



Initial Demand Assessment for Senior Housing in East Bethel, Minnesota

Subject site Location:

Southwest of Highways 22 & 65, East Bethel, Minnesota, 55011

Prepared for:

City of East Bethel

Prepared by:

Viewpoint Consulting Group

Date:

February 28, 2018



February 28, 2018

To: Colleen Winter
City of East Bethel

From: Jay Thompson
Viewpoint Consulting Group, Inc.

RE: Initial Demand Assessment for Independent, Assisted Living and Memory Care
Housing in East Bethel, Minnesota

Introduction

This memorandum provides an initial assessment of the demand for senior housing in East Bethel, Minnesota. The purpose of this initial assessment is to broadly assess the depth of demand for senior housing in the local area to determine if potential exists to support a new development. As we understand, there are three potential locations – all of which are near each other, southwest of the intersection of Highway 65 and Highway 22 (Viking Boulevard).

Included in this initial assessment are demand calculations for market rate independent, assisted living and memory care housing. Potential demand is calculated based on analysis of the income/asset-qualified target market for senior housing and the supply of competitive senior housing units serving the primary market area. The ability of the subject development to capture excess market area demand is discussed in this assessment.

A full market feasibility study, which examines in greater detail the desirability of the subject site and competitive properties and would also provide detailed recommendations on a project concept and absorption projections, could be conducted at a later date.

Primary Market Area Definition

The subject sites (“Sites”) for the proposed senior housing development are three parcels in East Bethel, southwest of the intersection of Highways 22 and 65. The parcels are on 185th Avenue, 189th Avenue, and Taylor Street.

East Bethel is a suburban community of 11,788 people (2016 estimate) in northern Anoka County. East Bethel has steadily grown from a population of 6,626 in 1980 and Metropolitan Council projects it will continue growing – reaching 15,400 by 2030.

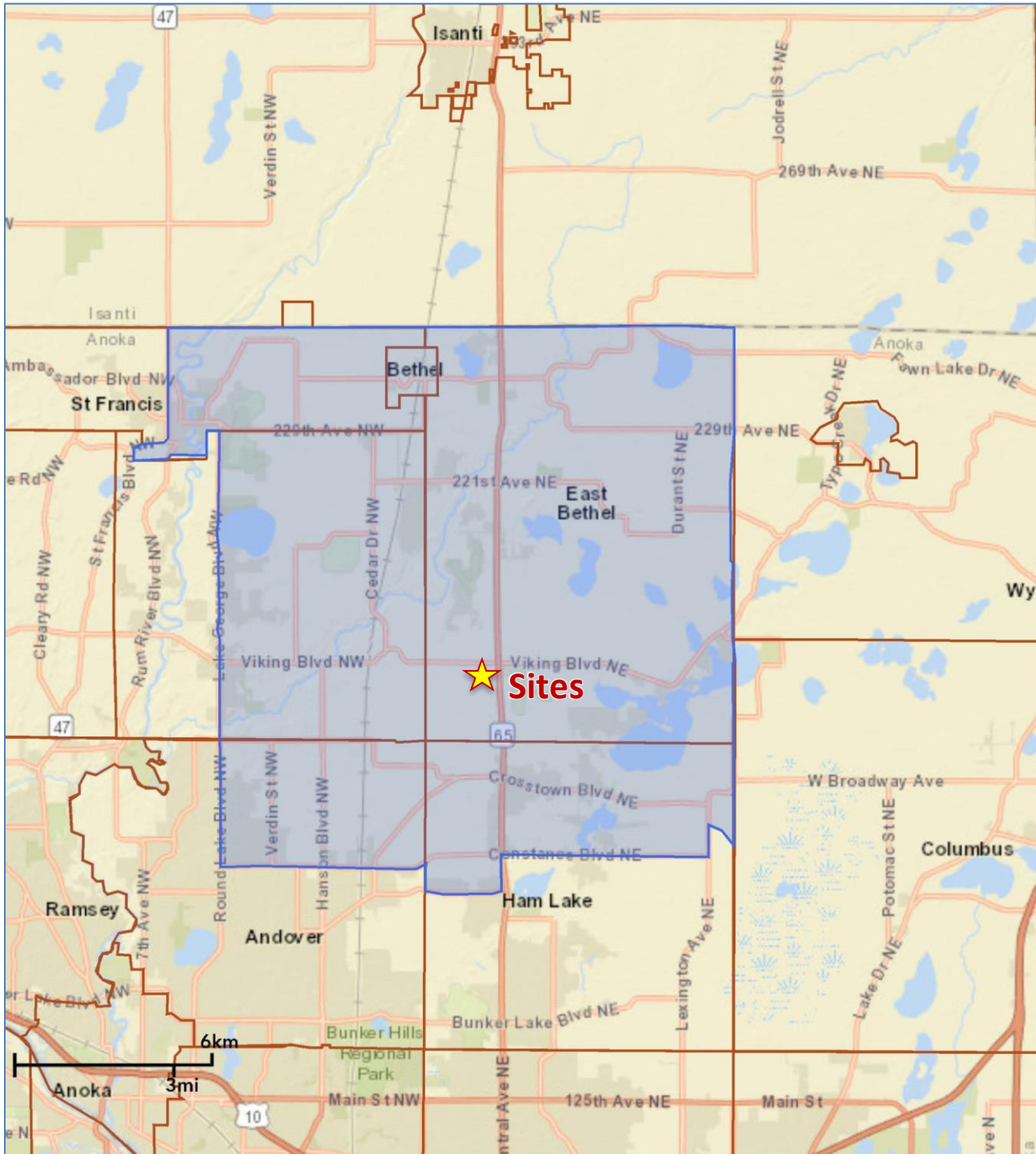
Based on the characteristics of East Bethel, community orientation, proximity to other senior housing properties in the surrounding area, transportation routes, and our knowledge of senior housing draw areas, it is estimated that a senior housing development on the Sites in East Bethel would attract approximately 70% of its residents from a draw area (Primary Market Area, or “PMA”) that includes the following census tracts:

501.08	Bethel and St. Francis (part)
501.09	East Bethel
501.10	East Bethel
501.11	East Bethel
501.15	Oak Grove (part)
501.17	Andover (part)
502.34	Ham Lake (part)
502.35	Ham Lake (part)

The PMA comprises an area that extends approximately five miles from the Site – but a little farther to the north and a little shorter to the south. The remaining portion of the senior housing demand (30%) would come from outside the PMA, particularly parents of adult children living in the PMA.

A map of the PMA is shown on the following page.

Primary Market Area



Demographic Analysis

Tables 1 through 5 on Pages 6 through 8 show key economic and demographic variables related to the demand for senior housing in the PMA (age distribution of the senior population and household base, senior household income, senior homeownership rates, and estimated home values). This demographic and home value data is from ESRI, a national demographics firm.

The key demographic and economic findings are summarized on the following pages.

Senior Population and Household Trends

- ▶ The total population in the PMA was 29,958 in 2010. The population increased by 13.7% from 2000 to 2010, despite the downturn in the housing market toward the end of the decade. The household base grew by 1,792 households (+20.7%), as housing was built on the abundant supply of land available to accommodate new construction.
- ▶ The PMA's senior population (age 65+) grew even faster than the overall population last decade – increasing by 119% (997 in 2000 to 2,180 in 2010). The primary target market for senior housing with services is seniors ages 75 and over. This population increased by 68% in the PMA last decade, reaching 594 seniors in 2010.
- ▶ As of 2017, it is estimated that East Bethel accounted for 38% of the PMA's total population, as well as 38% of the age 75+ population.
- ▶ Between 2017 and 2022, all senior age groups over 60 in the PMA are projected to experience growth. The 70 to 74 age group is projected to have the greatest numerical growth as the first baby boomers began turning 70 in 2016. The age group 75 and over is projected to add 519 seniors between 2017 and 2022 (+56.1%). This is very strong growth. Metrowide, the age 75+ population is projected to grow by 21.5% between 2017 and 2022.
- ▶ While the age 75+ population is growing rapidly, the population of the PMA is still relatively young. Metrowide in 2017, seniors ages 75 and over accounted for 5.5% of the total population. In the PMA, they accounted for 2.9% of the total population.

Senior Household Incomes

- ▶ Incomes in the PMA are about average compared to the Twin Cities Metro Area, meaning an average percentage of seniors should be able to afford market rate housing. The estimated median income of age 75+ households in the PMA in 2017 was \$36,883, compared to the Metro Area's median of \$37,083. The median income of age 75+ households in the PMA is higher than Anoka County's median of \$34,361.

- ▶ The target market for senior housing with support services is generally senior households age 75 and older with incomes of at least \$35,000 (plus senior homeowners with incomes of at least \$25,000). In 2017, an estimated 290 households age 75 and older had incomes of at least \$35,000. By 2022, about 380 households age 75 and older are projected to have incomes of at least \$40,000 (increased from \$335,000 to adjust for inflation). This is growth of 31% in five years. It should be noted that senior housing with personal care services will primarily serve seniors age 80+. Also, since assisted living and memory care housing are predominately need driven, seniors with lower incomes are still candidates for private pay housing if they have home equity or other savings that they can utilize to pay for the costs.

Senior Household Tenure

- ▶ Seniors who own their homes have an additional source of income through the sale of their home that can be utilized for alternative housing. Upon the sale of their home, the income from the invested proceeds can be used dollar for dollar as supplementary income for housing and services. As Table 4 illustrates, as of 2010, a high percentage of seniors in the PMA are homeowners (93.1% for age 75+ households, compared to 68.6% metrowide). Normally there is a sharp drop in the homeownership rate among the age 85+ population as seniors often move to rental housing as their care needs rise and/or they no longer desire to maintain a single-family home. The high homeownership rate among the age 85+ population in the PMA indicates a lack of rental housing options.

Home Value Trends

- ▶ Seniors can use the proceeds from the sale of their home to off-set the cost of senior housing. Home values in the PMA are average; the estimated median home value was \$248,114 in 2017. In comparison, the median home value in the Twin Cities was \$249,767. The median home value in Anoka County was estimated at \$220,257, or lower than the PMA.
- ▶ A senior selling their home for \$248,000 could receive an investment return of approximately \$570 monthly from the sale (sale price minus 7% sales agent fees, and a 3% annual return on their investment). If a senior uses the full home sale proceeds towards the cost of alternative housing, the home sale proceeds would cover the costs at an assisted living facility (\$3,500 per month) for approximately five years. At a memory care facility (\$6,000 per month), the same amount of home sale proceeds would last roughly three years.

Table 1
Senior Population Growth Trends and Projections
Primary Market Area
2000 to 2022

Age	2000	2010	2017	2022	Change, 2017 to 2022	
					No.	Pct.
55 to 59	1,254	2,036	2,732	2,664	-68	-2.5%
60 to 64	665	1,505	2,148	2,533	385	17.9%
65 to 69	386	1,043	1,564	1,981	417	26.7%
70 to 74	258	543	979	1,387	408	41.7%
75 to 79	184	302	512	836	324	63.3%
80 to 84	111	162	246	386	140	56.9%
85+	58	130	167	222	55	32.9%
Total 65+	997	2,180	3,468	4,812	1,344	38.8%
Total 75+	353	594	925	1,444	519	56.1%
Total Population	26,337	29,958	31,557	32,906	1,349	4.3%
<i>Anoka County</i>	<i>298,084</i>	<i>330,844</i>	<i>351,422</i>	<i>367,424</i>	<i>16,002</i>	<i>4.6%</i>
<i>Twin Cities Metro Area</i>	<i>2,642,062</i>	<i>2,849,567</i>	<i>3,068,732</i>	<i>3,226,190</i>	<i>157,458</i>	<i>5.1%</i>

Sources: ESRI; Census Bureau; Viewpoint Consulting Group, Inc.

Table 2
Senior Household Growth Trends and Projections
Primary Market Area
2000 to 2022

Age	2000	2010	2017	2022	Change, 2017 to 2022	
					No.	Pct.
55 to 64	1,128	1,969	2,575	2,645	70	2.7%
65 to 74	412	990	1,506	1,920	414	27.5%
75+	214	361	530	792	262	49.4%
Total 65+	626	1,351	2,036	2,712	676	33.2%
Total Households	8,641	10,433	11,025	11,515	490	4.4%
<i>Anoka County</i>	<i>106,428</i>	<i>121,227</i>	<i>128,800</i>	<i>134,693</i>	<i>5,893</i>	<i>4.6%</i>
<i>Twin Cities Metro Area</i>	<i>1,021,456</i>	<i>1,117,749</i>	<i>1,198,103</i>	<i>1,238,956</i>	<i>40,853</i>	<i>3.4%</i>

Sources: ESRI; Census Bureau; Viewpoint Consulting Group, Inc.

Table 3
Household Incomes by Age of Householder
Primary Market Area
2017 and 2022

2017 Households by Age			
Income	55 - 64	65-74	75+
<\$15,000	105	82	55
\$15,000 to \$24,999	95	122	86
\$25,000 to \$34,999	124	104	99
\$35,000 to \$49,999	283	241	133
\$50,000 to \$74,999	450	294	96
\$75,000 to \$99,999	434	233	20
\$100,000 to \$149,999	694	302	30
\$150,000+	390	128	11
Total	2,575	1,506	530
Median HH Income	\$86,331	\$65,161	\$36,883
<i>Anoka County Median HH Income</i>	<i>\$79,781</i>	<i>\$58,506</i>	<i>\$34,361</i>
<i>Twin Cities Metro Median HH Income</i>	<i>\$83,824</i>	<i>\$61,550</i>	<i>\$37,083</i>
2022 Households by Age			
Income	55 - 64	65-74	75+
<\$15,000	100	98	79
\$15,000 to \$24,999	81	136	134
\$25,000 to \$34,999	101	112	134
\$35,000 to \$49,999	239	268	193
\$50,000 to \$74,999	384	330	134
\$75,000 to \$99,999	418	296	33
\$100,000 to \$149,999	811	463	59
\$150,000+	511	217	26
Total	2,645	1,920	792
Median HH Income	\$99,960	\$75,993	\$37,657
<i>Anoka County Median HH Income</i>	<i>\$89,590</i>	<i>\$65,326</i>	<i>\$35,664</i>
<i>Twin Cities Metro Median HH Income</i>	<i>\$94,841</i>	<i>\$69,463</i>	<i>\$38,635</i>
Sources: ESRI; Viewpoint Consulting Group, Inc.			

Table 4
Tenure by Age of Householder
Primary Market Area
2010

Households	Owners		Renters	
	No.	Pct.	No.	Pct.
Age 55 to 64	1,903	96.6%	66	3.4%
Age 65 to 74	959	96.9%	31	3.1%
Age 75 to 84	275	94.5%	16	5.5%
Age 85+	61	87.1%	9	12.9%
Total	3,198	96.3%	122	3.7%
Total Age 65+	1,295	95.9%	56	4.1%
Total Age 75+	336	93.1%	25	6.9%
<i>Twin Cities Metro Area</i>				
Age 65+		75.8%		24.2%
Age 75+		68.6%		31.4%
Sources: ESRI; Viewpoint Consulting Group, Inc.				

Table 5
Estimated Home Values
Primary Market Area
2017

	Median Home Value	Average Home Value
PMA	\$248,114	\$279,130
<i>Anoka County</i>	<i>\$220,257</i>	<i>\$247,576</i>
<i>Twin Cities Metro Area</i>	<i>\$249,767</i>	<i>\$300,782</i>
Sources: ESRI; Viewpoint Consulting Group, Inc.		

Senior Housing Supply

Senior Housing Defined

Senior housing encompasses a wide variety of product types. The properties that include the lowest level of services are **adult** properties, which offer virtually no support services or health care, but restrict tenancy to those age 55 and over. Adult properties can be rental or owner-occupied (attached or detached townhomes, condominiums and cooperatives). Congregate properties, better known as **independent living**, offer support services such as meals and housekeeping. These services are either included in the rent or offered a-la-carte so that residents can choose whether or not to pay for them. Independent living projects attract an older and frailer senior population than adult properties (generally seniors age 75 and over).

The most service-intensive housing types are **assisted living**, **memory care**, and **enhanced care suites** as they offer the highest level of services short of a nursing home. Some of the typical services they provide are meals, housekeeping, linen changes, personal laundry, 24-hour emergency response and a wide range of personal-care and therapeutic services. The meals and services are built into the monthly fee, charged through a tiered service package or offered a-la-carte.

Competitive Senior Housing Properties

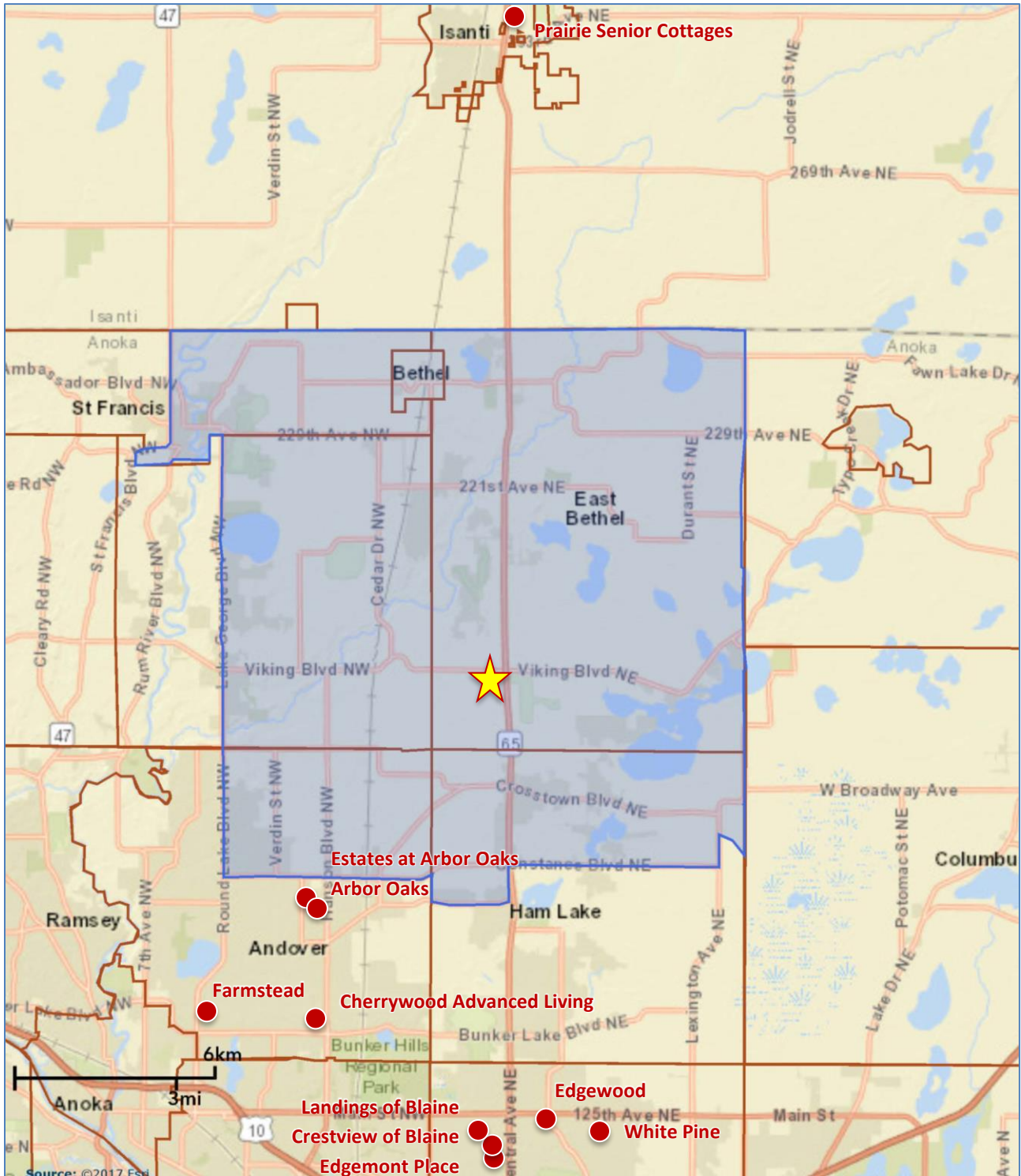
Table 6 shows the inventory of senior housing properties that would provide competition to a new development on one of the sites in East Bethel. For each competitive property, Table 6 provides information on location, year built, total number of units, whether or not it is located in the PMA, its distance from the Highway 22 & 65 intersection (near the three sites), its estimated competitiveness and its total competitive units. The competitive percentage is a measure of draw area overlap and is estimated based on a property's distance from the Site, its location within or near the PMA, its community orientation (i.e., its estimated primary draw area), and unique characteristics of the property. The following are key highlights about the competitive supply.

- ▶ There are no competitive properties located in the PMA. However, a total of 10 properties near the PMA would be partially competitive due to draw area overlap. These 10 properties are estimated to supply the PMA with a total of 98 competitive units.
- ▶ The service level mix of the competitive units serving the PMA is 33 independent units, 41 assisted living units, and 24 memory care units.
- ▶ The competitive properties are in Andover, Blaine, and Isanti. They are between 6.7 miles and 13.6 miles from the Site. In addition, most are also about four miles from the PMA boundary. The estimated draw area overlap is minimal - estimated at 10% for most of the properties. Arbor Oaks/Estates at Arbor Oaks is the closest competitive property. It is estimated to be 25% competitive. Farmstead of Andover is estimated at 15% competitive.

Table 6
Competitive Senior Housing Supply
Primary Market Area
February 2018

Property Name	Location	Year Built	Number of Units	In the PMA	Miles from Site	Percent Competitive ¹	Competitive Units
Independent Living							
Estates at Arbor Oaks	Andover	2017	66	No	6.7	25%	17
Crestview of Blaine	Blaine	2016	66	No	8.8	10%	7
Farmstead	Andover	1998	67	No	10.1	15%	10
Subtotal			199				33
Assisted Living							
Arbor Oaks	Andover	2013	56	No	6.7	25%	14
Cherrywood Advanced Living	Andover	2015	20	No	8.5	15%	3
Crestview of Blaine	Blaine	2016	51	No	8.8	10%	5
Landings of Blaine	Blaine	1997	19	No	9.1	10%	2
Edgewood Senior Living	Blaine	2014	34	No	9.4	10%	3
Farmstead	Andover	1998	51	No	10.1	15%	8
White Pine	Blaine	2009	63	No	10.6	10%	6
Subtotal			294				41
Memory Care							
Arbor Oaks	Andover	2013	14	No	6.7	25%	4
Crestview of Blaine	Blaine	2016	24	No	8.8	10%	2
Edgewood Senior Living	Blaine	2014	25	No	9.4	10%	3
Edgemont Place	Blaine	2016	66	No	9.4	10%	7
Farmstead	Andover	1998	17	No	10.1	15%	3
White Pine	Blaine	2015	44	No	10.6	10%	4
Prairie Senior Cottages	Isanti	2012	20	No	13.6	10%	2
Subtotal			210				24
¹ Percent Competitive is estimated by the researcher based on the competitive property's distance from the subject Site, location within/near the PMA, its community orientation, and specific characteristics unique to the property.							
Source: Viewpoint Consulting Group, Inc.							

Competitive Senior Housing Properties



- ▶ Three of the competitive properties are in Andover. The closest of these to the Site are Arbor Oaks/Estates at Arbor Oaks. They are 6.7 miles from the Site. Arbor Oaks is a 70-unit assisted living and memory care property that opened in 2013. Estates at Arbor Oaks is a 66-unit independent property built next door that opened in 2017. The properties are estimated to be 25% competitive with the Site due to draw area overlap.
- ▶ The other two properties in Andover are Cherrywood Advanced Living and Farmstead of Andover. Cherrywood Advanced Living is a small assisted living property, at 20 units, that is 8.5 miles from the Site. It was built in 2015. Farmstead of Andover is a 135-unit property that was built in 1998. It contains all three service levels.
- ▶ There is a concentration of senior housing in Blaine, at about 125th Avenue. Properties in this area include Crestview of Blaine, White Pine, Landings of Blaine, Edgewood Senior living, and Edgemont Place. Landings of Blaine was built in 1997 and White Pine in 2009. The other three were built in 2014 and 2016. While the five properties contain a total of 392 units, only 39 are considered competitive in Table 6 as they are estimated at 10% competitiveness to account for draw area overlap. Overall, these properties are about 10 miles from the Site.

Planned and Proposed Senior Housing Developments

Planning staff at the municipalities in the PMA were surveyed to identify planned and proposed senior housing developments that may increase the future competitive supply. There are two potential developments. The following are summaries of these two developments.

1. GD1 LLC is proposing to develop an 81-unit senior housing building in St. Francis, on 229th Avenue Northwest, near The Ponds Golf Course. This development was originally brought to the City in 2015 by a different firm and was approved but was never built. It was to have 56 independent/assisted living units and 25 memory care units. GD1 LLC is now pursuing the development, but the timing remains uncertain. As we understand, the developer still needs to enter into a TIF agreement with the City and an operator has not yet been obtained. The development is on the edge of the PMA, about nine miles from the Site. If it were to proceed, it would be an estimated 50% competitive with the Site. However, no units are subtracted from future demand calculations since the timing is uncertain.
2. In East Bethel, Ram Development Group and A&J Investments received PUD approval in 2017 for a mixed-use development south of 185th Street and west of Highway 65. The PUD, called Sauter District, includes a parcel earmarked for a 39-unit assisted living building. As proposed, the first phase would be a market rate apartment while the second phase would be commercial uses and the assisted living. While assisted living is an approved in this PUD, no plans have been submitted to the City for review. Thus, the timing of this potential development is uncertain, and no units are subtracted from demand calculations presented later in this assessment.

Senior Housing Demand Calculations

Tables 7 through 9 provide initial demand calculations for the number of market rate independent living, assisted living, and memory care units that can be supported in the PMA in 2017 and 2022, along with an estimate on the number of units that can be supported on one of the three Sites in East Bethel.

Independent Senior Living

As shown in Table 7, unmet demand for independent living housing on a site in East Bethel is calculated for 62 units by 2022. The points below summarize the demand methodology.

The target market for independent living housing is senior households age 75+ with incomes of \$35,000 or more plus households with incomes between \$25,000 and \$35,000 who would qualify with the proceeds from a home sale. There would also be some limited demand from seniors under age 75. These seniors are the “age/income-qualified base.” A capture rate – or “penetration rate” – is applied to the income-qualified base of younger and older seniors. The penetration rates are based on the current penetration rates of independent senior housing in submarkets of the Twin Cities Metro Area. Applying the penetration rates to the age/income-qualified base results in demand for 68 independent units in 2017, growing to 94 units in 2022.

The PMA is a growing area with good highway access and a high number of older adults, therefore it is estimated that seniors currently residing outside the PMA will generate 30% of the total demand for independent senior housing. This demand from outside the PMA increases total demand to 97 units in 2017 and 134 units in 2022. This demand from outside the PMA will consist primarily of parents of adult children living in the local area.

The number of existing competitive units (minus a 5% vacancy factor) is subtracted from the total demand resulting in excess demand for 65 units in the PMA in 2017. No new developments were identified that would increase the competitive supply. Excess demand potential in the PMA is calculated for 103 units in 2022.

No single site can capture all the demand in a PMA. Based on the geographic size of the PMA and the Sites’ location within the PMA, it is estimated that a development on one of the Sites could capture 60% of the excess demand potential. This results in excess demand on the Site for 39 independent living units in 2017 increasing to 62 units in 2022.

Table 7
Independent Senior Housing Demand Calculation
Primary Market Area
2017 and 2022

	2017	2022
A 65 to 74 Households in the PMA	1,506	1,920
B Percent income-qualified	86%	85%
C Potential penetration rate of independent living housing	0.5%	0.5%
D Income-qualified 65-74 households in the PMA (A x B x C)	6	8
E 75+ Households in the PMA	530	792
F Percent income-qualified	72%	68%
G Potential penetration rate of independent living housing	16%	16%
H Income-qualified 75+ households in the PMA (E x F x G)	61	86
I Total demand for independent housing from the PMA (D + H)	68	94
J Estimated percent of demand from outside the PMA	30%	30%
K Total demand for independent living units in the PMA (I / (1- J))	97	134
L Competitive independent living supply*	31	31
M Excess independent living demand (K - L)	65	103
N Estimated percent of demand capturable by Site	60%	60%
O Independent living demand on the Site (M x N)	39	62
* Competitive units minus a 5% vacancy factor.		
Source: Viewpoint Consulting Group, Inc.		

Assisted Living

As shown in Table 8, unmet assisted living demand on a Site in East Bethel has been calculated for 45 units in 2022. This demand is for market rate (or “private pay”) units and does not include additional demand from lower-income seniors who could utilize the Elderly Waiver program to pay for services. The points listed below summarize the demand methodology.

The primary market for assisted living housing in the PMA is seniors ages 75 and over needing assistance with Activities of Daily Living (ADLs). Based on data from the Health and Aging Chartbook that was conducted by the Centers for Disease Control and Prevention and the National Center for Health Statistics, the percentage of seniors unable to perform, or having difficulty with, ADLs ranges from 25.5% of seniors ages 75 to 79, 33.6% of seniors ages 80 to 84 and 51.6% of seniors ages 85 and over. Applying these percentages to the senior population in the PMA results in the total age-qualified population needing assistance with ADLs.

To afford market rents, these seniors will generally need incomes of at least \$45,000 or have assets available through the proceeds received from the sale of their home. Overall, it is calculated that 60% of the senior population in the PMA in 2017 was income-qualified for market rate assisted living housing.

An estimated 30% of the age/income-qualified seniors needing assistance will need/choose assisted living housing (many areas of the Twin Cities have achieved penetration rates higher than 30%). The remaining 70% will be able to remain in their homes by receiving home health care services or will live in other less service-intensive senior housing. This percentage also takes into account that many seniors are not living alone and will be able to remain in their existing homes with assistance from their spouse/partner.

Seniors who currently reside outside the PMA will generate an estimated 30% of the demand for assisted living senior housing – increasing total demand in the PMA to 77 units in 2017 growing to 114 units in 2022.

The next step in calculating demand is to subtract competitive supply from total PMA demand. A total of 41 competitive units serving the PMA were identified in Table 6 (none of which were in properties physically located in the PMA). Subtracting these competitive units (minus a 5% vacancy factor) from total demand results in the excess demand for 38 assisted living units in the PMA in 2017. No pending developments that would increase the competitive supply were identified. Excess demand is calculated for 75 units in the PMA in 2022.

Again, no single site can capture all the demand in a PMA. It is estimated that the Sites in East Bethel can capture 60% of the excess demand potential in the PMA. This results in excess demand on one of the Sites for 23 market rate assisted living units in 2017, growing to 45 units in 2022.

Table 8
Market Rate Assisted Living Demand Calculation
Primary Market Area
2017 and 2022

	<u>2017</u>	<u>2022</u>
A 75 to 79 Population in the PMA	512	836
B Percent needing ADL assistance	<u>25.5%</u>	<u>25.5%</u>
C Estimated population needing ADL assistance (A x B)	131	213
D 80 to 84 Population in the PMA	246	386
E Percent needing ADL assistance	<u>33.6%</u>	<u>33.6%</u>
F Estimated population needing ADL assistance (D x E)	83	130
G 85+ Population in the PMA	167	222
H Percent needing ADL assistance	<u>51.6%</u>	<u>51.6%</u>
I Estimated population needing ADL assistance (G x H)	86	115
J Total 75+ population needing ADL assistance (C + F + I)	299	457
K Percent of PMA population income-qualified	<u>60.0%</u>	<u>58.1%</u>
L Total income-qualified population needing ADL assistance (J x K)	180	266
M Potential penetration rate of assisted living housing	<u>30%</u>	<u>30%</u>
N Total demand for assisted living units (L x M)	54	80
O Estimated percent of demand from outside the PMA	<u>30%</u>	<u>30%</u>
P Total demand for assisted living units in the PMA (N / (1-O))	77	114
Q Competitive assisted living supply*	39	39
R Excess assisted living demand (P - Q)	38	75
S Estimated percent of demand capturable by Site	60%	60%
T Assisted living demand on the Site (R x S)	23	45
* Competitive units minus a 5% vacancy factor.		
Source: Viewpoint Consulting Group, Inc.		

Memory Care

Table 9 calculates unmet memory care demand on a site in East Bethel for 24 units in 2022. Like assisted living, this demand is for market rate units and does not include additional demand from lower-income seniors who could utilize the Elderly Waiver program to pay for services. The following points summarize the demand methodology.

Demand is calculated by multiplying the PMA age 65+ population in 2017 and 2022 by the incidence rate of Alzheimer's/dementia (based on data from the Alzheimer's Association: Alzheimer's Disease Facts & Figures). An estimated 246 seniors living in the PMA as of 2017 had memory impairment.

Due to the high cost of memory care housing, the income needed to afford market rate memory care is much higher than independent and assisted living housing. The income-qualified base for memory care housing is defined as 85% of households with incomes of at least \$60,000 plus 35% of homeowners with incomes below \$60,000.

The majority of seniors with dementia are able to live independently with the assistance of a caregiver, while those in the latter stages of dementia require intensive medical care that is only available in skilled nursing facilities. Some also choose other types of housing like adult foster care. An estimated 27.5% of age/income-qualified people with memory impairment constitute the market for memory care housing.

An estimated 30% of the demand for memory care housing would come from seniors residing outside of the PMA. This additional demand brings the total demand within the PMA to 42 units in 2017 growing to 63 units in 2022.

The competitive supply is then subtracted from the total demand to reveal unmet demand. A total of 24 competitive units were identified serving the PMA (none of which were in projects physically located in the PMA). Subtracting these competitive units (minus a 5% vacancy factor) results in the excess demand for 20 memory care units in 2017. No new projects in the development pipeline were identified that would add to the competitive supply. Excess demand is calculated for 40 units in 2022.

No single site can capture all the demand in a PMA. It is estimate that one of the sites in East Bethel can capture 60% of the excess demand potential in the PMA. This results in excess demand on a site for 12 market rate memory care units in 2017 growing to 24 units in 2022.

Table 9
Market Rate Memory Care Housing Demand Calculation
Primary Market Area
2017 and 2022

	2017	2022
A 65 to 75 Population	2,543	3,368
B Dementia incidence rate	1.5%	1.5%
C Estimated population with Dementia (A x B)	38	51
D 75 to 84 Population	758	1,222
E Dementia incidence rate	18.0%	18.0%
F Estimated population with Dementia (D x E)	136	220
G 85+ Population	167	222
H Dementia incidence rate	43.0%	43.0%
I Estimated population with Dementia (G x H)	72	95
J Total population with Dementia (C + F + I)	246	366
K Percent of population income-qualified	43.8%	43.6%
L Total income-qualified population needing assistance (J x K)	108	160
M Potential penetration rate of specialized memory care housing	27.5%	27.5%
N Total demand for memory care units (L x M)	30	44
O Estimated percent of demand from outside the PMA	30%	30%
P Total demand for memory care units in the PMA (N / (1- O))	42	63
Q Competitive memory care supply	23	23
R Excess memory care demand (P - Q)	20	40
S Estimated percent of demand capturable by Site	60%	60%
T Memory care demand on the Site (R x S)	12	24
* Competitive units minus a 5% vacancy factor.		
Source: Viewpoint Consulting Group, Inc.		

Demand Summary

The PMA has a fast-growing senior population but no properties offering senior housing with services. Currently, residents in the PMA in need of this type of housing must travel to properties located in neighboring communities. The initial demand calculations for market rate senior housing on one of the three sites southwest of Highways 22 and 65 in East Bethel is summarized in Table 10. Total unmet demand in the PMA for the three service-levels is projected to grow from 122 units in 2017 to 218 units in 2022. The estimated portion of demand that can be captured by one of the sites is 60%. In 2022, this equates to 62 independent, 45 assisted living, and 24 memory care units, for a total of 131 units.

Table 10
Summary of Initial Demand Calculations
Primary Market Area
2017 to 2022

	Total PMA Demand	Competitive Supply	Unmet PMA Demand	Unmet Demand at subject Site
2017				
Independent Living	97	31	65	39
Assisted Living	77	39	38	23
Memory Care	42	23	20	12
Total	216	94	122	73
2022				
Independent Living	134	31	103	62
Assisted Living	114	39	75	45
Memory Care	63	23	40	24
Total	311	94	218	131
Source: Viewpoint Consulting Group, Inc.				

As noted in the introduction of this report, the purpose of this initial assessment is to broadly assess the depth of demand for senior housing in the local area to determine if potential exists to support a new development. Thus, the findings are preliminary and should be viewed in that light. A full market feasibility study would more closely examine factors such as the desirability of the subject site and the performance of competitive buildings, both of which may impact demand.