana, Illinois and Arizona among them, have been able to make this kind of piggybacking work, but as the Baby Boom generation retires it's a good bet these kinds of projects will boom as well.

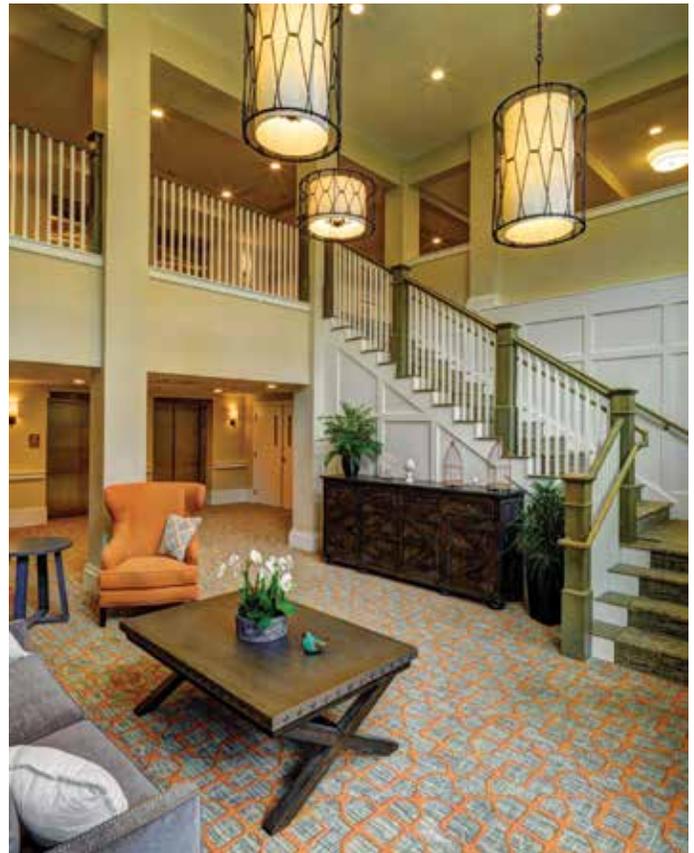
A No-Brainer

"I'm stunned this is not nationwide. It's kind of a no-brainer," says Michael Binette, principal at The Architectural Team, based in Chelsea, MA. Photos of a development his firm designed, Evergreen Village in Bloomington, IN, show a comfortable and well-appointed project comparable to those designed for the more affluent, the kind of place most people would be comfortable to see their aging parents living in.

Breaking it down in the most simplistic terms, the Medicaid subsidies support the "assisted" or care aspect of these retirement homes, while housing subsidies, like the Low Income Housing Tax Credit, are applied toward the "living" or real estate aspect.

In Indiana, the state uses waivers through the Medicaid Home and Community-Based Services (HCBS) waiver programs that allow qualified individuals who otherwise would require care in a nursing home to remain in their own home, apartment or in an assisted living facility, according to the Indiana Assisted Living Association.

Evergreen Village's owner/developer, Evergreen Partners, which has offices in Maine, Massachusetts and Florida, used four percent LIHTC credits and tax-exempt



The interiors at Evergreen Village, Bloomington, IN

bonds from the Indiana Housing & Community Development Authority to finance the development, completed in 2018 after 16 months of new construction, which cost \$12.5 million.

Brian Poulin, principal at Evergreen Partners, says about \$4 million was raised through the credits and about \$17 million from the privately placed tax-exempt bonds.

PNC Bank was the investor in the tax credits. Other participants in the deal were the City of Bloomington, bond placement agent William Blair & Co., legal counsel Honigman Miller Schwartz and Cohn and general contractor Whiting-Turner Inc.

Poulin says the firm is happy with the results of this development and is building a second one, in Fort Wayne, IN. "It's obviously a learning curve, but we're

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almost all leased up. It's a beautiful, big building."

He feels that with the favorable demographics and potential demand, this kind of project will be expanding past the few states where it is economically feasible to do it now. In many states currently, "The reimbursement rate isn't high enough to make the deal work," he says. More states are looking into it, with their tax credit agencies, says Poulin. This type of housing may be less expensive for Medicare than nursing homes, as well.

Illinois-based Gardant Management, which has experience in managing Medicaid-assisted living projects, has been brought in to manage the property.

Poulin's firm has developed 7,000 units through tax credits, and he says, "We felt this was very similar to our tax credit deals."

Affordable assisted living is "very new. The market has taken care of assisted living for the more affluent but has been unable to deal with low- to moderate-income folks," says Binette. But Evergreen Village, "Is second to none," he claims.

"The quality of life is fantastic. The food is restaurant quality with a real cooking staff." There are lots of amenities at the property and wellness is the goal. "The idea is to get people to keep going," he says.

The Art of Living

Art is popular among the Medicaid-eligible residents. According to the property newsletter, resident Joeann Like is a regular at Evergreen's Art Hour and did a couple of projects she felt were good enough to be entered into the local county fair.

"When Evergreen Village took a visit to the fair," according to the newsletter, "imagine our surprise to learn that both her projects had won awards. One of the projects earned a Reserve Champion Award while the other captured the Grand Champion Award of the entire art gallery."

Amenities include co-located bistro and dining areas, an activity room and fitness facility, a general store, a theater, a library and computer room, as well as on-site clinic and therapy facilities. "Residents can also enjoy easy access to nearby shopping, restaurants and health-care services, as well as a bike path and the Jackson Creek Walking Trail," according to Evergreen Partners.

Binette says TAT's design philosophy was to make Evergreen Village "unlike a nursing home." He points out, "Assisted living is more flexible and allows you to design a more residential structure."

The main theme at the four-story, 115-unit project (47 studios and 68 one bedrooms comprising 100,000 square feet on a 6.2 acre site) "was to design the units to enhance resident independence. Residential-style common areas/living rooms are situated within 'neighborhood'-style clusters of apartments to build and strengthen a sense of community."

All of the units are income restricted.

Affordable assisted living is new to TAT. "This is the first one. We've looked at many," Binette says. "Construction market costs are high, and it's difficult to make the numbers work."

But Evergreen Village "is not a fluke," he maintains. "Any affordable housing developer can do this."

He does advise real estate clients to be aware of new specialties that might be needed. "On the care side, you have to have people willing and able to understand the administrative element of Medicaid waivers."

In addition, knowing state regs is a must. "Every state has requirements on assisted living, and they're individual to each state," he says.

The Right Kind of Butter

Demand is definitely there, as Evergreen Village is the only affordable assisted living facility within a 50-mile radius, and TAT says 1,600 seniors are qualified to live there, about ten times as many as there is apartment space for.

The owner says it "reaches out to residents, local officials and other community constituents. This dialogue ensures that we fully understand the needs of our residents, the role that a property plays in the community and the opportunities to optimize the physical and operational revitalization of the property."

That dialogue can include some life lessons from residents who have lived a long time and learned a few things. Resident Agnes Ingram seems to be right on target when she told management the words she lives by: "You are as good as anyone else but no better, and make your biscuits with fluffy butter." **TCA**

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