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**APR 13 2016**

**HEALTH FACILITIES &  
SERVICES REVIEW BOARD**

April 12, 2016

Courtney Avery, Administrator,  
Illinois Department of Public Health  
Illinois Health Facilities and Services Review Board  
525 West Jefferson, 2<sup>nd</sup> Floor  
Springfield, Illinois 62761

RE: Project Obligation – Permit #10-065 -Park Pointe - South Elgin Healthcare & Rehabilitation Center

Ms. Avery:

We are respectfully submitting this letter notifying the Department that Project # 10-065 is fully obligated.

The original reason for the delay in the project obligation is directly related to financing. At the date of the issue of the Con Permit the project had the necessary approvals to obtain an allocation of bonds in the amount of \$15,444,500. However, given the environment in the capital markets at the time we were unsuccessful in inducing a financial institution to provide the necessary credit enhancement that would allow us to sell the bonds in the market place. As such, the bond commitment expired. Subsequent their expiration, we have been actively engaged in discussions with various lenders and programs to provide debt financing for the project. We were confident that with capital markets stabilizing, we would be successful in obtaining the financing adequate to complete this project. We are aware that the project obligation date expired on June 14, 2013, and that only one extension is allowed, however we are respectfully requesting that you accept our letter of obligation due to the slow bounce back of the capital markets.

We have successfully obtained approval for financing from the EB5 Regional Center –Chicago HealthCare Fund for Permit #10-065 in the amount of \$22,200,000 to develop the skilled nursing facility. Our approval letters are attached. However, the funds have taken longer to arrive to the project account

800 Roosevelt Road, Building E, Suite 218, Glen Ellyn, Illinois 60137

☎ (630) 793-9231 📠 (630) 793-9413

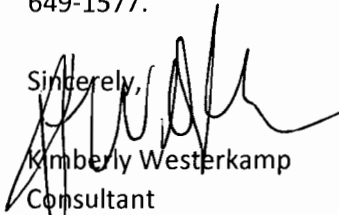
[www.horizonhcc.net](http://www.horizonhcc.net)

than originally anticipated. We have now received all funding required to complete the project expeditiously and anticipate a completion date of May 2018.

We have also obtained and are providing an updated market study which supports the on-going need for this project.

If you have any questions or need any further information, please do not hesitate to contact me at 630-649-1577.

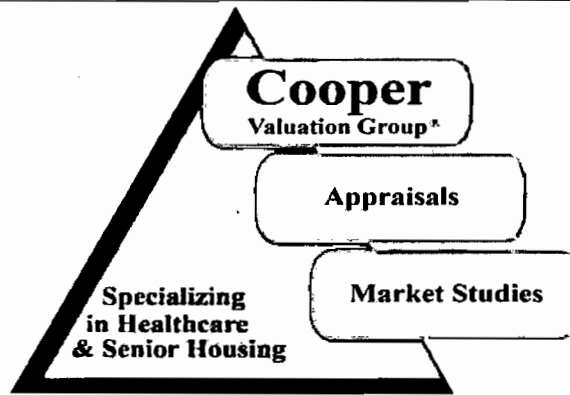
Sincerely,

A handwritten signature in black ink, appearing to read 'Kimberly Westerkamp', written over the word 'Sincerely,'.

Kimberly Westerkamp

Consultant

South Elgin Real Estate Holdings I, LLC

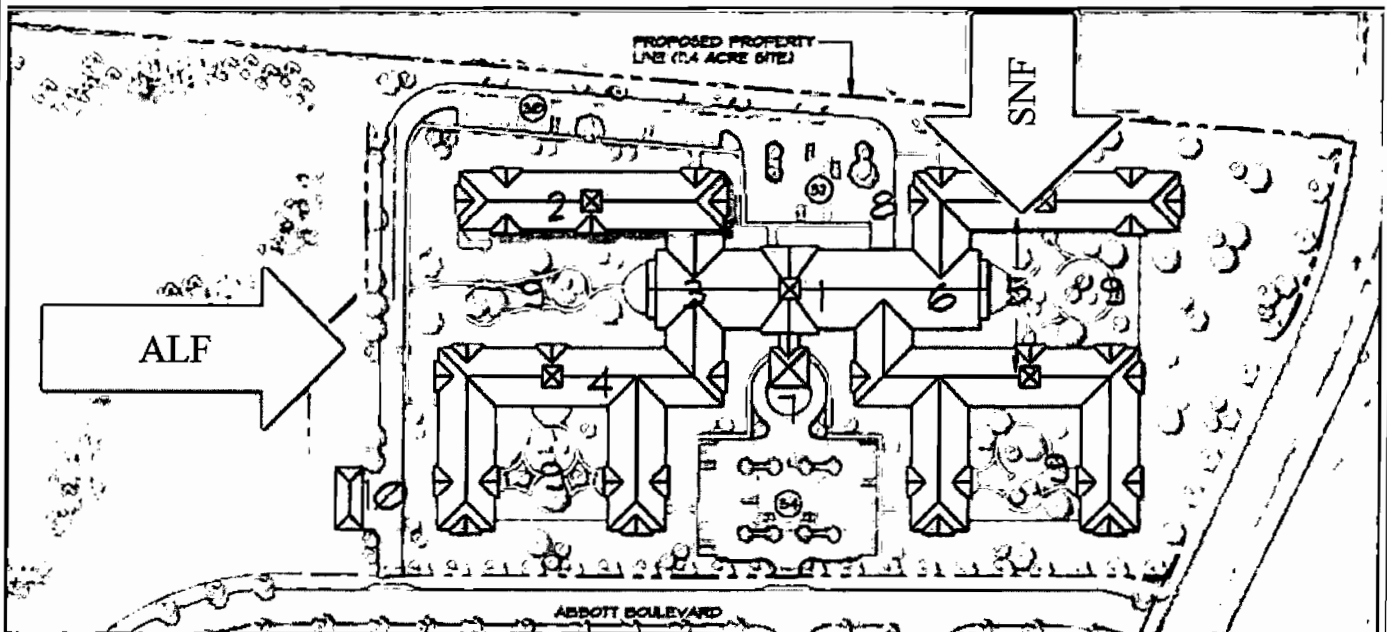


Cooper Valuation Group, 5 South Monroe, Hinsdale, Illinois 60521  
Phone 630-734-3215 [www.CooperValuationGroup.com](http://www.CooperValuationGroup.com)

**MARKET STUDY**

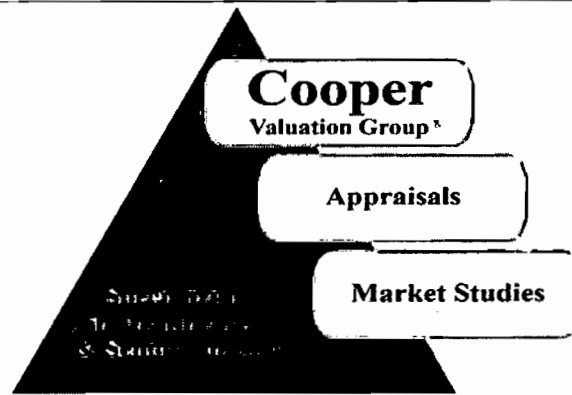
**Property**

**Park Pointe - South Elgin Healthcare & Rehabilitation Center, Proposed 120-Bed Skilled Nursing Facility  
and  
Park Pointe - South Elgin Assisted Living, Proposed 60-Unit Assisted Living Facility**  
West of Southwest Corner of Illinois Route 25 & East Middle Street  
South Elgin, Kane County, Illinois 60177



Effective Date: September 14, 2015 (Date of Inspection)

Prepared For:  
Kim Westerkamp  
Consultant  
Horizon Healthcare  
800 Roosevelt Road  
Building E, Suite 218  
Glen Ellyn, Illinois 60137



Cooper Valuation Group, 5 South Monroe, Hinsdale, IL 60521  
Phone 630-734-3215

September 29, 2015

Kim Westerkamp  
Consultant  
Horizon Healthcare  
800 Roosevelt Road  
Building E, Suite 218  
Glen Ellyn, Illinois 60137

**Assignment:** Park Pointe - South Elgin Healthcare & Rehabilitation Center, Proposed 120-Bed Skilled Nursing Facility, and  
Park Pointe - South Elgin Assisted Living, Proposed 60-Unit Assisted Living Facility  
West of Southwest Corner of Illinois Route 25 & East Middle Street, South Elgin, Kane County, Illinois 60177.

In accordance with your request, we have completed a Market Study on the above referenced property. Thank you for the opportunity to be of service. Should you have any questions or desire further information, please contact us at any time.

Respectfully,

Cooper Valuation Group

Michael L. Cooper, MAI

President, Cooper Valuation Group

CVG Internal Job# 1024b

## ASSUMPTIONS AND LIMITING CONDITIONS

This Market Study is subject to the following conditions and to other specific and limiting conditions.

1. We assume no responsibility for matters legal in nature affecting the property or its title, nor do we render any opinion as to the title, which is assumed to be good and marketable. All existing liens and encumbrances, if any, have been disregarded, and the property is treated as though free and clear and held under responsible ownership and competent management.
2. Information, estimates and opinions furnished to us were obtained from sources considered to be reliable and are believed to be true and correct. However, we assume no responsibility for their accuracy.
3. Although parcel dimensions were taken from a source considered reliable, this should not be construed as a land survey. The exact land size and legal description should be verified by a licensed engineer or land surveyor.
4. Sketches may show approximate dimensions and are included to assist the reader in visualizing the property. We assume no responsibility for their accuracy, and we have made no survey of the property.
5. It is assumed that the utilization of the land and improvements is within the boundaries or property lines of the property and that there is no encroachment or trespass unless noted.
6. This report is prepared for the sole and exclusive use of the client. No third parties are authorized to rely upon this report without express written consent.
7. It is assumed that all applicable zoning and use regulations and restrictions have been complied with unless a nonconformity was stated, defined and considered in the report.
8. It is assumed that all required licenses, certificates of occupancy, consents or other legislative or administrative authority from any local, state or national government or private entity or organization have been or can be obtained or renewed for any use on which this report is based.
9. Full compliance with all applicable federal, state and local environmental regulations and laws is assumed unless noncompliance is stated, defined and considered in the report.
10. In this assignment, the existence of potentially hazardous material, gases, toxic waste and mold, which may or may not be present on the property, was not observed; nor do we have any knowledge of the existence of such materials on or in the property. To the best of our knowledge, the presence of potentially hazardous waste, materials or gases has not been detected, or if they have been detected, it has been determined that the amount or level is considered to be safe according to standards established by the Environmental Protection Agency. However, we are not qualified to detect such substances and do not make any guarantees or warranties that the property has been tested for the presence of potentially hazardous waste material or gases or, if tested, that the tests were conducted pursuant to EPA-approved procedures. The existence of any potentially hazardous waste, gases, or mold may have an effect of the property. We urge the client to retain an expert in this field if desired. We are not property or environmental inspectors and do not guarantee that the property is free of defects of environmental issues.
11. It is assumed that the property will have an adequate supply of energy in the future.
12. The Americans with Disabilities Act (ADA) became effective January 26, 1992. We have not made a specific compliance survey and analysis of this property to determine whether or not it is in conformity with the various detailed requirements of the ADA. It is possible that a compliance survey of the property together with a detailed analysis of the requirements of the ADA could reveal that the property is not in compliance with one or more of the requirements of the act. If so, this fact could have a negative impact on the property. Since we have no direct evidence relating to this issue, possible noncompliance with the requirements of the ADA was not considered.
13. We assume there are no hidden or unapparent conditions of the property, subsoil or structures and we assume no responsibility for such conditions or for engineering that might be required to discover such factors.
14. No requirement shall be made of us to give testimony or appear in court by reason of this report of the property in question, unless arrangements have been made previously. If any courtroom or administrative testimony is required in connection with this report, an additional fee shall be charged for those services.
15. Possession of this report, or copy hereof, does not carry with it the right of publication nor may it be used for any purposes whatsoever by any but the client without the previous written consent of us or the client.
16. Neither all nor any part of the contents of this report shall be disseminated to the public through advertising media or public means of communication without prior written consent and approval.
17. Our inspection of the subject (for improved properties) should in no way be construed as an engineering inspection for its structural soundness, its physical condition or for the condition of the mechanical systems; we recommend that interested parties obtain an engineering inspection by a competent engineer.

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## INTRODUCTION

### **Client / Intended User(s)**

Our client is the intended user of this report. This report is not intended to be (a) used by others and/or (b) used for other purposes.

### **Purpose**

The purpose of this Market Study is to estimate demand for skilled nursing facility beds (SNF), standard assisted living (ALF) units and memory care assisted living beds (ALZ) at private pay rates suggested by our client. Our client was informed that this assignment is a Market Study and not an appraisal so this is a service for which USPAP has no Standards. As such, we are obligated to comply with the portions of USPAP that apply generally to appraisal practice (i.e., DEFINITIONS, PREAMBLE, the ETHICS RULE, the COMPETENCY RULE, and the JURISDICTIONAL EXCEPTION RULE). The development and reporting of the assignment results is at our discretion, and a workfile is not required. Per USPAP, we do not advocate for any party or issue. This report was completed in accordance with the Code of Professional Ethics of the Appraisal Institute (CPE).

### **Effective Date of the Opinions and Conclusions**

September 14, 2015 (Date of Inspection).

### **Scope of the Market Study**

- Elisheva Beller, MAI visited the property on September 11, 2015 and Anne Gompel visited the property on September 14, 2015. Michael L. Cooper, MAI visited the property during a prior assignment on September 8, 2010. David P. Gulley contributed to the identification of the subject property, regional area data, neighborhood area data, site data, zoning, and description of improvements.
- We relied on information provided by our client/subject owner.
- The purpose of this Market Study is to estimate demand for skilled nursing facility beds (SNF), standard assisted living (ALF) units and memory care assisted living beds (ALZ) at private pay rates suggested by our client.
- We analyzed demographic info provided by Site to Do Business.
- We researched the Primary Market Area.
- In developing comparable data, a comprehensive search was completed. The following data sources were considered:
  - Various Internet sites ([www.idph.state.il.us](http://www.idph.state.il.us), [www.medicare.gov](http://www.medicare.gov), etc.)
  - Previous assignments where information was not confidential
  - Local market participants, ownership, our client, local municipality and county offices

The scope of work completed provides credible assignment results. We possess the knowledge and experience to complete the assignment as we have completed many Appraisal Reports and Market Studies on senior care properties (SNFs, ALFs, etc.) in many states.

### **Assumptions**

All analyses, opinions, and conclusions assume responsible ownership/development and competent management of the subject.

### **Abbreviations**

CCRC = Continuing Care Retirement Community; NF = Nursing Facility; SNF = Skilled Nursing Facility; ICF = Intermediate Care Facility; DD = Developmental Disability; MI = Mentally Ill; SLF = Supportive Living Facility; ALF = Assisted Living Facility; AL=Assisted Living; ILF = Independent Living Facility; SCF = Sheltered Care Facility; ADLs = Activities of Daily Living; PRD = Per Occupied Resident Day; MC = Memory Care; ALZ = Alzheimer's/Memory Care Assisted Living Facility; M<sup>2</sup> = Medicare and Managed Care Insurance combined.

## EXECUTIVE SUMMARY

### Strengths of the Project

1. Growing elderly population with qualifying incomes.
2. Good location on a proposed campus with both a SNF & ALF.
3. Subject will be all-new construction - with ALF and ALZ all-inclusive rates at the low end of the market.
4. Location in the best quadrant of South Elgin (southeast).
5. Current ALF and ALZ markets are basically are 100% full.
6. Only proposed SNF is in far northwest quadrant of inferior Elgin - a 15+ minute drive time and out of the PMA.
7. Projects in pipeline point to developers targeting this market as an area in need of more ALF and ALZ units.
8. Subject SNF unit mix is excellent with mostly 1-bed units to attract M<sup>2</sup> census.

### Weaknesses of the Project

1. South Elgin is more affluent than Elgin, but less affluent than other surrounding areas such as St Charles or Schaumburg.
2. There is a significant amount of AL and ALZ supply entering the PMA. Four buildings are proposed and one existing ALF is adding units; these will have a total of 144 AL units and 180 ALZ beds.

### SNF - Demand Conclusion

We project incremental demand of 79.7 SNF beds, which when combined with taking modest future market share away from some of the other SNFs in the PMA, **indicates demand in the PMA for the proposed 120-bed subject SNF.**

PRIMARY MARKET AREA: Projected 2020 Census Mix & Occupancy								
Facility Name & Location # Medicaid and Medicare?	Effective Beds Licensed Beds	Occupied Beds % Occupancy	# Medicaid % of Total	# Private Pay % of Total	# Medicare % of Total	# Insurance % of Total	# Other % of Total	Source Date
9 Proposed Subject 25 & Middle, South Elgin, IL Medicaid & Medicare	120 120	112 93.6%	48 42%	22 20%	38 34%	5 4%	- 0%	CVG Projections
					Quality Mix = 58%			

### Standard ALF - Demand Conclusion

The subject PMA is 100% full indicating excess demand. There is positive demand for the next five years, despite the new supply entering the PMA in 2016 and 2017, with the likely best opportunity for the subject AL development in 2017. **In our opinion the 60-unit subject standard ALF should announce in 2016, break ground in late 2016 and open in 2017.** In this way, it is highly likely that the subject will discourage other developers.

Private Pay Standard AL Incremental Demand and New Supply Analysis Based on Capture Rate Comps						
Year	2015	2016	2017	2018	2019	2020
Stabilized occupancy of new supply (95% occupancy)	0	-83.3	-42.6	0.0	0.0	0.0
Annual Demand (unmet demand in 2015 - 50% capture)	113	37.8	37.8	37.8	37.8	37.8
<b>Remaining Demand</b>	<b>113</b>	<b>67.5</b>	<b>62.6</b>	<b>100.4</b>	<b>138.2</b>	<b>175.9</b>
2016 = Estimated completion new ALFs at % occupancy						
Assumes PMA captures 100% of all waiting lists and no affect on existing comps.						

### Memory Care ALF - Demand Conclusion

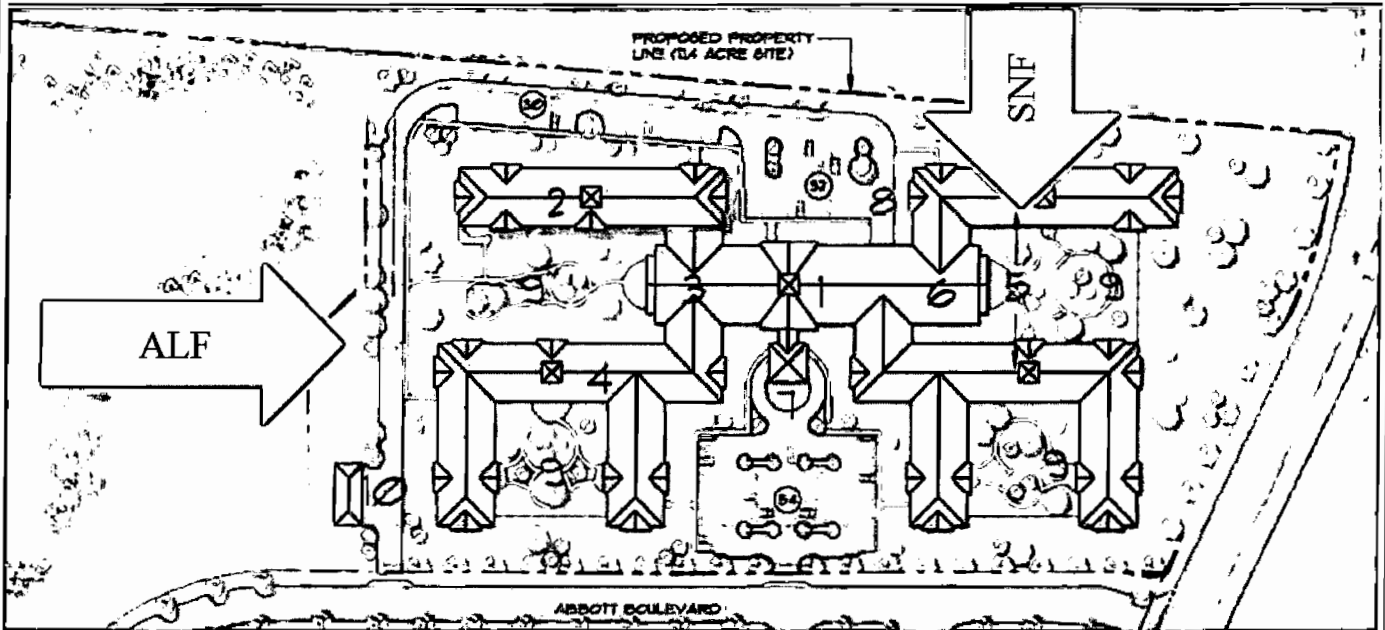
Without Oak Crest ALZ (an older facility in a less desirable area), the subject PMA occupancy would be 100% with a wait list. We see negative demand in 2017 and 2018 due to the new supply entering the PMA in 2016 and 2017. We see limited development potential for ALZ (memory care AL).

Private Pay ALZ Incremental Demand and New Supply Analysis based on Capture Rate Comps						
Year	2015	2016	2017	2018	2019	2020
Stabilized occupancy of new supply	0	-78.2	-80.6	0.0	0.0	0.0
Annual Demand (unmet demand in 2015 - 50% capture)	63.8	24.9	24.9	24.9	24.9	24.9
<b>Remaining Demand</b>	<b>63.8</b>	<b>10.6</b>	<b>-45.0</b>	<b>-20.1</b>	<b>4.8</b>	<b>29.8</b>
2016 = Estimated completion new ALFs at 95% occupancy						
Assumes PMA captures 100% of all waiting lists and no affect on existing comps.						

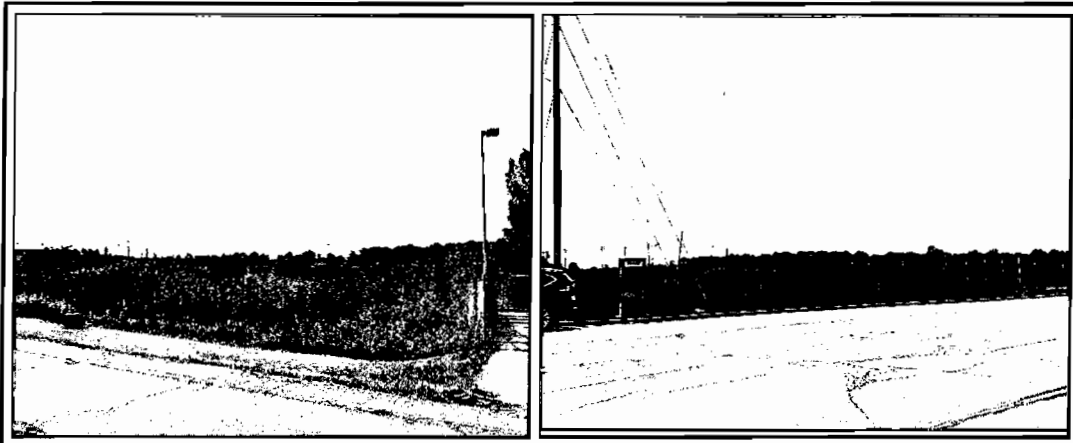


## IDENTIFICATION OF THE SUBJECT PROPERTY

- Park Pointe - South Elgin Healthcare & Rehabilitation Center, Proposed 120-Bed Skilled Nursing Facility
- Park Pointe - South Elgin Assisted Living, Proposed 60-Unit Assisted Living Facility



Master Site Plan (last revised in 2010)



Subject Site – Looking South

Subject Site – Looking South

LOCATION:	West of Southwest Corner of Illinois Route 25 & East Middle Street, South Elgin, Kane County, Illinois 60177.
SITE AREA:	527,432 square feet (12.1 acres) per the client.
GROSS BUILDING AREA:	61,196 square feet (proposed SNF) and 45,775 SF (proposed ALF) per the client.
ZONING:	The subject site is zoned Master Planned Development District (M-P). The State Board has approved the project to establish a 120-bed nursing care facility via a

Certificate of Need (CON). The approval was renewed in June 2014 with a May 31, 2016 expiration. As part of the CON, it is indicated that the applicant has received zoning approval, or that a variance in zoning for the project is to be sought. In November 2010, the Planning and Zoning Commission of the Village of South Elgin recommended approval of the project. It is our understanding that the Village will allow a rezoning from an MP zoning district to an R-3 Multiple Family Residential District, and approve a Class I Site Plan, Aesthetic Design, Preliminary Plat of Subdivision, and a Special Use Permit to allow a Planned Residential Development including a nursing home in an R-3 Zoning District.



STATE OF ILLINOIS  
HEALTH FACILITIES AND SERVICES REVIEW BOARD

1525 WEST JEFFERSON ST. • SPRINGFIELD, ILLINOIS 62761 • (217) 782-3516 FAX: (217) 785-4111

June 4, 2014

**CERTIFIED MAIL**  
**RETURN RECEIPT REQUESTED**

Kim Westerkamp, Manager  
Horizon Healthcare  
800 Roosevelt Road  
Building E, Suite 218  
Glen Ellyn, Illinois 60137

RE: Permit Renewal for Project #10-065 Park Pointe – South Elgin Healthcare & Rehabilitation Center, South Elgin  
Permit Holder: South Elgin Real Estate Holdings I, LLC - South Elgin Healthcare & Rehabilitation Center, LLC

Dear Ms. Westerkamp:

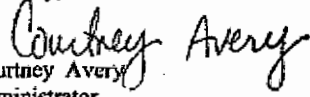
On June 3, 2014 the Illinois Health Facilities and Services Review Board/Chairman approved the permit holder's request for a permit renewal for the above-referenced project. Therefore, the permit for this project has been renewed until May 31, 2016.

Should the permit holder determine that it will be unable to complete the project by May 31, 2016, the permit holder may request another renewal of the permit. 77 IAC 1130.740 provides that the State Agency must be in receipt of a permit renewal request AT LEAST 45 DAYS PRIOR TO THE EXPIRATION DATE OF THE REQUIRED COMPLETION PERIOD.

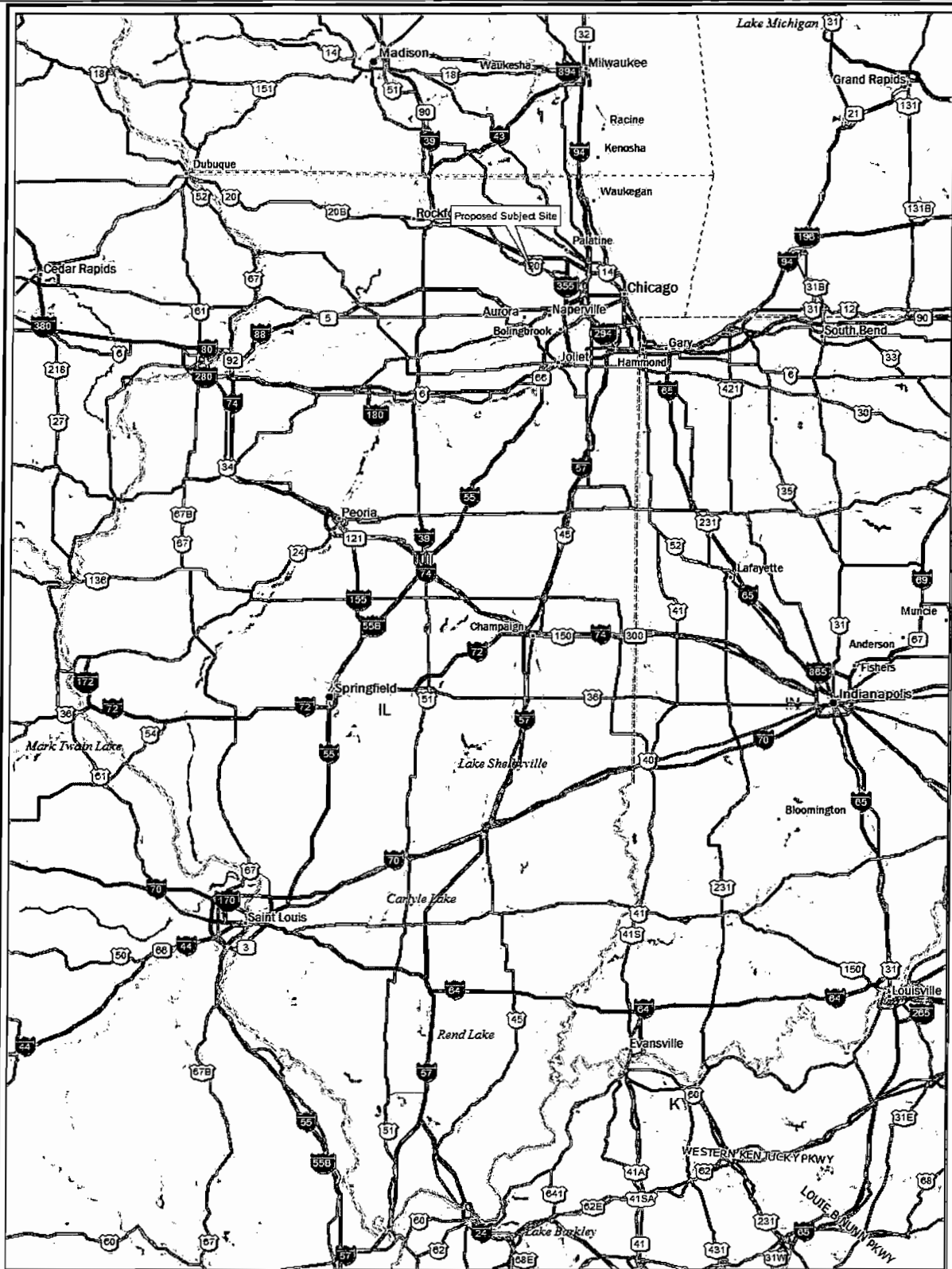
The permit holder is reminded that permits for projects which are not completed within the required time frame shall expire for lack of due diligence, unless renewed by the State Board. The permit holder is also reminded of the other post-permit requirements contained in "Subpart G" of Part 1130. Adherence to these requirements is essential in maintaining a valid permit and is the sole responsibility of the permit holder.


Should you have any questions, please contact Mike Constantino or George Roate at (217) 782-3516 and ask to speak to a staff person about post permit requirements.

Sincerely,


  
Courtney Avery  
Administrator  
Illinois Health Facilities and Services Review Board

cc: Kathy J. Olson, Chairwoman

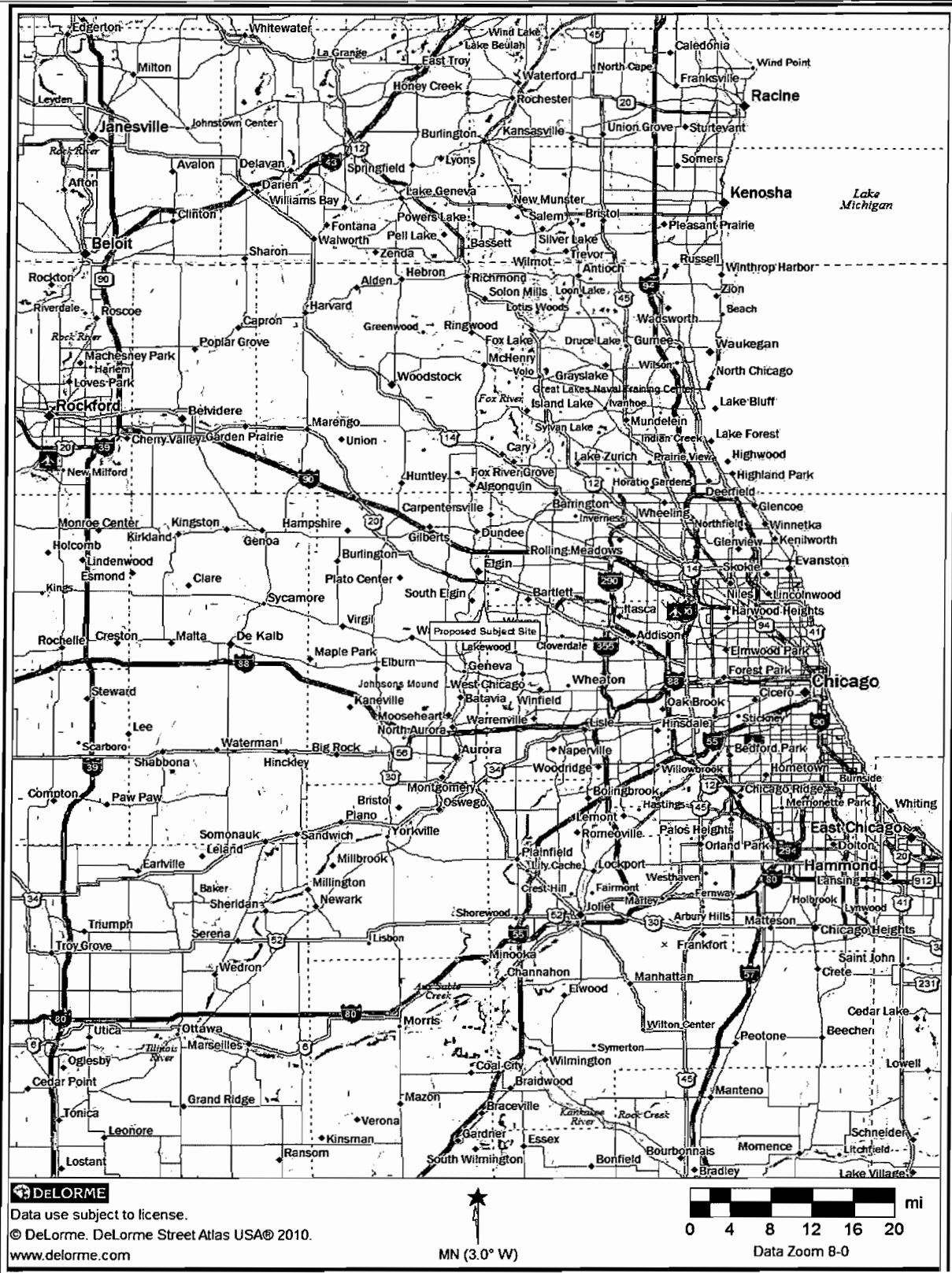


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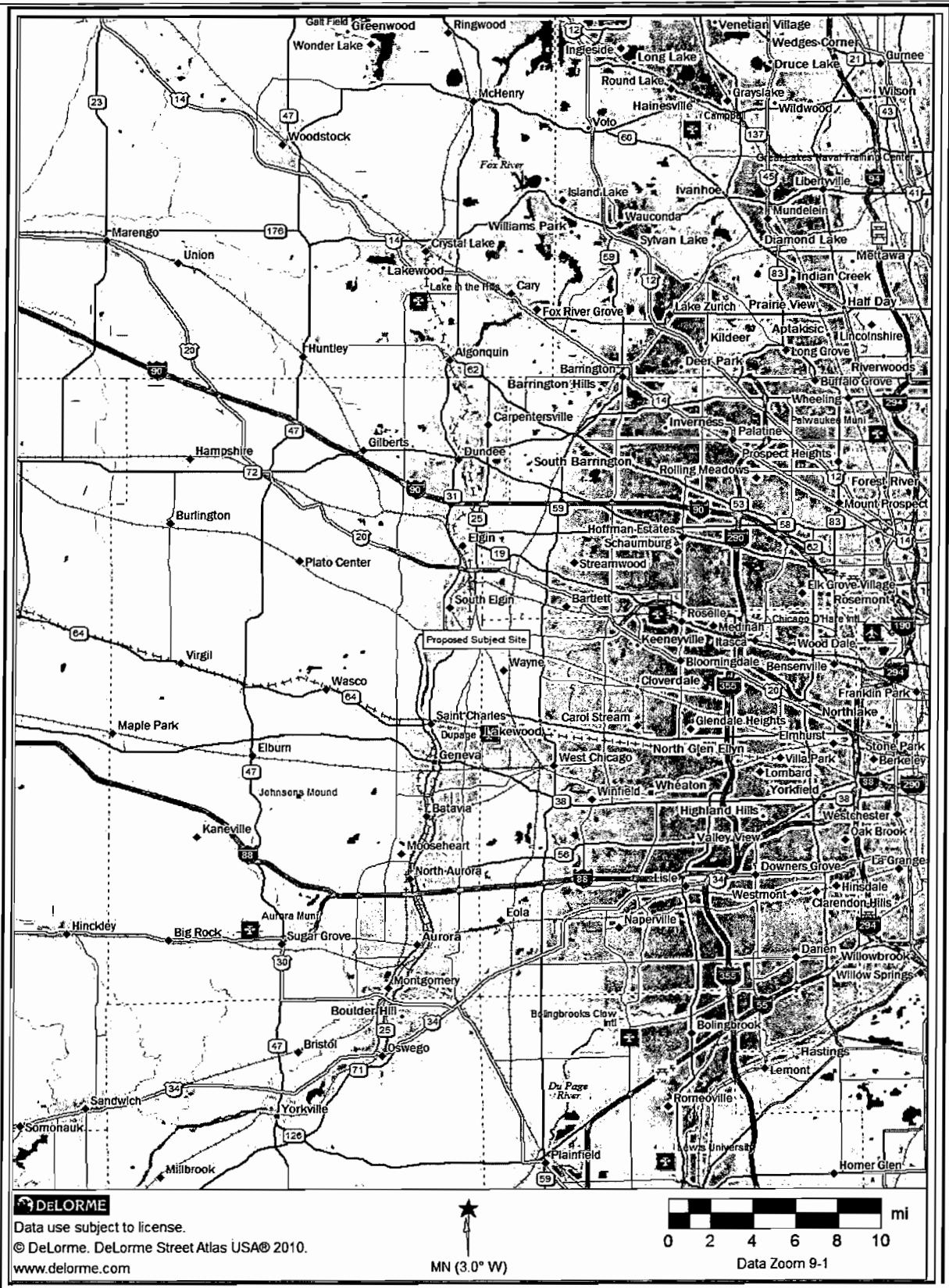
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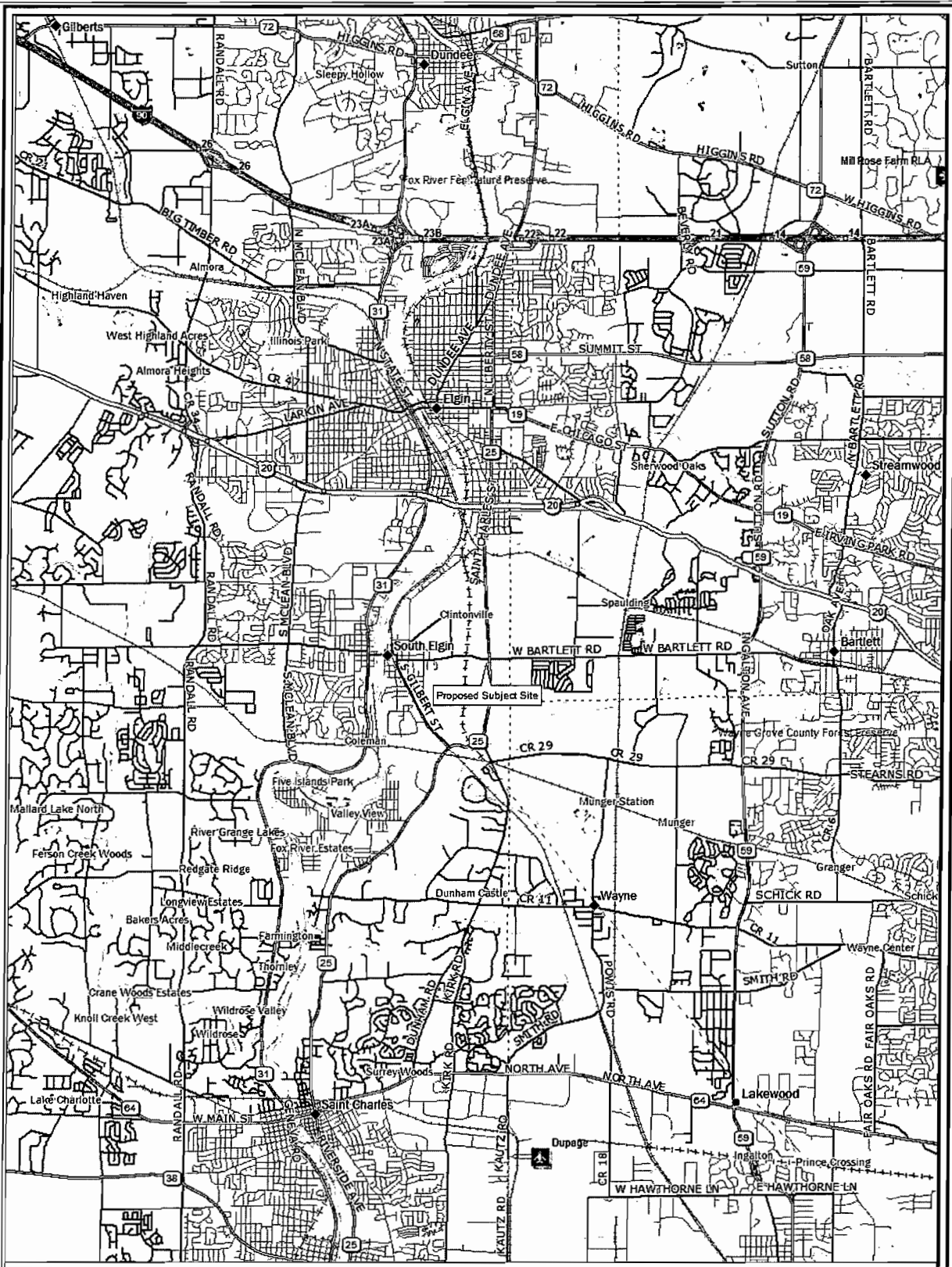
Location Map



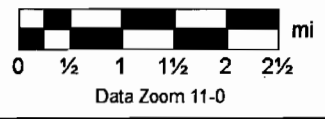
Location Map



Location Map

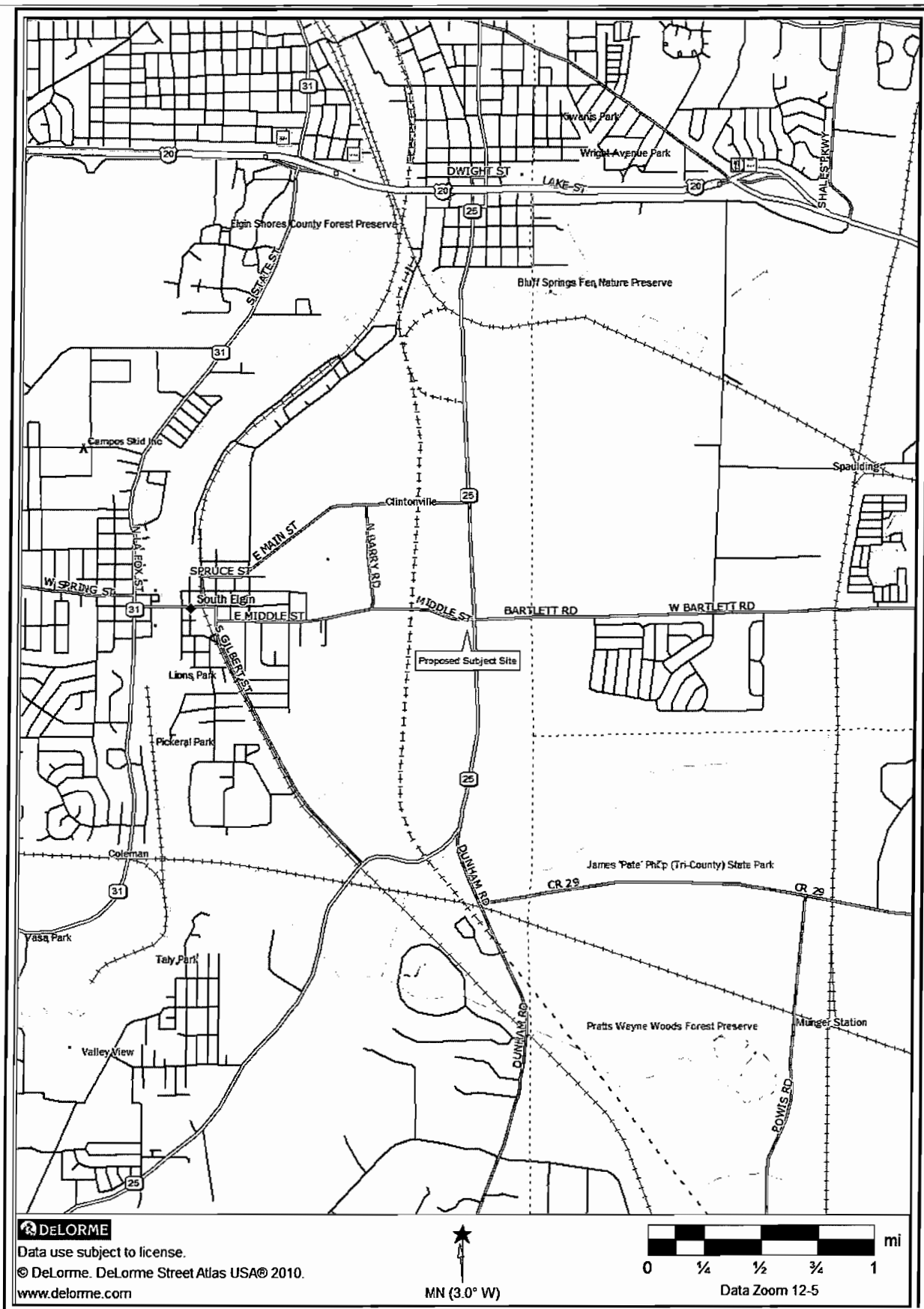


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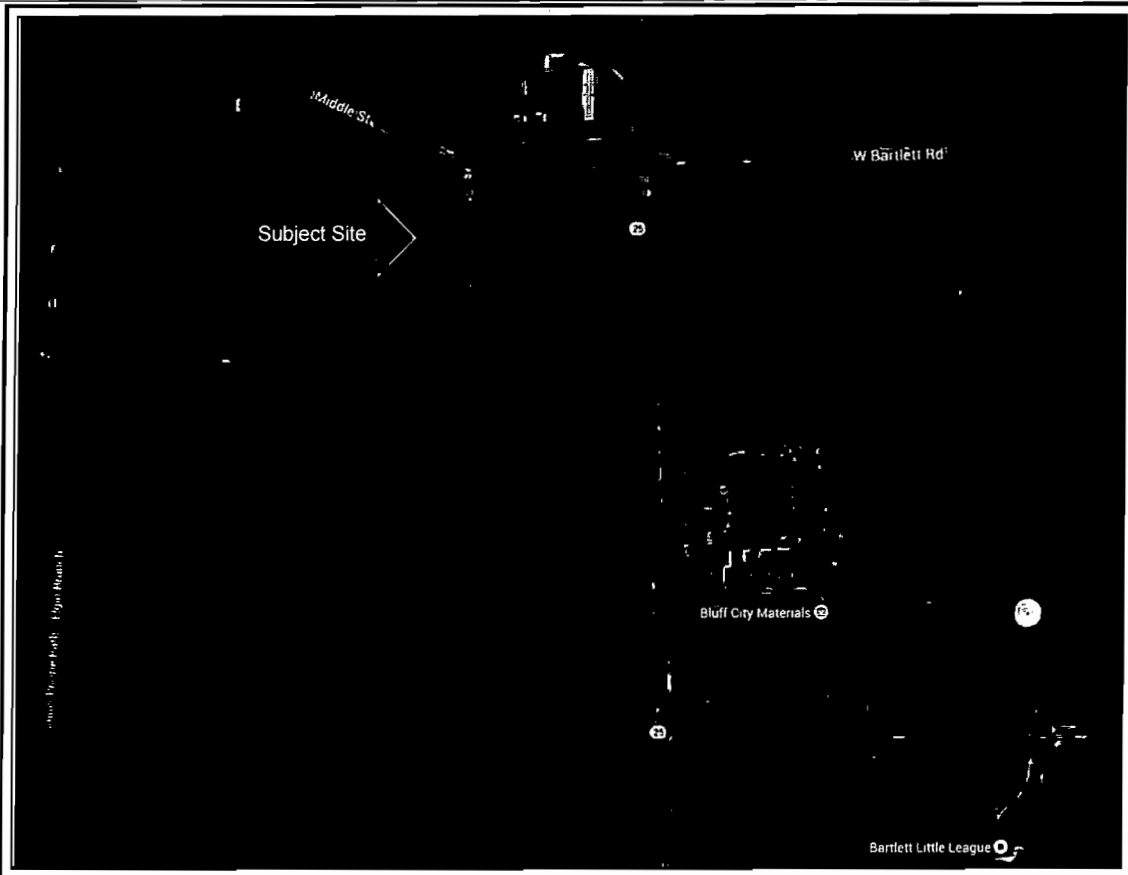


Location Map





Location Map

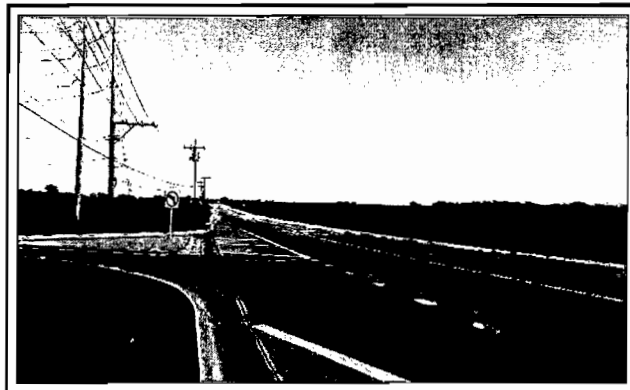


**Aerial Map**

**Land Uses Adjacent to the Subject Property**

- The subject is in a relatively undeveloped portion of southeast South Elgin, west of the corner of Middle Street (which turns into Bartlett Road east of Route 25) and Illinois Route 25. On the northwest corner is a newer development that includes a gas station, mini-mart, car wash, and small restaurant. The other 3 corners remain undeveloped.

**North:** Across Middle Street on the northwest corner are a gas station, mini-mart, car wash, and small restaurant.



**View North Along Route 25**



South: Vacant land with a sign advertising listing.



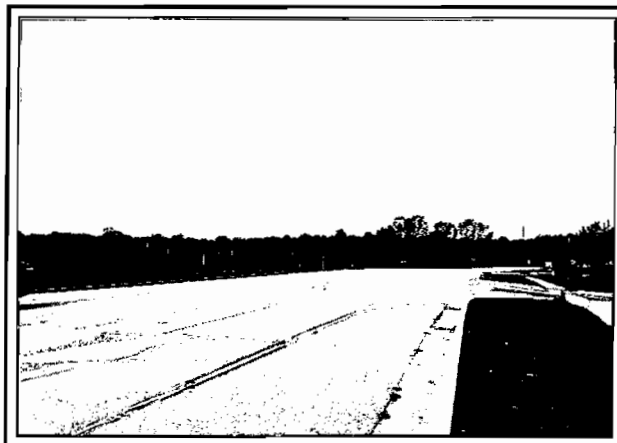
*View South Along Route 25*

East: Vacant land with a sign advertising a listing.



*View East Along Bartlett Road*

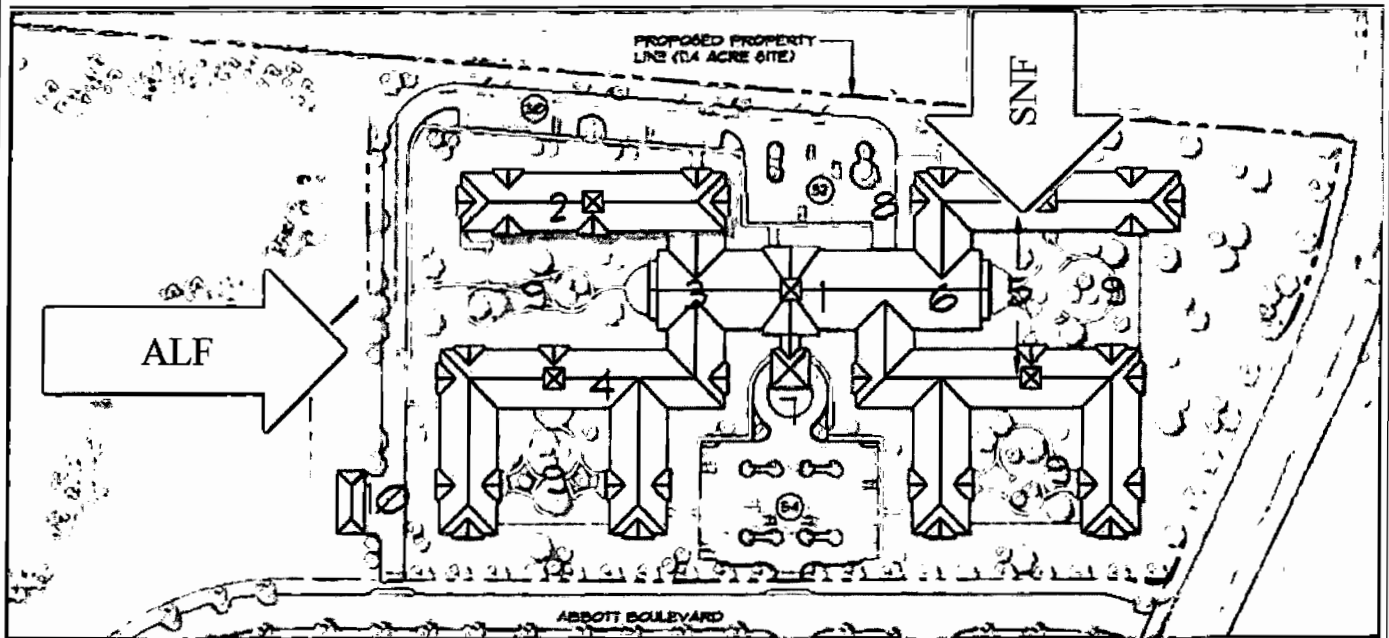
West: Vacant land.



*View West Along Middle Street*

## DESCRIPTION OF THE IMPROVEMENTS – SNF & ALF

- Park Pointe - South Elgin Healthcare & Rehabilitation Center, Proposed 120-Bed Skilled Nursing Facility
- Park Pointe - South Elgin Assisted Living, Proposed 60-Unit Assisted Living Facility



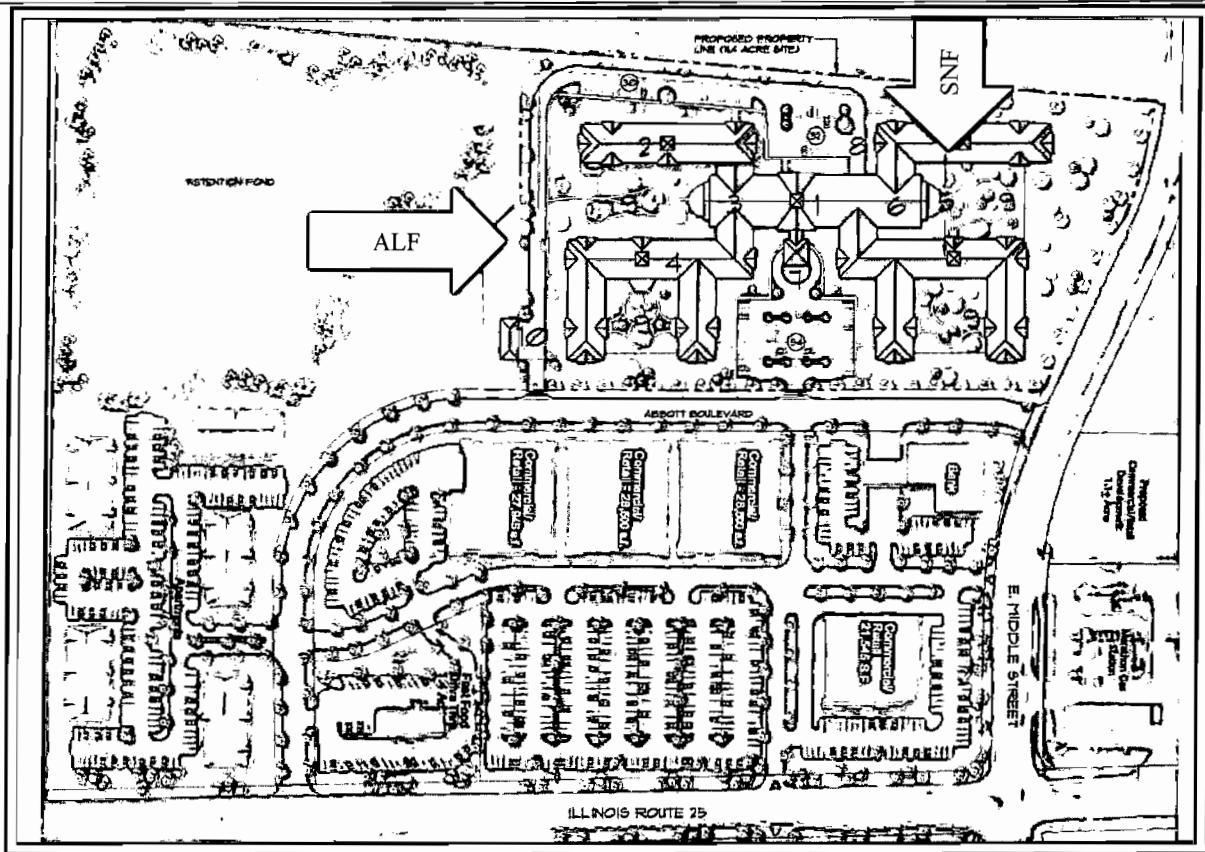
Master Site Plan (last revised in 2010)

### Proposed Skilled Nursing Facility

The subject is a proposed 120-bed Skilled Nursing Facility to be located west of the southwest corner of Illinois Route 25 and East Middle Street in South Elgin, Kane County, Illinois 60177. The preliminary unit mix is (80) 1-bed units and (20) 2-bed units. The preliminary building plan and floorplans, that were provided to us in 2010 and remain reportedly unchanged, indicate that the SNF will have a separate Medicare wing (Rehab "D" wing) with (30) 1-bed units, its own nurse's station, and a dedicated dining room. The layout will also include ample common areas including lounges, salon, gift shop, activity rooms, large kitchen, etc. Overall, the proposed layout and design will be superior to all the competitors in the market.

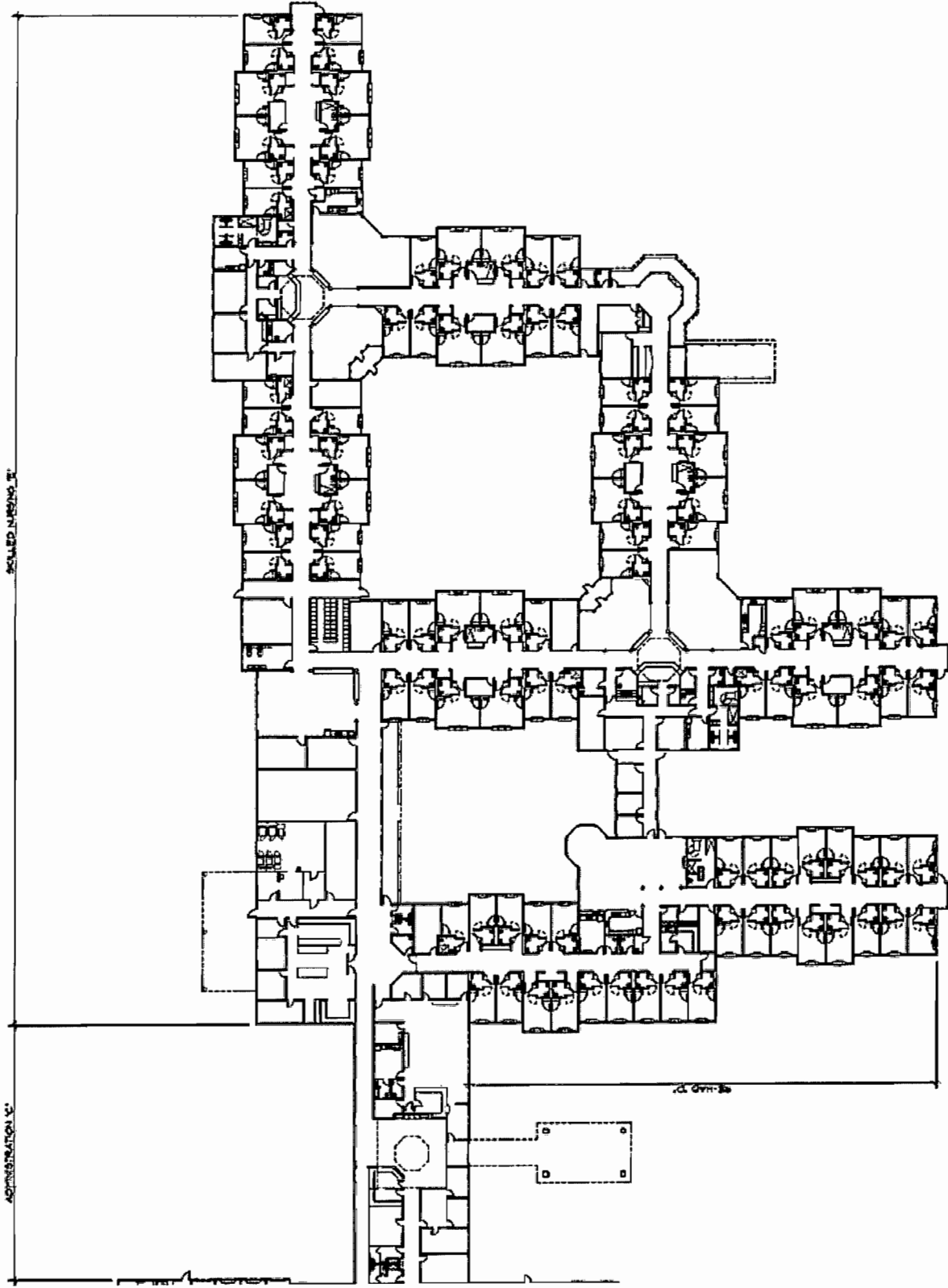
The nursing facility will have three types of exterior; fiber-cement siding, simulated stone and face brick. The majority of the face brick is used as a base around the entire building. The fiber-cement siding is located above the brick in most locations. The simulated stone is predominantly used as an accent, typically on window bump-outs, chimneys, entrances, columns and column bases. The roof is an architectural asphalt shingle with numerous turrets around the building. Wrought-iron fencing will be used to enclose the courtyards. The subject SNF is to be part of a larger "senior campus" that will include a 60 unit ALF that will likely provide a direct referral source for the proposed subject SNF. The following is the preliminary site plan for the senior campus. Initial plans were for a 120-unit ALF with the following components:

BUILDING	SGFT.	UNITS	BEDS
ASSISTED LIVING 'A'	31,135 FF.	24	24
	30,290 SF.	36	36
	62,025 TOT.	60	60
MEMORY CARE 'B'	38,715	60	60
ADMINISTRATION 'C'	7,125	-	-
RE-HAB 'D'	16,310	30	30
SKILLED NURSING 'E'	58,970	66	90
TOTAL FOOTPRINT	153,455	216	240
GROSS	183,745		

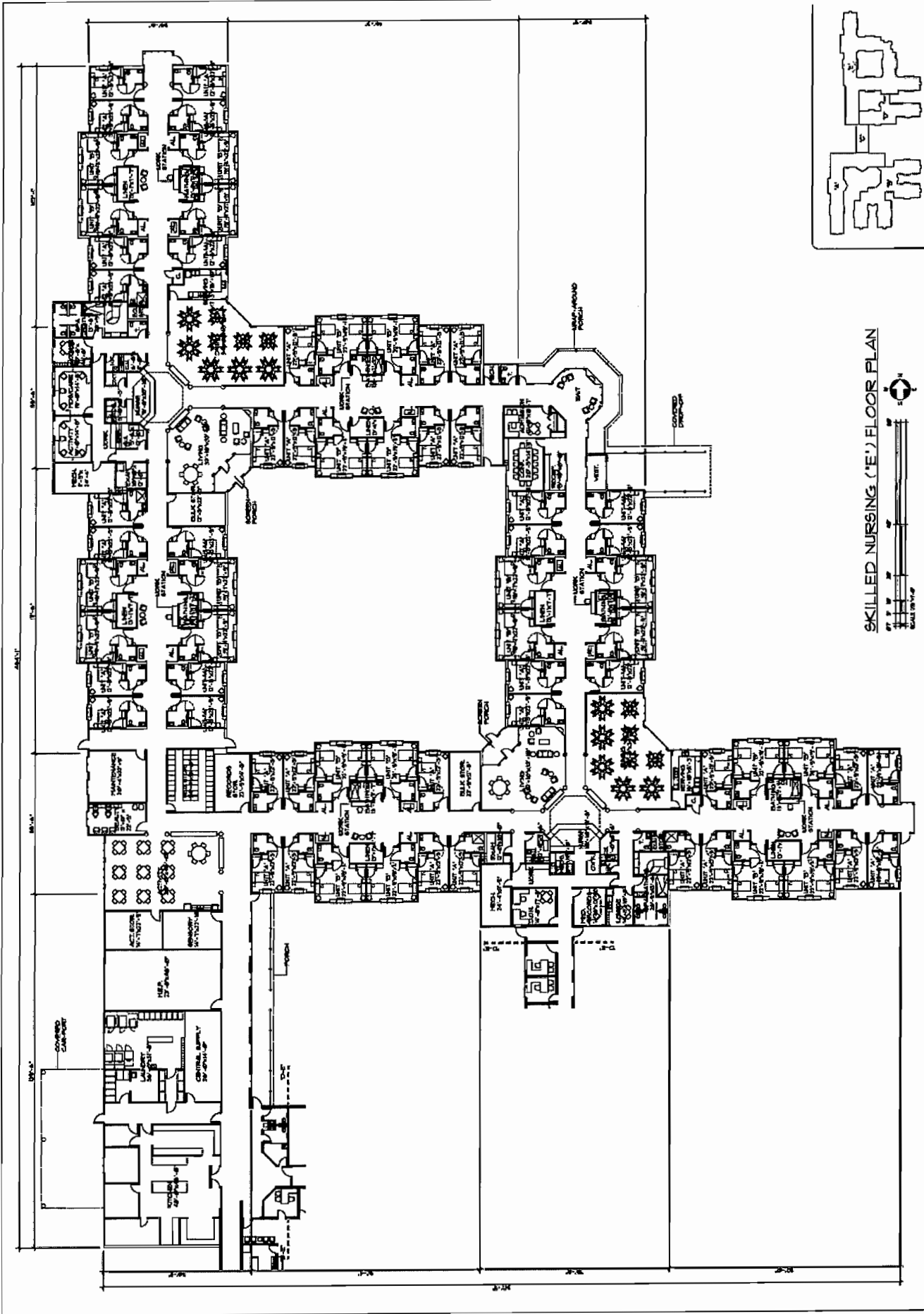


*Larger Site Plan*

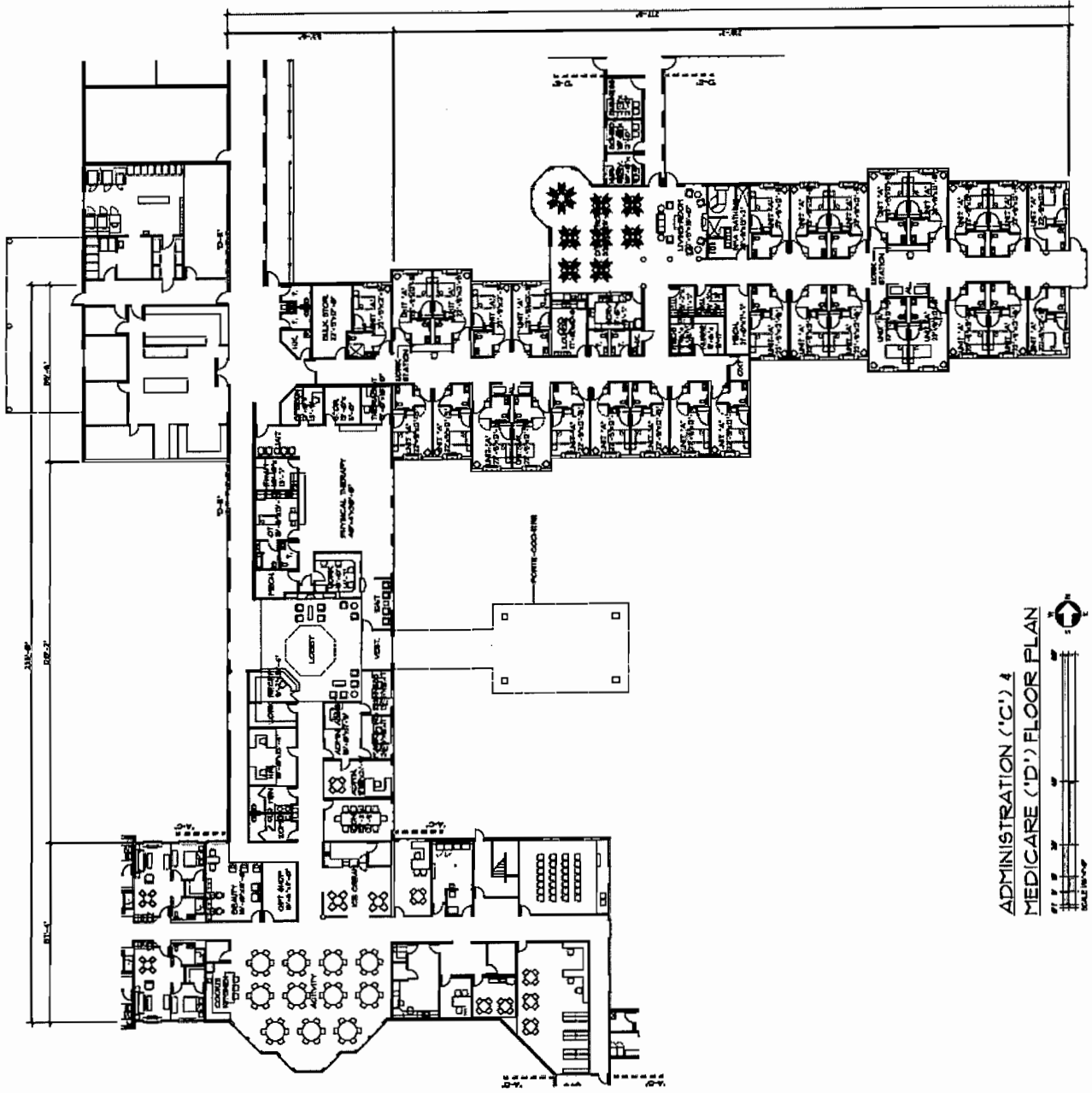
We were not provided with a new set of plans, and our client reported that "the plans for the SNF remain the same as we have to stay in line with the CON".



Skilled Nursing Facility – Floor Plan – Administration, Wing "D" & Skilled "E"



SKILLED NURSING ('E') FLOOR PLAN



ADMINISTRATION ('C') &  
MEDICARE ('D') FLOOR PLAN



**SNF - Size & Layout Analysis**

The following are unit mixes and sizes at some recently built/proposed Illinois SNFs:

Recently Built Illinois SNFs									
Morris R&NC SNF, Morris, Grundy County, IL					Church Street Station SNF, Hanover Park, Cook County, IL				
Built 2010					Built 2010				
Type	Bathroom (full)	SF	# Units	# Beds	Type	Bathroom (full)	SF	# Units	# Beds
1 bed	1.0	266	5	5	1 bed	1.0	314	6	6
1 bed	0.5	238	11	11	2-bed	0.5	306-380	72	144
1-bed	0.5	302	10	10				78	150
2-bed	0.5	302	58	116	Avg 1-bed unit size:		314		
			84	142	Avg. 2-bed unit size:		332		
Avg 1-bed unit size:		268			# 1-bed units:	6	7.7%		
Avg. 2-bed unit size:		302			# 2-bed units:	72	92.3%		
# 1-bed units:	26	31.0%				78	100.0%		
# 2-bed units:	58	69.0%							
	84	100.0%							
Alden Estates of Shorewood SNF, Shorewood, Will County, IL					Ottawa Pavilion SNF, Ottawa, LaSalle County, IL				
Built 2012					Built 2012				
Type	Bathroom (full)	SF	# of Units	# of Beds	Type	Bathroom (full)	SF	# of Units	# of Beds
1 bed	1.0	255-351	12	12	1 bed	1.0	281	49	49
2-bed	1.0	315-430	44	88	2-bed	1.0	350	40	80
			56	100				89	129
Avg 1-bed unit size:		319			Avg 1-bed unit size:		281		
Avg. 2-bed unit size:		367			Avg. 2-bed unit size:		350		
# 1-bed units:	12	21.4%			# 1-bed units:	49	55.1%		
# 2-bed units:	44	78.6%			# 2-bed units:	40	44.9%		
	56	100.0%				89	100.0%		

- The subject's proposed unit mix of 80% 1-bed units and 20% 2-bed units is consistent with modern trends of facilities offering 1-bed units to short-term rehabilitation residents.
- The subject's proposed unit sizes of 280 SF for a 1-bed unit and 360 SF for a 2-bed unit are consistent with modern trends.

The "C" Administration building will have the main entry/lobby, offices, large physical therapy room, occupational therapy area, family room, multi-purpose activity room, theater, conference room, salon, gift shop and ice cream shop. The "D" wing building, the Medicare wing, is to have its own nurse station and a dedicated dining room. New SNF construction for rehab-to-home residents typically has the following features:

**Typical Resident Rooms should feature:**

- Combination of 1-bed and 2-bed units (no 3-bed or 4-bed), preferably more 1-bed than 2-bed.
- Wall covering on the head wall or hutch shelving around headboard of beds, with the remaining walls painted.
- Vinyl simulated wood flooring with a resilient wall base.
- Blinds and decorative shears with a valance should be provided at all windows.
- Decorative wall reading light at each bed, general room lighting as well as a night light near the bathroom door.
- Wall mount flat screen television for each bed.
- Voice and light emergency call station for each bed annunciating in the corridor and at the nursing station.
- Adjustable bed, bedside table, wardrobe and chair for each patient.
- In general, modern SNFs are trending toward a hotel-room like feel as opposed to the more traditional hospital rooms.

**Typical Patient Bathroom/Toilet Room should feature:**

- In-unit full or ½ bathrooms with ceramic tile or faux-wood laminate floors and wainscot, medicine cabinets, newer lavatory and commodes, some new facilities have in-unit showers but these are not a must. Bathrooms shared between units are less desirable.
- Recessed cabinet for each patient to store personal toiletries, towel bars, and framed mirror over the lavatory as well as grab bars. All patient bathroom/toilet rooms have to be designed handicapped accessible.
- Emergency call station adjacent to the water closet.
- Ceiling light for general room illumination as well as an over mirror light. Lighting should be controlled by motion sensors.



### Therapy Room

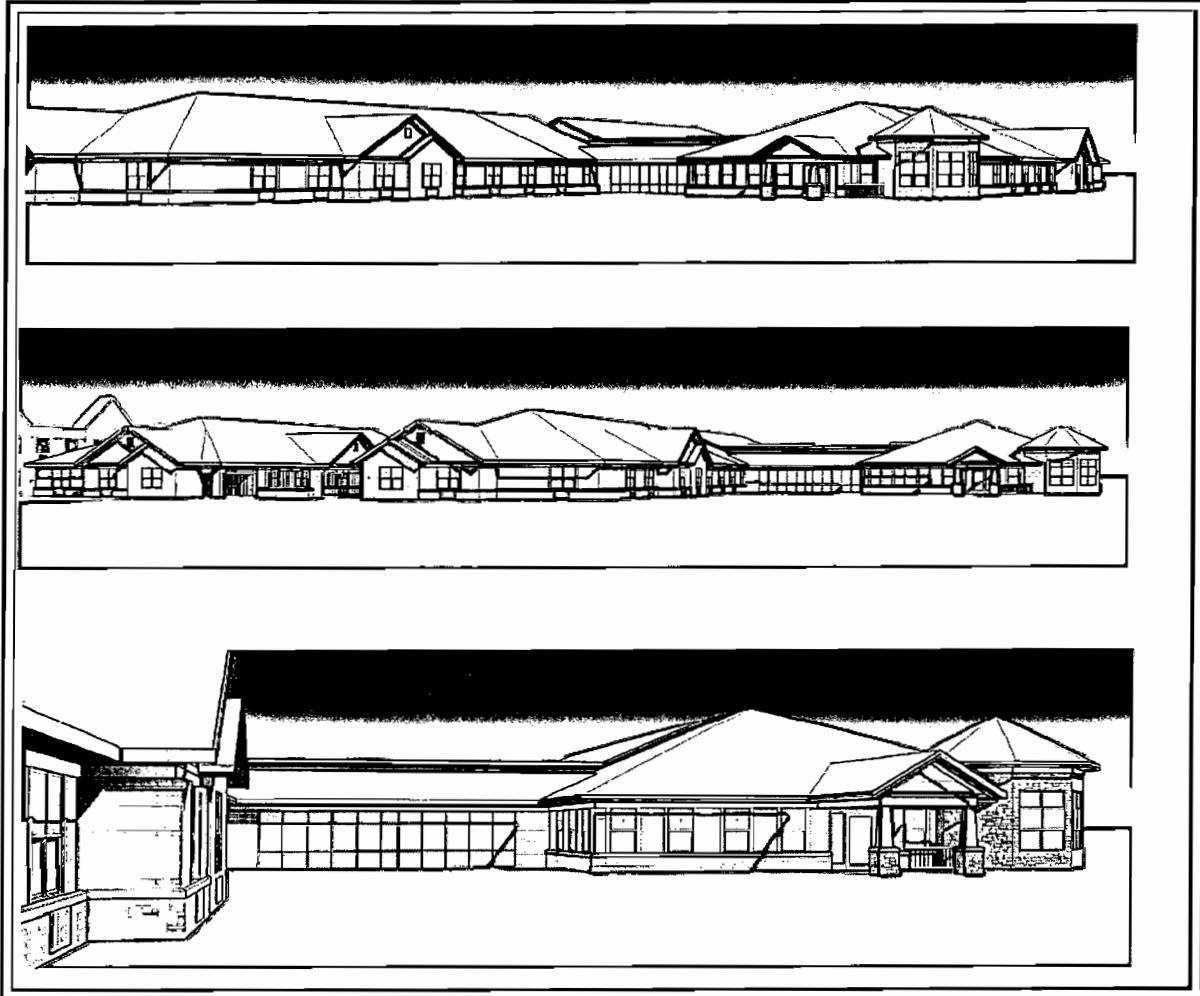
For properties focusing on M<sup>2</sup>, a modern therapy room is a must. Modern SNF therapy rooms typically include separate areas for PT and OT and ample cabinet and counter space for therapists. The size of the therapy room also depends on the size of the building (a 100-bed building will have to have a larger therapy room than a 50-bed building). Regardless, a large open space with modern finish is the norm. Over the past several years we have appraised several older SNFs that have had to enlarge their therapy rooms either by putting an addition on to the building or removing resident rooms or other common areas. Basement therapy rooms are also no longer the norm due to market desire for windows/natural light.

### Conclusions – Subject Condition, Layout and Utility

1. The SNF will be in new condition and the layout and finishes are consistent with modern SNF standards.
2. There will be ample common areas and the large therapy center (including speech therapy room, ADL lab, and a 1,200 SF physical therapy room) and new finishes will appeal to the Medicare, private insurance, and private pay markets.
3. All of the resident rooms will have a 1/2 bath with a toilet and sink bathroom in the room so there is an acceptable resident-to-bathroom ratio. As most residents will likely need assistance bathing, not having a shower or bathtub in every unit is acceptable.

**Proposed Assisted Living Facility**

We completed an Appraisal Report on April 30, 2015 for a proposed 60-unit Assisted Living Facility for this same client - Park Pointe Morris Memory Care, Proposed 60 Unit Memory Care Assisted Living Facility, Adjacent to and East of 1223 South Edgewater Drive, Morris, Grundy County, Illinois 60450. Our client stated: "The ALF/MC will be exactly like Morris. It will have 4-15 unit households. Finishes will be the same as Morris." So the following details are based on the Park Pointe Morris Memory Care plans.



*Proposed 60-Unit Assisted Living Facility*

The subject is a proposed 60-unit assisted living facility that will offer (56) 320 SF studio units and (4) 358 SF alcove studio units. All units are single occupancy and so the effective capacity is also 60 beds. The one story building will contain 45,775 gross square feet.

Unit Breakdown			
Type	Net SF	# of Units	# of Beds
Studio	320	56	56
Alcove Studio	358	4	4
<b>Total/Average</b>		<b>60</b>	<b>60</b>

The building layout is four 15-unit "pods" or neighborhoods, each with its own common dining/living room, a screened porch off the main dining area, laundry room with washer/dryer and common bathroom (toilet & sink). The building layout consists of two pods on the north side and two pods on the south side of the building. The north side of the building has a common nurse's station and serving kitchen between the two pods and the south side has the same layout. This

indicates an efficient ratio of 30 units per nurse's station. Each 2-pod section of the building (north and south) has a central courtyard between the two pods.

The common areas run along the hallway between the north and south sections of the building. The entrance is at the southeast corner of the north section. The part of the hallway near the entrance contains the reception area, offices, ice cream parlor, conference room, beauty shop and common bathrooms. The remainder of the hallway running from east to west contains mechanicals rooms, storage rooms, and clean and soiled utility rooms. There are also some common area resident rooms in this hallway including the assisted bathing room, exam room and lounge. There will also be a hallway leading to the attached SNF running from the central hall between the two sections of the building and then to the SNF. This hallway contains the facility common areas including kitchen, storage, staff laundry and offices. The storage garage can also be accessed from this hallway.

Detailed interior finish information was not supplied. We assume the interior finish will be consistent with new AL construction. This typically includes a combination of carpet and faux-wood laminate floors in the resident area and vinyl tile in the facility mechanicals areas; painted or papered drywall walls and painted drywall or acoustic tile ceilings. We assume the common area furniture will be similar to other new ALF buildings (couches, chairs, tables, flat-screen TVs, etc.). Based on the plans, the units will have a shower-bathrooms (no tubs) and a small kitchenette area with sink, limited cabinetry and countertops and combination refrigerator/freezer/microwave unit. The plans indicate vinyl windows and we assume these will have window treatments. The HVAC consists of individual PTAC units in the resident units and we assume gas-forced heat/central air in the common areas. Site improvements include three courtyards, landscaping, advertising sign and ample parking spaces.

### **ALF - Size & Layout Analysis**

The following is an analysis of both the ALFs in the subject PMA and other ALFs we have inspected and/or appraised.

#### **Comparables- AL - from the PMA and SMA (modern buildings only)**

<b>Facility</b>	<b>#Units</b>	<b>Year Built</b>	<b>Continuum of Care?</b>
<b>PMA</b>			
Heritage Woods of South Elgin SLF	150	2008/2012	ALZ Wing
Clare Oaks ALF	17	2008	CCRC
Victory Center of Bartlett SLF	104	2006	ILF
<b>SMA</b>			
Bickford of St. Charles	64	2009	ALF
Delnor Glen	62	1998	ALZ wing & THs
<b>Averages</b>	<b>79</b>		

#### **Comparables AL From Other Markets**

<b>Facility</b>	<b>#Units</b>	<b>Year Built</b>	<b>Continuum of Care?</b>
Heritage at Deer Creek AL & ALZ	43	2003	ILF/ALZ
Emerald Village AL	130	2007	ILF/ALF
Inn at Willow Falls AL & ALZ	81	2001	ILF/THs
The Views - Ridgeview ALF	44	2005	ALZ
Park Vista of Waupaca AL	86	2002	IL Villas (6)
Villas of Holly Brook AL & ALZ	50	proposed 2015	ALZ
Appleton Retirement Community AL	104	1997/2003	None
<b>Averages</b>	<b>77</b>		

Based on our research and conversations with developers the typical standard ALF is between 60 and 100 units. Supportive Living Facilities (Heritage Woods and Victory Center) that take Medicaid are typically larger, as is the case in the subject PMA, than are 100% private pay facilities.

Unit Mix

In order to estimate a unit mix, we look to comparables, using the same facilities as shown above.

**Comparables- AL - from the PMA and SMA (modern buildings only)**

Facility	Year Built	Unit Mix		
		% Studio	% 1BR	% 2BR
<b>PMA</b>				
Heritage Woods of South Elgin SLF	2008/2012	44%	56%	0
Clare Oaks ALF	2008	0	94%	6%
Victory Center of Bartlett SLF	2006	62%	38%	0
<b>SMA</b>				
Bickford of St. Charles	2009	27%	69%	5%
Delnor Glen	1998	29%	55%	16%
<b>Averages</b>		<b>32%</b>	<b>62%</b>	<b>5%</b>

**Comparables AL From Other Markets**

Facility	Year Built	Unit Mix		
		% Studio	% 1BR	% 2BR
Heritage at Deer Creek AL & ALZ	2003	21%	65%	14%
Emerald Village AL	2007	6%	68%	26%
Inn at Willow Falls AL & ALZ	2001	25%	75%	0%
The Views - Ridgeview ALF	2005	18%	73%	9%
Park Vista of Waupaca AL	2002	42%	37%	21%
Villas of Holly Brook AL & ALZ	proposed 2015	0%	88%	12%
Appleton Retirement Community AL	1997/2003	29%	28%	34%
<b>Averages</b>		<b>20%</b>	<b>62%</b>	<b>17%</b>

For new ALF construction, a mix of studios, 1 BR and 2 BR units are the norm. 1 BR units dominate the unit mix. Even though most of the facilities feature 2 BR units, some facilities do not, as these units are typically less popular and more challenging to market. For a new construction standard ALF we suggest a unit mix of 20% studios, 65% 1BRs and 15% 2BRs.

Unit Sizes

In order to estimate unit sizes, we look to the same two sets of comparables.

**Comparables- AL - from the PMA and SMA (modern buildings only)**

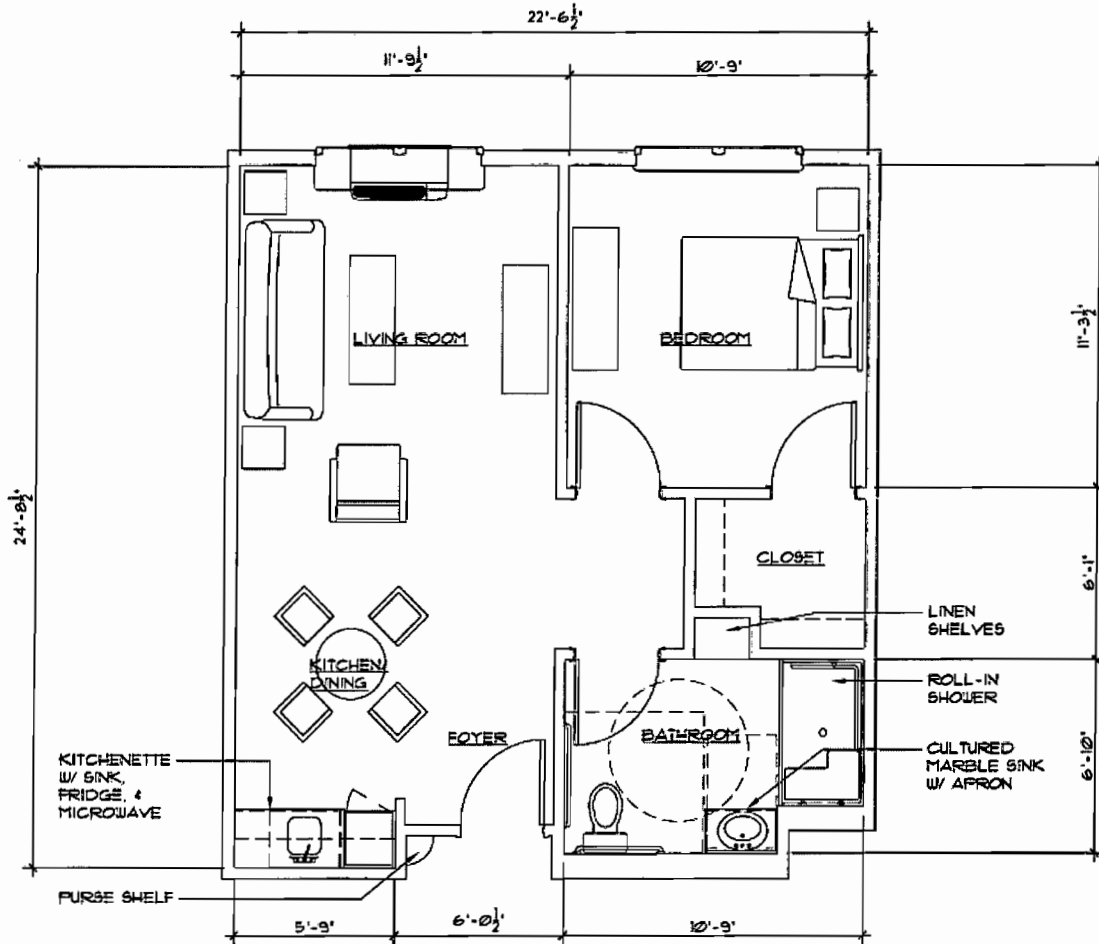
Facility	Unit Sizes		
	Studio	1BR	2BR
<b>PMA</b>			
Heritage Woods of South Elgin SLF	308	485	
Clare Oaks ALF		500	750
Victory Center of Bartlett SLF	400	568	
<b>SMA</b>			
Bickford of St. Charles	344	467	680
Delnor Glen	N/Av	N/Av	N/Av
<b>Averages</b>	<b>351</b>	<b>505</b>	<b>715</b>

**Comparables AL From Other Markets**

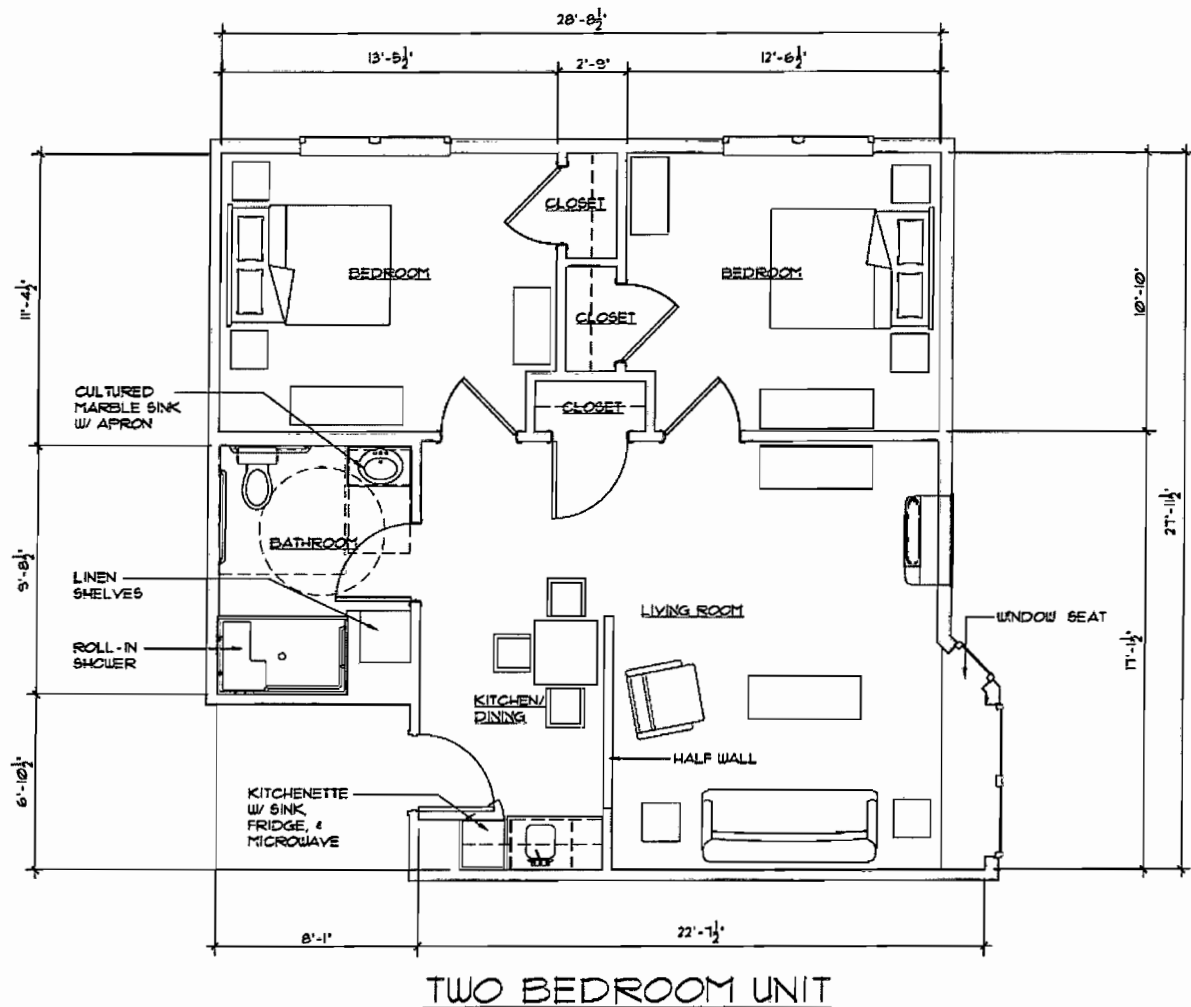
Facility	Unit Sizes		
	Studio	1BR	2BR
Heritage at Deer Creek AL & ALZ	341, 370	471; 558	798
Emerald Village AL	328	375; 530; 711	802
Inn at Willow Falls AL & ALZ	360	345; 370; 415	
The Views - Ridgeview ALF	352	528; 576	648; 720
Park Vista of Waupaca AL	364	588; 632	888; 908; 728
Villas of Holly Brook AL & ALZ		569	797; 1,047
Appleton Retirement Community AL	250; 350; 380	570; 651	730; 842
<b>Averages</b>	<b>346</b>	<b>526</b>	<b>810</b>

Based on the comparables, a studio unit around 350 SF, a 1 BR unit around 500 and a 2 BR unit between 700 and 850 is the norm. The average SF for a studio is 346, a 1 BR is 526 and for a 2 BR is 810.

The plans for the Morris ALF call for only studio units between 320 and 358 SF. However, Morris Park Pointe is to be entirely ALZ care. Therefore, we also referred to the original plans for the subject property which called for only 1 BR and 2 BR units as the unit mix for the standard ALF wings, with the following unit layout:



ONE BEDROOM UNIT



The subject's proposed ALF 1 BR units are 560 SF, the 2 BR units are 760 SF, and so are consistent with the broader market.

### Finishes and Layout

An ALF should have ample outdoor space and ample common areas. Typical common areas in modern ALFs include but are not limited to: living rooms, activity room, resident laundry rooms, dining room, private dining room, lounges on each floor, TV/theater room, chapel, tub/whirlpool/spa room and ice cream parlor/café. Staff areas typically consist of commercial kitchen, laundry, and staff lounge/locker-room and offices. Floor finish typically include carpet, faux-wood laminate and/or ceramic tile in common areas, carpet in units, vinyl or ceramic tile in unit bathrooms and kitchenettes. Wall finish typically includes painted or papered drywall. HVAC typically consists of a package unit or PTAC for each unit and GFA/CA for common areas. Each unit will have a shower/bath (typically no tubs) and a kitchenette with sink, wood cabinets, microwave and refrigerator/freezer. ALFs do not have full oven/ranges due to safety concerns.

According to an article in Senior Housing News, entitled "Design trends that will dominate the future of senior living", the following trends for ALF are reported:

1. Elements of Hospitality, which include having a variety of dining options and models, socials spaces, and a wellness/fitness/recreational component.
2. Connections to the outdoors.
3. The ability and flexibility to quickly adapt (both systems and operations) to the continual evolution in technology.

**Memory Care ALF - Size & Layout Analysis**

The following is an analysis of both the ALZs in the subject PMA and other ALZs we have inspected and/or appraised. We keep the names of the ALZs we've appraised confidential but supply the general location.

Subject PMA AZ ALFs			
Facility	# Beds	Year Built	Wing or Stand Alone
<b>PMA</b>			
White Oaks @ Heritage Woods ALZ (SLF)	32	2012	Wing of ALF
Clare Oaks ALZ	16	2008	Wing of ALF/SNF (part of CCRC)
White Oaks at Spring Street ALZ	30	2014	Stand Alone
<b>SMA</b>			
Bickford of St. Charles	14	2009	Wing of ALF
Delnor Glen	15	1998	Wing of ALF
<b>Averages</b>	<b>21</b>		
<b>Average Stand Alone</b>	<b>30</b>		
<b>Average Wing</b>	<b>19</b>		

**Comparables ALZ From Other Markets**

Facility	# Beds	Year Built	Wing or Stand Alone
Morris MC ALF Proposed	60	Proposed 2015	Stand Alone
Crystal Creek MC ALF	80	2001-2011	Stand Alone
Heritage at Deer Creek AL & MC ALF	33	2003-2004	Wing of ALF
Heritage Woods-South Elgin AL & MC ALF	30	2014	Wing of ALF
Inn at Willow Falls ALF & MC ALF	31	2001	Wing of ALF
MeadowView MC ALF	56	2005	Stand Alone - on same lot as affiliated standard ALF
Spring Street MC ALF	30	2014	Stand Alone - affiliated with nearby MC ALF
Villas of Holly Brook ALF & MC ALF	28	Proposed 2015	Wing of ALF
Trinity MC ALF	48	1995	Stand Alone
<b>Averages</b>	<b>44</b>		
<b>Average Stand Alone</b>	<b>55</b>		
<b>Average Wing</b>	<b>31</b>		

The typical ALZ wing is approximately 30 beds. The typical stand-alone ALZ is between 30 and 80 beds, with an average at 55 beds. The subject PMA's ALZs tend to be smaller than usual, with a range between 14 and 32 units, with the average wing at 19 beds, and the stand alone comparable at 30 beds.

We have appraised several ALFs and ALZs over the past several years and most developers indicate that the smallest stand-alone ALZ building they would construct would be 40 units, due to economies of scale. Based on comparables and interviews with ALF developers, the average memory care wing in an existing ALF has 30 beds and the average stand-alone ALZ building has 50 beds.

**Unit Mix**

In order to estimate a unit mix, we look to comparables, using the same facilities as shown above.

Subject PMA AZ ALFs				
Facility	Year Built	% Studio	% Shared Studio	% 1BR/Alcove
<b>PMA</b>				
White Oaks @ Heritage Woods ALZ (SLF)	2012	100%		0
Clare Oaks ALZ	2008	100%		0
White Oaks at Spring Street ALZ	2014	100%		0%
<b>SMA</b>				
Bickford of St. Charles	2009	83%		17%
Delnor Glen	1998	100%		0
<b>Averages</b>		<b>97%</b>		<b>3%</b>

## Comparable ALZs From Other Markets

Facility	Year Built	% Studio	% Shared Studio	% 1BR/Alcove
Morris MC ALF Proposed	Proposed 2015	93%	0	7%
Crystal Creek MC ALF	2001-2011	89%	11%	0
Heritage at Deer Creek AL & MC ALF	2003-2004	100%	0	0
Heritage Woods-South Elgin AL & MC ALF	2014	100%	0	0
Inn at Willow Falls ALF & MC ALF	2001	26%	0	74%
MeadowView MC ALF	2005	100%	0	0
Spring Street MC ALF	2014	100%	0	0
Villas of Holly Brook ALF & MC ALF	Proposed 2015	44%	56%	0
Trinity MC ALF	1995	100%	0	0
<b>Averages</b>		<b>84%</b>	<b>6%</b>	<b>9%</b>

For new memory care ALF construction, studios are the norm. Some properties offer a selection of large and small private studios and some offer a limited number of shared studios. The table above shows that in the subject's PMA, all the comparables offer only studios. For the table of ALZs in other markets that we have appraised, seven of the nine facilities have only studios. Private studios are generally popular in more affluent markets and shared studios are popular in less affluent markets. Also, the older facilities typically have more 1BR than studio units as is the case with the comparable above that has 74% 1BRs. We have spoken to several developers and marketing directors of ALZs who state that a combination of studios and shared studios is typical.

Unit Sizes

In order to estimate unit sizes, we look to the same two sets of comparables.

## Subject PMA AZ ALFs

Facility	Location	Unit Size Studio	Unit Size 1BR/Alcove	Unit Size 2-bed
<b>PMA</b>				
White Oaks @ Heritage Woods ALZ (SLF)	South Elgin, IL	308		
Clare Oaks ALZ	Bartlett, IL	250		
White Oaks at Spring Street ALZ	South Elgin, IL	354 & 429		
<b>SMA</b>				
Bickford of St. Charles	St. Charles, IL	400		470
Delnor Glen	St. Charles, IL	N/av		
<b>Averages</b>		<b>348</b>		<b>470</b>

## Comparable ALZs From Other Markets

Facility	Location	Unit Size Studio	Unit Size 1BR/Alcove	Unit Size 2-bed
Morris MC ALF Proposed	Semi-Rural, IL	320	358	
Crystal Creek MC ALF	Suburban Detroit, MI	282-331		410
Heritage at Deer Creek AL & MC ALF	Milwaukee, WI	255-320		
Heritage Woods-South Elgin AL & MC ALF	Suburban Chicago, IL	308		
Inn at Willow Falls ALF & MC ALF	Suburban Chicago, IL	360	370-415	
MeadowView MC ALF	Cedar Rapids, IA	225-325		
Spring Street MC ALF	Suburban, IL	354-429		
Villas of Holly Brook ALF & MC ALF	Rural, IL	285-334		432
Trinity MC ALF	Madison, WI	280-400		
<b>Averages</b>		<b>321</b>	<b>381</b>	<b>421</b>

Based on the comparables, a studio unit between 280-400 SF is the norm with the average at 321. The average SF for a 1BR is 381 and average for a 2-bed is 421. In our final analysis we estimate a studio unit size of 325 SF. The subject's proposed ALF studio units are 320-358 SF and so are consistent with ALZ units.



## **Finishes and Layout**

An ALZ should have ample outdoor space (can be shared with existing ALF) and ample common areas. Typical common areas in modern ALZs include but are not limited to: living rooms, activity room, resident laundry rooms, dining room, private dining room, lounges on each floor, TV/theater room, chapel, tub/whirlpool/spa room and ice cream parlor/café. Staff areas typically consist of commercial kitchen, laundry, and staff lounge/locker-room and offices. Floor finish typically include carpet, faux-wood laminate and/or ceramic tile in common areas, carpet in units, vinyl or ceramic tile in unit bathrooms and kitchenettes. Wall finish typically includes painted or papered drywall. HVAC typically consists of a package unit or PTAC for each unit and GFA/CA for common areas. Each unit will have a shower/bath (no tubs) or ½ baths in each unit can be acceptable depending on the market. Units typically have a kitchenette with sink, wood cabinets, and refrigerator/freezer. ALZs do not have full oven/ranges due to safety concerns and many do not have microwaves.

Most developers and market participants agree that the standard assisted living layout and design is not ideal for memory care impaired residents. According to an article in Senior Housing News, entitled "3 Must-Haves in Designing for Dementia Care" the author states that an ALZ should have the following:

1. Wandering Encouragement which includes such features long hallways or paths with no dead-ends, and sitting areas along the way. Preferably the paths are not straight but curved or varied. Also along the way there should be sensory stations.
2. Themed wings each with its own color scheme and distinct theme with matching artwork.
3. Sensory Stimulation such as Snoezelen Therapy which is "a controlled multisensory environment (MSE), allows memory care residents to guide their own therapy using lights, sounds, textures and aromas to stimulate their senses and promote relaxation. The following describes two design options for ALZs.

The first design is known as the "Pathways" design which consists of a central common area that has several sensory stations, designed to make residents feel like they are in a small town. These are facades of a post office, store, service stations and other storefronts that may be familiar to residents. The units are located along the outside of the building in four distinct "neighborhoods" each having a separate color scheme and themes to help residents get back to their units.

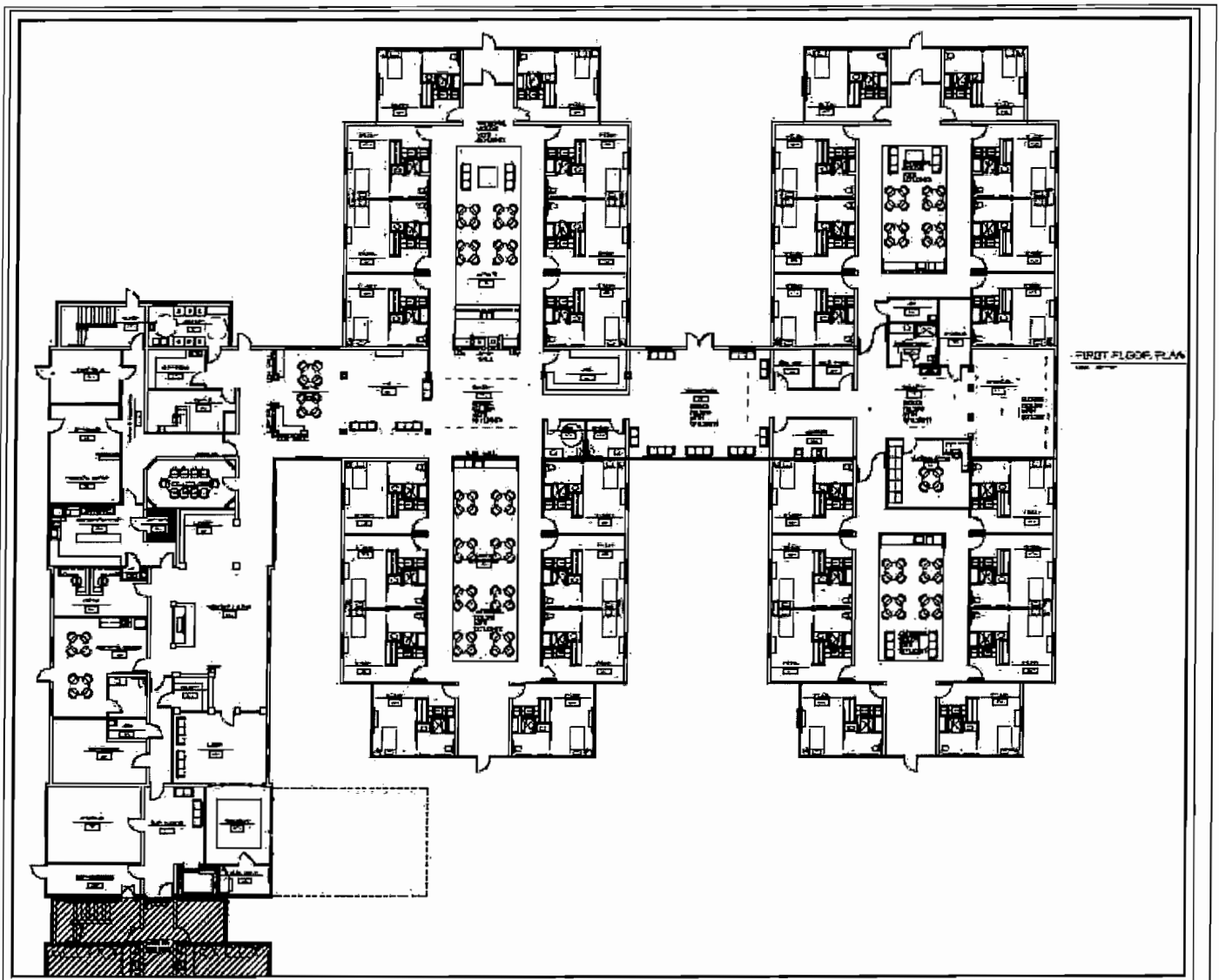
The second design we've seen is the "cluster" or "household" design described as follows:

- The following was taken from [http://seniorhousingnews.com/2014/06/18/cluster-model-open-spaces-top-list-for-memory-care-design/?utm\\_source=rss&utm\\_medium=rss&utm\\_campaign=cluster-model-open-spaces-top-list-for-memory-care-design&utm\\_source=Senior+Housing+News+Daily+Email+Update&utm\\_campaign=a80f57e8d6-senior+housing+news+for+6+19+146+18+2014&utm\\_medium=email&utm\\_term=0\\_22c027a2f4-a80f57e8d6-45241](http://seniorhousingnews.com/2014/06/18/cluster-model-open-spaces-top-list-for-memory-care-design/?utm_source=rss&utm_medium=rss&utm_campaign=cluster-model-open-spaces-top-list-for-memory-care-design&utm_source=Senior+Housing+News+Daily+Email+Update&utm_campaign=a80f57e8d6-senior+housing+news+for+6+19+146+18+2014&utm_medium=email&utm_term=0_22c027a2f4-a80f57e8d6-45241)

### **Cluster-Model, Open Spaces Top List for Memory Care Design**

"Perkins and AFA have identified that housing models with clusters, those with 10 to 12 people that share a kitchen and living space but still have a private bedroom so individual identity, [are a good design model]," Steinberg says, adding that developers' questions regarding such facilities' landscape design are also addressed in the report.

"Each household includes a small dining room, sitting spaces, and a residential kitchen that create familiar settings for familiar experiences," the study says. "Most resident bedrooms are single occupancy and all have direct access to a private half bathroom."



*Floor Plan – Cluster Design*

**Conclusions – Subject Condition, Layout and Utility – Proposed ALF**

1. The ALF will be in new condition and the layout and finishes are consistent with modern ALF standards.
2. The proposed unit mix and sizes are consistent with the local market and industry trends.
3. The pods layout lend itself to either ALF or ALZ use - or perhaps a combination.

## On-Site Services

### SNF Services

The subject will be a licensed Illinois Skilled Nursing Facility (SNF). According to the owner/developer, the subject will concentrate on the long-term, skilled geriatric care market as well as on short-term rehabilitation (Medicare and private insurance).

- Nursing: includes long-term medical and/or nursing care and short-term rehabilitation for injured, disabled or sick persons. Such services are generally at levels above those offered at ALFs or by most home health care services due to mental or physical conditions that are most appropriately handled in an institutional setting. Staff typically includes RNs, LPNs, and other staff such as Nursing Aides and Orderlies. This includes proper administering of medications and nursing programs.
- Rehabilitation: includes physical, occupational, speech therapy staff and services to return or improve the resident's overall health.
- Social services and activities: includes social interaction programs and activities designed to improve the resident's overall health.
- Dietary: includes specialized meals to provide proper nutrition.

The following is a list of services typically provided to all SNF residents regardless of census type (private pay, Medicare, etc.):

- 24-hour nursing care
- 3 meals per day with snacks and special diets
- laundry services (personal and linens)
- full housekeeping services
- activities & social services,
- accounting records (payment assistance)

Additional charges are typical for therapy, supplies, prescription drugs, and other specific personal needs. The following is a list of additional charges that is generally allocated to the "Other Income" category:

- Cable TV
- Telephone
- Personal items (cigarettes, novelties, etc.)
- Gift shop purchases
- Special food requests not related to special diets

➤ Conclusion: The subject's proposed basic services and additional charges are consistent with market.

### ALF Services

Typical assisted living quoted rates include the following amenities: 3 meals per day to include therapeutic diets, weekly general housekeeping, laundry services, emergency call system, social and recreational programs, day trips, and wellness programs. Typical charges for optional services in the Primary Market Area include telephone, beauty/barber shop visits, and extra nursing/care services (as needed). The following is a list of services typically provided to all assisted living residents regardless of census type (private pay, Medicaid, etc.):

- On-going health monitoring and nursing assessments
- Assistance with activities of daily living: bathing, dressing, walking, personal grooming and hygiene
- 3 meals per day with snacks and special diets
- Weekly housekeeping and laundry services (personal and linens)
- Activities & social services
- Assistance with transportation
- 24-hour staffing

The following is a list of additional charges that is generally allocated to the "Other Income" category:

- Cable TV (although usually included)

- Telephone
- Personal items (cigarettes, novelties, etc.)
- Gift shop purchases
- Special food requests not related to special diets

Conclusion: The subject's basic services and additional charges are consistent with market.

#### ALZ Services

Typical charges for optional services in the Primary Market Area include telephone, beauty/barber shop visits, and extra nursing/care services (as needed). The following is a list of services typically provided to all memory care assisted living residents regardless of census type (private pay, Medicaid, etc.):

- On-going health monitoring and nursing assessments
- Assistance with activities of daily living: bathing, dressing, walking, personal grooming and hygiene
- Medication Reminders and Administration
- Programming and therapies specifically related to dementia and Alzheimer's diseases
- 3 meals per day with snacks and special diets
- Weekly housekeeping and laundry services (personal and linens)
- Activities & social services
- Assistance with transportation
- 24-hour staffing

The following is a list of additional charges that is generally allocated to the "Other Income" category:

- Cable TV (although usually included)
- Telephone
- Personal items (cigarettes, novelties, etc.)
- Gift shop purchases
- Special food requests not related to special diets

Conclusion: The subject's basic services and additional charges are consistent with market.

## LICENSING

### ALF License Information

As of the date of this report, the proposed ALF has been approved by the Village of South Elgin, and there is no state CON needed for ALFs. The State of Illinois grants Assisted Living Facility licenses upon inspection of the completed improvements.

### On-Site Subject Services and Licensing

- There are no Certificate-of-Need requirements for assisted living facilities in Illinois.

The subject will be a licensed Illinois Assisted Living Facility (ALF) providing care/services for **geriatric dementia care**. ALF typically concentrate on long-term care for persons in need of assistance with activities of daily living and dementia care.

The Illinois rules/laws for ALF can be found at: <http://www.ilga.gov/legislation/ilcs/ilcs3.asp?ActID=1217&ChapterID=21>.

- Nursing: includes long-term assisted care for elderly persons. The focus is more on assisting residents with the Activities of Daily Living ("ADLs") such as bathing, dressing, eating, etc. Staff is specially trained for helping persons with dementia related disease. Such services are generally at levels below those offered at SNFs or ICFs but above most home health care services as well as standard ALFs. Staff typically includes RNs, LPNs and other staff such as Nursing Aides and Orderlies. This includes proper monitoring of medications.
- Social services and activities: this is generally a limited program with some social interaction programs and activities designed to improve the resident's overall health. The subject will have a special focus on activities related to helping with dementia diseases.
- Dietary: includes specialized meals to provide proper nutrition.

### SNF License Information

The subject will be a State of Illinois licensed Skilled Nursing Facility (SNF). The State Board has approved the project to establish a 120-bed nursing care facility, via a Certificate of Need (CON) in 2010. The approval was renewed in June 2014 with a May 31, 2016 expiration.



STATE OF ILLINOIS  
HEALTH FACILITIES AND SERVICES REVIEW BOARD

525 WEST JEFFERSON ST. • SPRINGFIELD, ILLINOIS 62761 • (217) 782-3516 FAX: (217) 785-4111

June 4, 2014

**CERTIFIED MAIL**  
**RETURN RECEIPT REQUESTED**

Kim Westerkamp, Manager  
Horizon Healthcare  
800 Roosevelt Road  
Building E, Suite 218  
Glen Ellyn, Illinois 60137

RE: Permit Renewal for Project #10-065 Park Pointe – South Elgin Healthcare & Rehabilitation Center, South Elgin  
Permit Holder: South Elgin Real Estate Holdings I, LLC - South Elgin Healthcare & Rehabilitation Center, LLC

Dear Ms. Westerkamp:

On June 3, 2014 the Illinois Health Facilities and Services Review Board/Chairman approved the permit holder's request for a permit renewal for the above-referenced project. Therefore, the permit for this project has been renewed until May 31, 2016.

Should the permit holder determine that it will be unable to complete the project by May 31, 2016, the permit holder may request another renewal of the permit. 77 IAC 1130.740 provides that the State Agency must be in receipt of a permit renewal request AT LEAST 45 DAYS PRIOR TO THE EXPIRATION DATE OF THE REQUIRED COMPLETION PERIOD.

The permit holder is reminded that permits for projects which are not completed within the required time frame shall expire for lack of due diligence, unless renewed by the State Board. The permit holder is also reminded of the other post-permit requirements contained in "Subpart G" of Part 1130. Adherence to these requirements is essential in maintaining a valid permit and is the sole responsibility of the permit holder.

Should you have any questions, please contact Mike Constantino or George Roate at (217) 782-3516 and ask to speak to a staff person about post permit requirements.

Sincerely,

  
Courtney Avery  
Administrator  
Illinois Health Facilities and Services Review Board

cc: Kathy J. Olson, Chairwoman

As part of the CON, it is indicated that the applicant has received zoning approval, or that a variance in zoning for the project is to be sought. In November 17, 2010, the Planning and Zoning Commission of the Village of South Elgin voted the approval of the project. It is our understanding that the Village will allow a rezoning from an MP zoning district to an R-3 Multiple Family Residential District, and approve a Class I Site Plan, Aesthetic Design, Preliminary Plat of Subdivision, and a Special Use Permit to allow a Planned Residential Development including a nursing home in an R-3 Zoning District.

**VOTE ON ACCEPTANCE OF FINDINGS OF FACTS (VOICE VOTE)**

*That the Planning and Zoning Commission accept the Finding's of Fact as presented by the Petitioner for petition CD10-0007 for a Special Use Permit for the proposed Planned Development and for the proposed Nursing Home to be located on Lot 2 of the proposed Prism Subdivision.*

**CLOSE PUBLIC HEARING (VOICE VOTE)**

**VOTE ON SPECIAL USE, PLANNED DEVELOPMENT, ZONING MAP AMENDMENT, SUBDIVISION, CLASS 1 SITE PLAN AND AESTHETIC DESIGN REVIEW (ROLL CALL)**

*That the Planning and Zoning Commission recommend approval of petition CD10-0007 for the proposed Special Use for a Planned Development and Nursing Home in an R-3 Multiple Family Residential District, a Zoning Map Amendment to the R-3 Multiple Family Residential District from the M-P Master Planned Development District, a Preliminary Plat of Prism Subdivision, a Class 1 Site Plan Review and an Aesthetic Design Review all at the southwest corner of Middle Street and Route 25 in South Elgin, IL.*

## DEFINITION OF THE PRIMARY MARKET AREA

The Primary Market Area (PMA) is defined as the area from which most of the prospective residents originate. A variety of issues influence the boundaries of the PMA including factors such as drive times, man-made or natural boundaries, mileage, and social characteristics. Urban vs. rural locations can obviously have vastly different boundary characteristics based on density of land uses. In our experience, the PMA typically provides 70% to 80% of the residents with the remaining 20% to 30% coming from the SMA.

### SKILLED NURSING FACILITY

#### Definitions of the Primary Market Area (PMA) and Secondary Market Area (SMA)

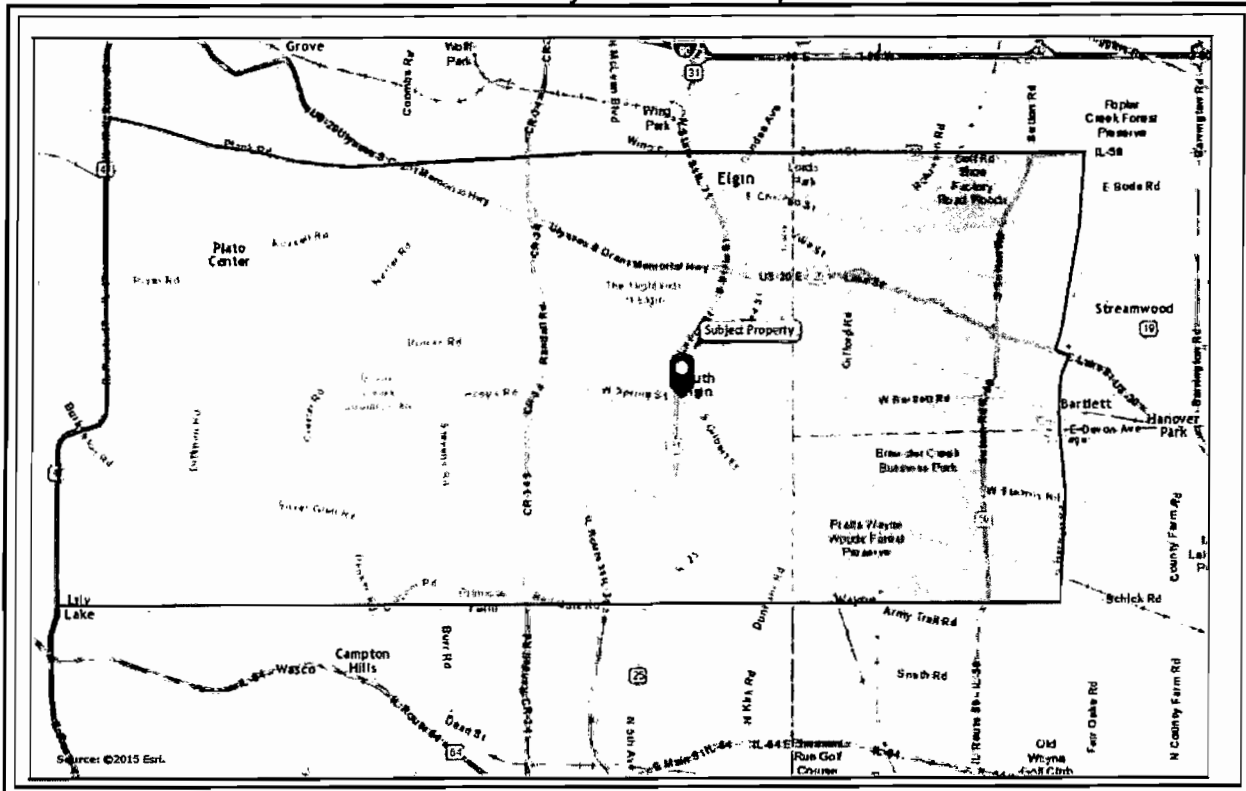
According to the client, the proposed subject SNF will concentrate on the long-term, skilled geriatric care market as well as on rehabilitation (Medicare). As the subject is proposed there is obviously no recent resident origin analysis.

In the past six months, we appraised an existing SNF in the area – South Elgin Rehabilitation and Healthcare Center. The administrator at South Elgin R & HCC did relay that the majority of residents come from South Elgin with not many from Elgin as Elgin is a large city that has its own SNFs. We note that the subject is in the middle eastern portion of the PMA and the southern bordering communities are far superior in terms of affluence. Based on our knowledge of the area and from interviews with staff at nearby SNFs, the PMA is defined as:

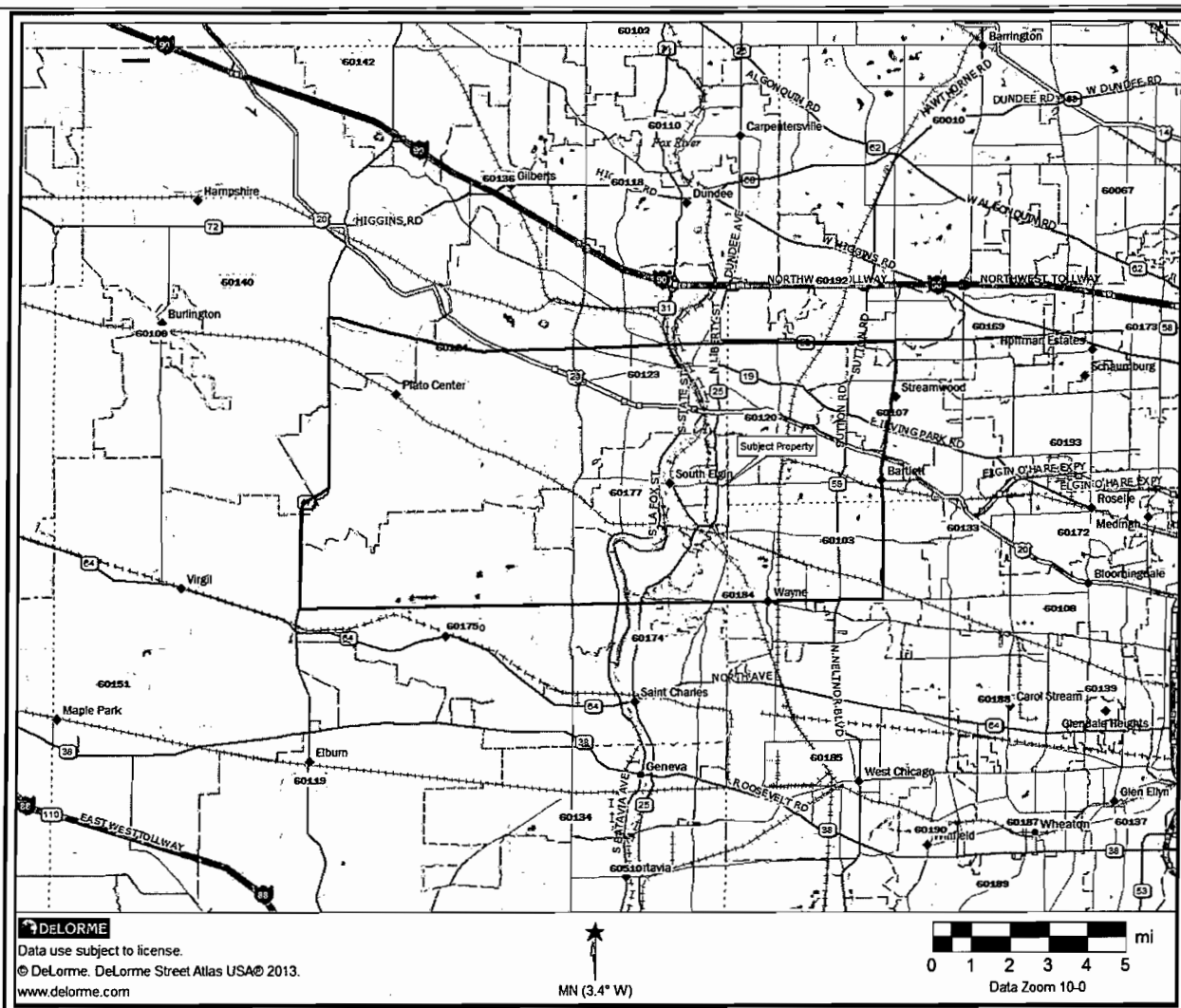
- North : Plank Road/Summit Street/IL-58
- South : Schick Road
- East : South Bartlett Road
- West : IL Route 47

The Secondary Market Area (SMA) is considered to be a 10-mile radius around the subject property.

**Primary Market Area Map**







Local Zip Code Map

**Note:** Demographic data was obtained from Site To Do Business, Inc.

**Total Population & Adult Children Population**

Population Projections - PMA								
	2010 Census		2015 Estimate		2020 Projection		Annual Change	
	Number	% Total	Number	% Total	Number	% Total	2015-2020	
Total Population	156,235	100%	160,413	100%	164,155	100%	0.5%	
Source: STDB						% Change 2015-2020:		2.3%
Adult Children Population - PMA								
	2010 Census		2015 Estimate		2020 Projection		Annual Change	
	Number	% Total	Number	% Total	Number	% Total	2015-2020	
Ages 45-64	39,860	100%	41,778	100%	42,079	100%	0.1%	
Source: STDB						% Change 2015-2020:		0.7%
CVG#1024B								

The total PMA population is projected to increase 2.3% from 2015 to 2020. Adult children are often the decision-makers for housing options for their parents and are also a factor in relocating parents to be near their children and grandchildren. The "adult children" segment is projected to increase 0.7% from 2015 to 2020.

**Senior Population**

Elderly Population Projections by Age Cohort - PMA							
Population Over Age 75	2010 Census		2015 Estimate		2020 Projection		Annual Change 2015-2020
	Number	% Total	Number	% Total	Number	% Total	
65-69	4,662	36%	6,480	40%	7,285	36%	2.5%
70-74	2,978	23%	3,996	25%	5,624	28%	8.1%
75-79	2,108	16%	2,429	15%	3,344	17%	7.5%
80-84	1,575	12%	1,568	10%	1,897	9%	4.2%
85 and Over	1,583	12%	1,697	10%	1,855	9%	1.9%
Total	12,906	100%	16,170	100%	20,005	100%	4.7%
Source: STDB				% Change 2015-2020:		23.7%	
CVG#1024B							

In the PMA, the age 65+ population is projected to increase at 4.7% per year from 2015 to 2020 (3,835 people) which suggests growing demand for short-term rehab beds (M<sup>2</sup>) in the PMA. The age 85+ population is projected to increase 1.9% per year which suggests growing demand for nursing care beds in the PMA.

**Income**

Median Household Income Comparison Age 55+			
	2015 Estimate	2020 Projection	Annual Change 2015-2020
<b>PMA</b>	\$66,999	\$78,811	3.5%
<b>Illinois</b>	\$48,367	\$55,946	3.1%
<b>USA</b>	\$46,214	\$54,146	3.4%
Source: STDB			
CVG#1024B			

The age 55+ cohort in the PMA has median household income that is above state and country medians. Income is projected to grow at a faster pace than the state and country.

**Housing**

Median All Owner-Occupied Housing Unit Values			
	2015 Estimate	2020 Projection	Annual Change 2015-2020
<b>PMA</b>	\$245,388	\$274,188	2.3%
<b>Illinois</b>	\$199,064	\$233,713	3.5%
<b>USA</b>	\$200,006	\$236,203	3.6%
Source: STDB			
CVG#1024B			

The median housing unit value in the PMA is well above state and national levels. The value is projected to grow at a slower pace than the state and nation. The sale of a home is often the main source of assets/income available to a senior to pay for long-term care. According to a CNN Money article dated 5/28/13\*, as of 2010 55% of homeowners over the age of 62 have paid off their mortgages. Assuming no debt, 10% sales costs, and a 3-year length of stay in a long-term care facility, the 2015 data indicates \$6,135 per month (\$204/day) increasing to \$6,855 (\$225/day) available from the sale of a home. The subject SNF's projected 2-bed rate is \$300 per day, and the 1-bed rate is \$325 per day, so this suggests that some seniors would likely need to combine retirement income or financial assistance from adult children to afford private pay care.

\* source: <http://money.cnn.com/2014/05/28/news/economy/senior-citizens-debt/index.html>

## ASSISTED LIVING FACILITY

### Definitions of the Primary Market Area (PMA) and Secondary Market Area (SMA)

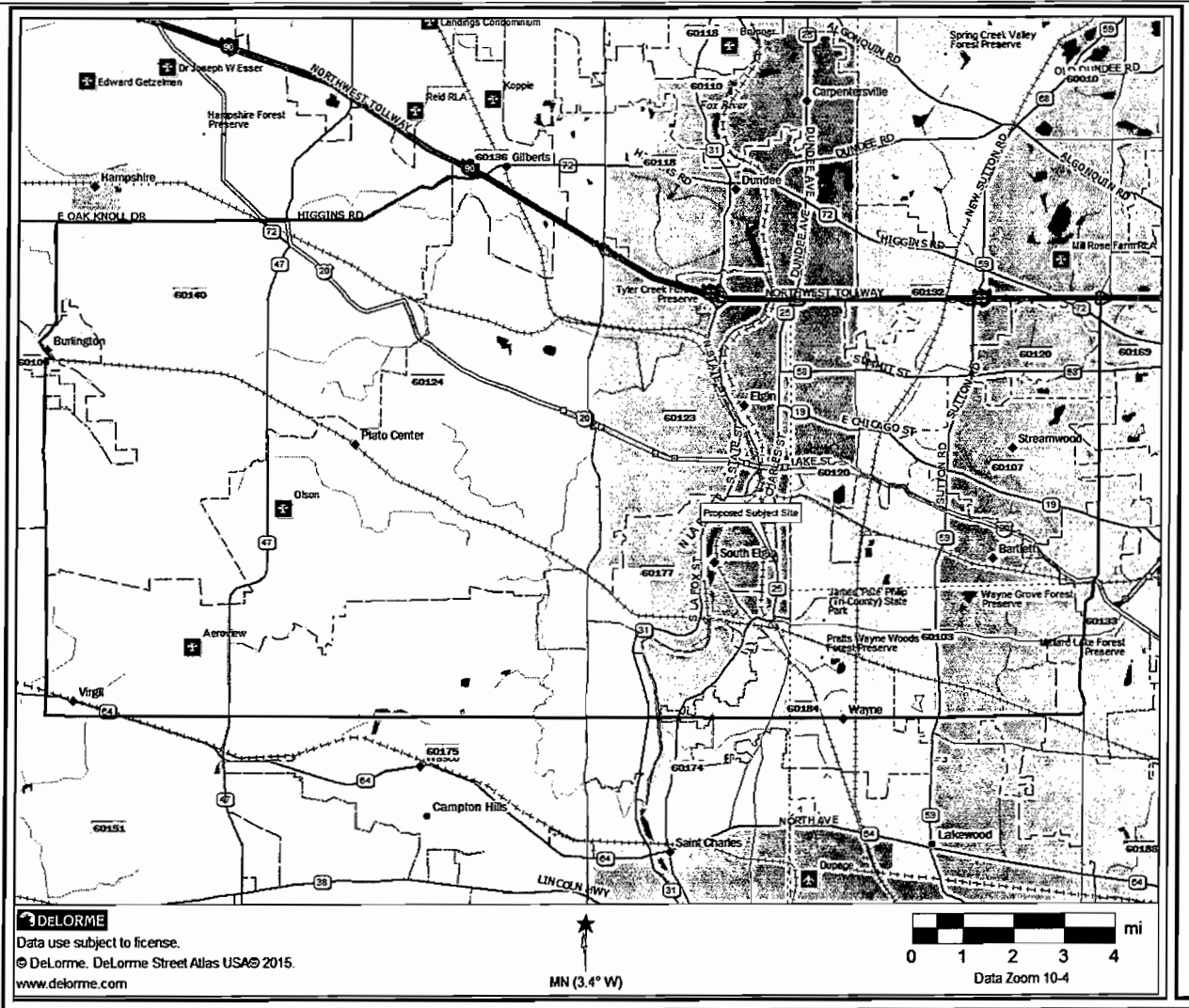
According to our client, the proposed subject ALF could care for both/either standard assisted living and memory care assisted living. As the subject is proposed there is no recent resident origin analysis.

In the past years, we appraised an existing ALF in South Elgin several times and they provided resident origin lists and/or resident zip code lists. The majority of residents come from South Elgin with not many from Elgin.

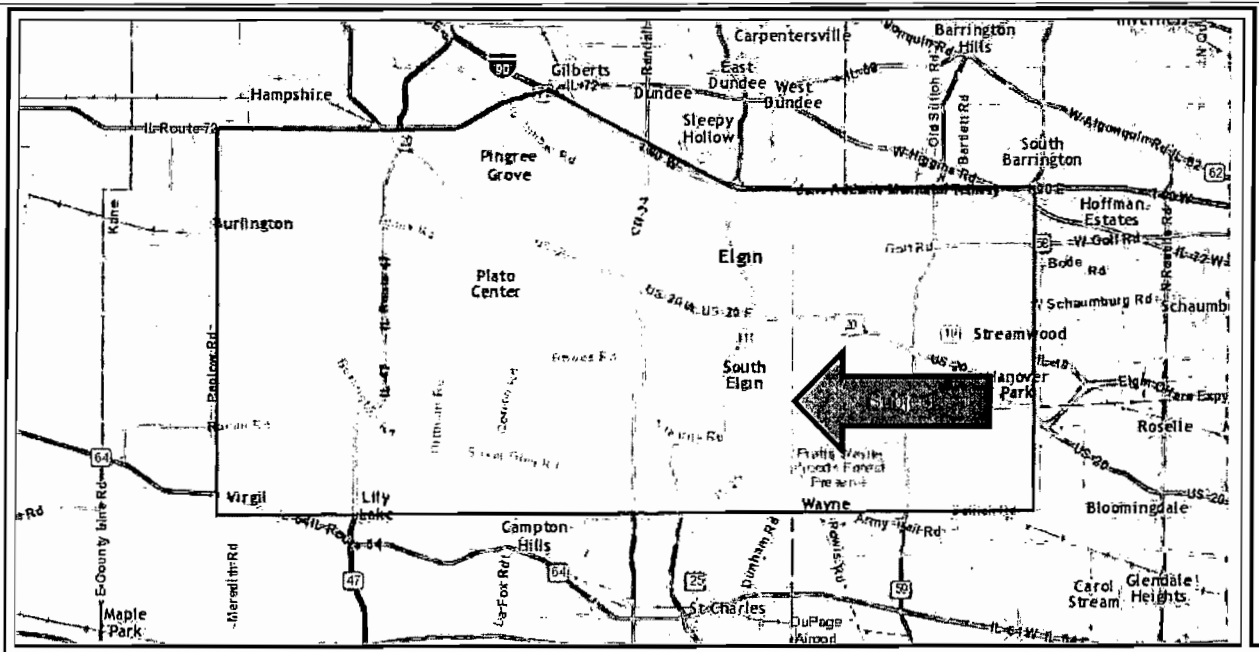
Because the subject will be a new construction and focus only on private pay residents, we estimate that the proposed subject will take residents from a wider area than the proposed SNF. While we kept the same southern boundary (Schick Road), we have extended our PMA to the west to CR-11, which goes through Burlington and south of Hampshire, since this area also draws residents to Heritage Woods SLF of South Elgin. In addition, the road access from Burlington (CR-22) and Hampshire (IL-20) is easy, with an average driving time of about 30 minutes, which is acceptable in rural markets. Finally, the administrator of Bickford Senior Living ALF/ALZ in St. Charles confirmed that the facility was getting residents from Hampshire and Burlington because of the lack of supply in that area and their reticence to go to Sycamore (further west in DeKalb County). To the north is the natural boundary of I-90/IL 72. To the east, several options are already in the market (Sunrise Schaumburg, Sunrise Bloomingdale, Friendship Village in Schaumburg, and Brookdale of Hoffman Estates), and we uncovered two proposed facilities along Route 20: Greenbrier Assisted Living with 70 AL and 32 ALZ and a Bloomingdale Memory Care ALZ with 46 units and 65 beds, both in Bloomingdale. As a result, we set the eastern boundary at Barrington Road. Based on our knowledge of the area and from interviews with staff at nearby ALFs and ALF AZs, the PMA is defined as:

- North: Plank Road, Higgins Road (IL 72) and I-90
- South: Schick Road
- East: Barrington Road (Streamwood and Bartlett included)
- West: CR-11 (Burlington, Hampshire)

The Secondary Market Area (SMA) is considered to be a 10-mile radius around the subject property.



Primary Market Area Map



**Primary Market Area Map STDB**

**Note:** Demographic data was obtained from Site To Do Business, Inc.

**Total Population & Adult Children Population**

Population Projections - PMA							
	2010 Census		2015 Estimate		2020 Projection		Annual Change
	Number	% Total	Number	% Total	Number	% Total	2015-2020
Total Population	269,360	100%	276,825	100%	285,785	100%	0.6%
Source: STDB	% Change 2015-2020:					3.2%	
Adult Children Population - PMA							
	2010 Census		2015 Estimate		2020 Projection		Annual Change
	Number	% Total	Number	% Total	Number	% Total	2015-2020
Ages 45-64	67,642	100%	70,387	100%	71,180	100%	0.2%
Source: STDB	% Change 2015-2020:					1.1%	

The total PMA population is projected to increase 3.2% from 2015 to 2020. Adult children are often the decision-makers for housing options for their parents and are also a factor in relocating parents to be near their children and grandchildren. The "adult children" segment is projected to increase 1.1% from 2015 to 2020.

**Senior Population**

Elderly Population Projections by Age Cohort - PMA							
Population Over Age 75	2010 Census		2015 Estimate		2020 Projection		Annual Change
	Number	% Total	Number	% Total	Number	% Total	2015-2020
75-79	3,673	41%	4,149	42%	5,788	47%	7.9%
80-84	2,732	30%	2,757	28%	3,248	27%	3.6%
85 and Over	2,656	29%	2,891	30%	3,209	26%	2.2%
Total	9,061	100%	9,797	100%	12,245	100%	5.0%
Source: STDB	% Change 2015-2020:					25.0%	

In the PMA, the age 75+ population (primary demand segment for ALFs) is projected to increase 5.0% per year from 2015 to 2020 (2,448 people) which suggests growing demand for assisted living in the PMA.

### Income

Median Household Income Comparison Age 55+			
	2015 Estimate	2020 Projection	Annual Change 2015-2020
<b>PMA</b>	\$65,925	\$77,119	3.4%
<b>Illinois</b>	\$48,367	\$55,946	3.1%
<b>USA</b>	\$46,214	\$54,146	3.4%

Source: STDB

The age 55+ cohort in the PMA has median household income that is above state and country medians. Income is projected to grow at a faster pace than the state and similar pace to the country.

### Housing

Median Home Value			
	2015 Estimate	2020 Projection	Annual Change 2015-2020
<b>PMA</b>	\$237,295	\$261,281	2.0%
<b>Illinois</b>	\$199,064	\$233,713	3.5%
<b>USA</b>	\$200,006	\$236,203	3.6%

Source: STDB

The median housing unit value in the PMA is well above state and national levels. The value is projected to grow at a slower pace than the state and nation. The sale of a home is often the main source of assets/income available to a senior to pay for long-term care. According to a CNN Money article dated 5/28/13\*, as of 2010 55% of homeowners over the age of 62 have paid off their mortgages. Assuming no debt, 10% sales costs, and a 3-year length of stay in a long-term care facility, the 2015 data indicates \$5,932 per month and 2020 data indicates \$6,532 per month available from the sale of a home. However, this is only if all debt on the home has been paid off. The subject's average rate is projected to be \$4,500 per month for ALF and \$5,500 per month for ALF ALZ, indicating that a sale of a home with no mortgage could pay for a typical length of stay at the subject.

\* source: <http://money.cnn.com/2014/05/28/news/economy/senior-citizens-debt/index.html>

### Adult Day Care

These agencies offer day care services for the elderly but are not likely to have a great impact on the subject property as the subject residents are typically require a higher level of care than those seeking simply day care services.

## Area 2

Serving DuPage, Grundy, Kane, Kankakee, Kendall, Lake, McHenry and Will Counties

**Northeastern Illinois Area Agency on Aging**  
 (815) 939-0727; (630) 293-5990; 1-800-528-2000

For more information, see the Area Agency listing at [www.state.il.us/aging](http://www.state.il.us/aging).

### Serving DuPage County

**Community Adult Day Care, Inc.**  
 4501 Main Street  
 Downers Grove, Illinois 60515  
 630-968-1060

**Ecumenical Adult Care of Naperville**  
 305 West Jackson Avenue  
 Naperville, Illinois 60540-5204  
 630-357-8166

**ESSE Adult Day Care Center**  
 Faith Lutheran Church  
 41 North Park Boulevard  
 Glen Ellyn, Illinois 60137  
 630-858-1005

### Serving Kane County

**Elderday Center, Inc.**  
 8 South Lincoln Street  
 Batavia, Illinois 60510  
 630-761-9750

**Rachel's Place Adult Day Care**  
 309 West Park  
 Aurora, Illinois 60506  
 630-896-9022

### Serving Kane County

#### City of Elgin

**Lutheran Home for the Aged, Inc.**  
 105 South Grove Avenue  
 Elgin, Illinois 60120  
 847-368-7397

Source: [http://www.illinois.gov/aging/AboutUs/Documents/adult\\_day.pdf](http://www.illinois.gov/aging/AboutUs/Documents/adult_day.pdf)

### Home Health Care

Home health care fees typically range from \$8 to \$40 per hour depending on the required services.

The following was taken from [www.genworth.com/corporate/about-genworth/industry-expertise/cost-of-care.html](http://www.genworth.com/corporate/about-genworth/industry-expertise/cost-of-care.html)

## Illinois - State Median<sup>1</sup>: Annual Care Costs in 2015

Choose the cost breakdown: <sup>1</sup> Annual

### Find your Cost of Care

Click or select a state to view details by location:

Choose a State:

Choose a Location:

[Return to National View](#)

### 2015 Cost of Care Overview

Use the information below to find out and compare the cost of care in your region. Go mobile with the [Cost of Care app from iTunes](#).



Home Health Care <sup>1</sup>	Adult Day Health Care <sup>1</sup>	Assisted Living Facility <sup>4</sup>	Nursing Home Care <sup>2</sup>
Homemaker Services <sup>2</sup>	Annual Cost	Annual Cost	Semi-Private Room <sup>5</sup>
Annual Cost 5-yr Annual Growth <sup>3</sup>	\$17,550	\$48,600	Annual Cost 5-yr Annual Growth <sup>3</sup>
\$48,048 2%	5-yr Annual Growth <sup>3</sup>	5-yr Annual Growth <sup>3</sup>	\$64,788 3%
Home Health Aide <sup>2</sup>	2%	2%	Private Room <sup>5</sup>
Annual Cost 5-yr Annual Growth <sup>3</sup>			Annual Cost 5-yr Annual Growth <sup>3</sup>
\$49,192 1%			\$74,460 3%

## Chicago Area<sup>2</sup>, IL: Annual Care Costs in 2015

Choose the cost breakdown: <sup>2</sup> Annual

### Find your Cost of Care

Click or select a state to view details by location:

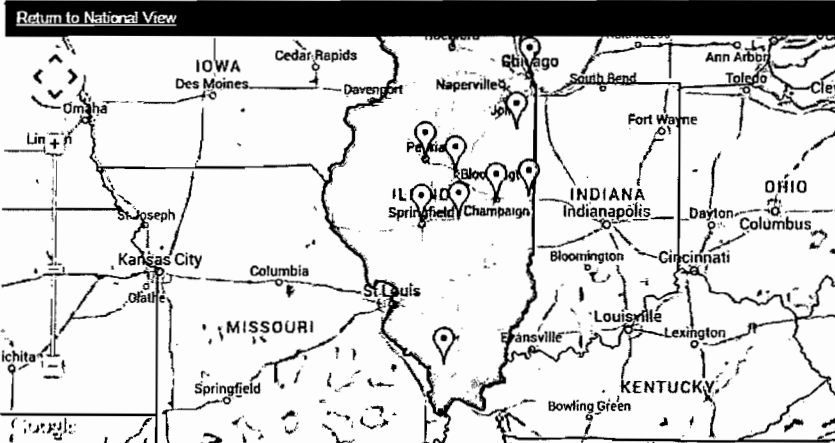
Choose a State:

Choose a Location:

[Return to National View](#)

### 2015 Cost of Care Overview

Use the information below to find out and compare the cost of care in your region. Go mobile with the [Cost of Care app from iTunes](#).



Home Health Care <sup>1</sup>	Adult Day Health Care <sup>1</sup>	Assisted Living Facility <sup>4</sup>	Nursing Home Care <sup>2</sup>
Homemaker Services <sup>2</sup>	Annual Cost	Annual Cost	Semi-Private Room <sup>5</sup>
Annual Cost 5-yr Annual Growth <sup>3</sup>	\$16,900	\$58,740	Annual Cost 5-yr Annual Growth <sup>3</sup>
\$50,336 2%	5-yr Annual Growth <sup>3</sup>	5-yr Annual Growth <sup>3</sup>	\$82,125 4%
Home Health Aide <sup>2</sup>	3%	4%	Private Room <sup>5</sup>
Annual Cost 5-yr Annual Growth <sup>3</sup>			Annual Cost 5-yr Annual Growth <sup>3</sup>
\$51,205 1%			\$92,163 4%



According to the Genworth Financial 2015 Cost of Care Survey

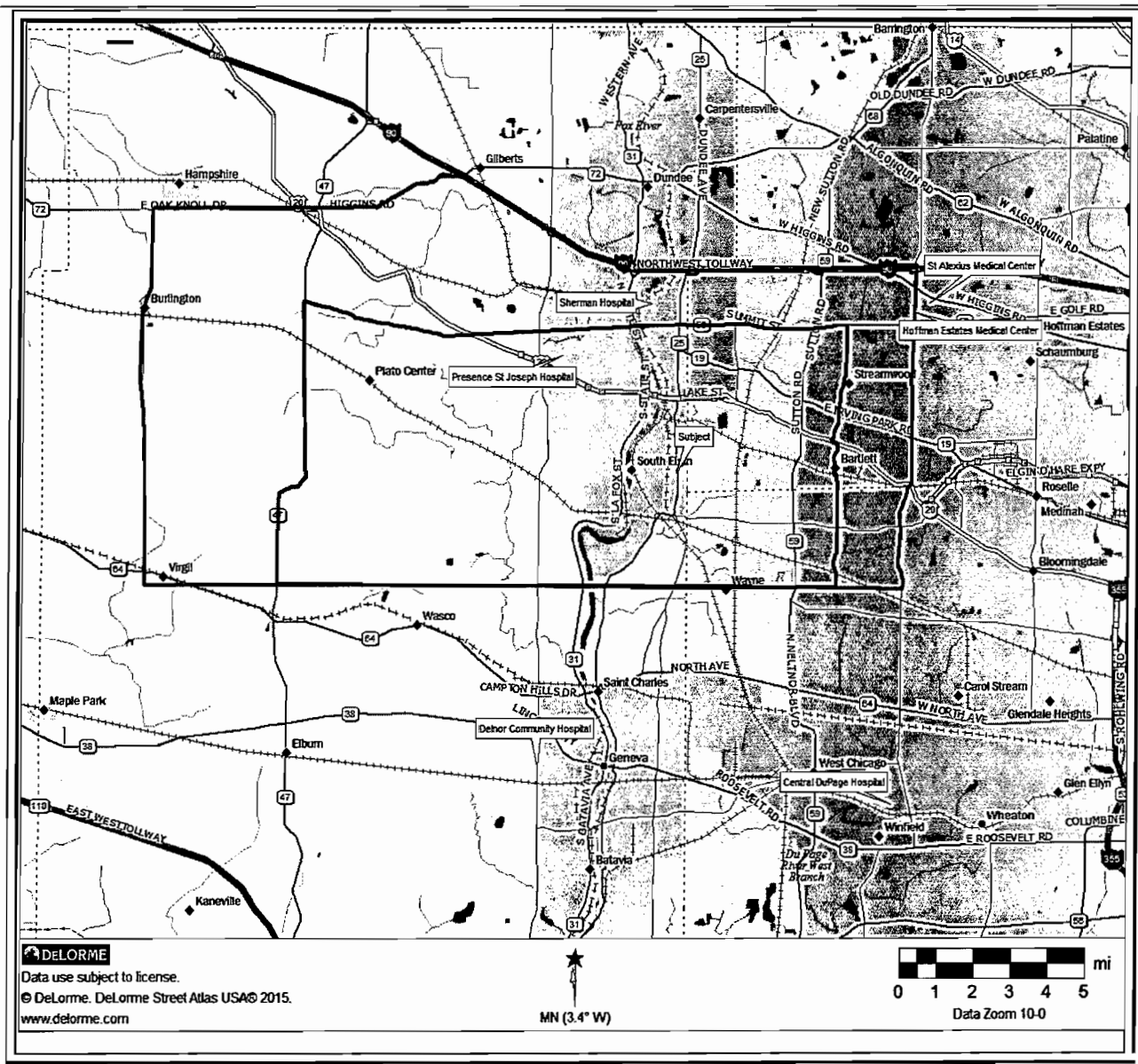
([https://www.genworth.com/dam/Americas/US/PDFs/Consumer/corporate/cost-of-care/118928USA\\_040115\\_qnw.pdf](https://www.genworth.com/dam/Americas/US/PDFs/Consumer/corporate/cost-of-care/118928USA_040115_qnw.pdf)):

	RATE RANGE			MEDIAN ANNUAL RATE <sup>1</sup>	FIVE-YEAR ANNUAL GROWTH <sup>2</sup>
	MINIMUM	MEDIAN	MAXIMUM		
HOME	<b>Homemaker Services (Licensed)</b>				
	\$8	\$20	\$40	\$44,616	2%
HOME	<b>Hourly Rates</b>				
	<hr/>				
HOME	<b>Home Health Aide Services (Licensed)</b>				
	\$8	\$20	\$40	\$45,760	1%
HOME	<b>Hourly Rates</b>				
	<hr/>				
COMMUNITY	<b>Adult Day Health Care</b>				
	\$10	\$69	\$242	\$17,904	3%
COMMUNITY	<b>Daily Rates</b>				
	<hr/>				
COMMUNITY	<b>Assisted Living Facility (One Bedroom - Single Occupancy)</b>				
	\$600	\$3,600	\$11,250	\$43,200	2%
COMMUNITY	<b>Monthly Rates</b>				
	<hr/>				
FACILITY	<b>Nursing Home (Semi-Private Room)</b>				
	\$90	\$220	\$1,255	\$80,300	4%
FACILITY	<b>Daily Rates</b>				
	<hr/>				
FACILITY	<b>Nursing Home (Private Room)</b>				
	\$101	\$250	\$1,255	\$91,250	4%
FACILITY	<b>Daily Rates</b>				
	<hr/>				

### Hospitals & Other Health Care

The subject's location is considered good in terms of proximity to hospitals and other health care facilities. The main hospitals that provide the most referrals are Sherman Hospital, Presence St. Joseph Hospital, Delnor Community Hospital, St Alexius and Hoffman Estates Medical Centers, and Central DuPage Hospital. Amenities in this area (service, office, retail, and residential development) are considered good.

The following map shows the nearest hospitals to the subject.



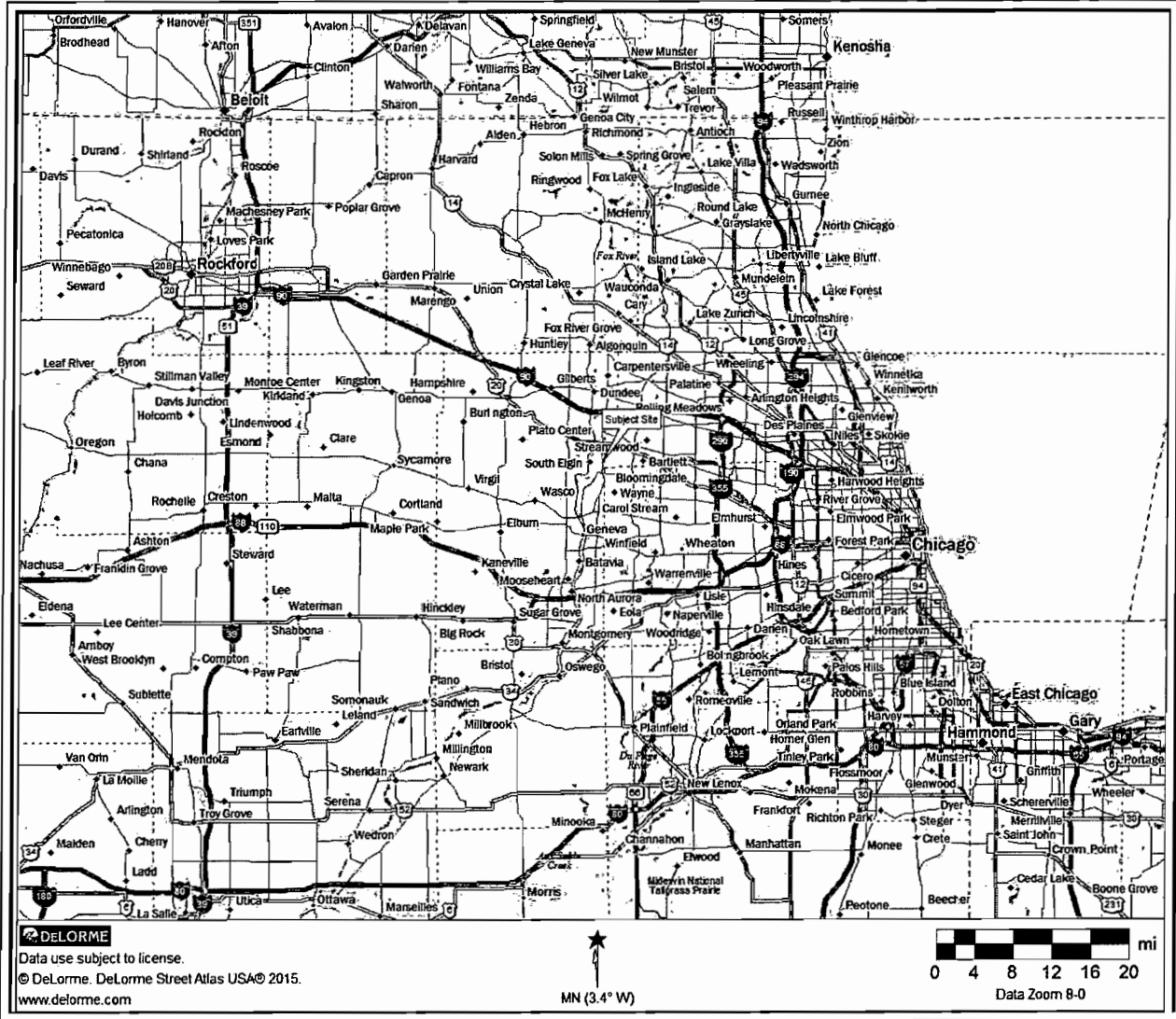
Nearby Hospitals (Red = ALF PMA; Blue = SNF PMA)

**Impact of Alternatives / Indirect Competition**

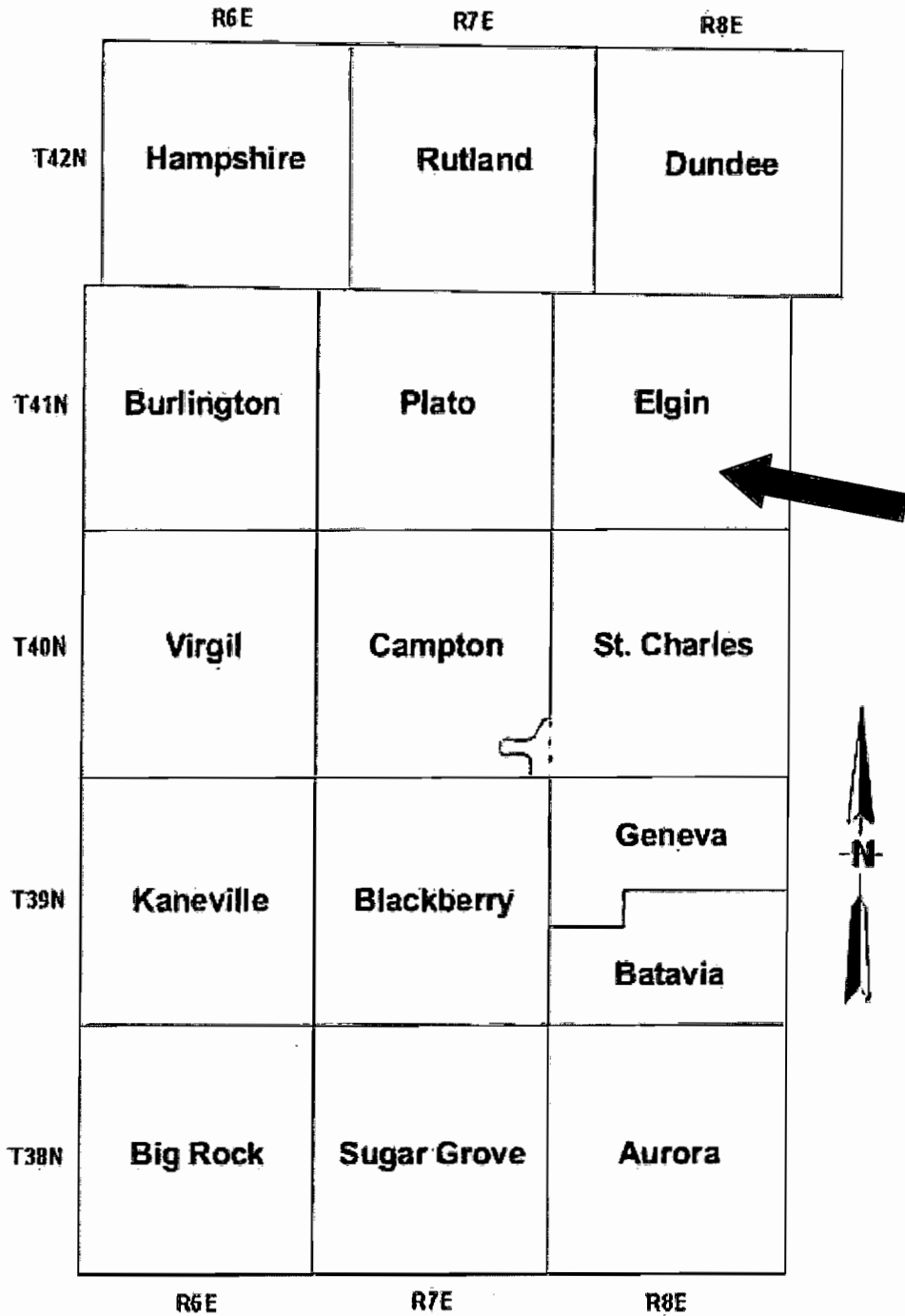
- The adult day care and home health agencies offer services for the elderly but are not likely to have a great impact on the subject as the subject's geriatric and dementia residents typically require a higher level and more specialized of care than those simply seeking alternative or home health care services. Alternative care options can be an issue in higher demographic areas where there is sufficient income to pay for extensive in-home private care.
- The current PMA SNF Medicaid rates are generally below the home health care market for the same level of shelter, care, and services. This is typical of many markets.

# REGIONAL AREA DATA

The subject's region is defined as the Chicago Metro area, including the eastern portion of Kane County.



Regional Area Map






McDonough County Township Map

Source: <https://www.cyberdriveillinois.com/departments/archives/IRAD/kane.html>

**Employment**

The following are the top 25 employers in Chicago (Source <http://www.rebootillinois.com/2014/05/22/editors-picks/kevin-hoffmanrebootillinois-com/chicagos-largest-employers/9073/>):

 <p>Chicago Federal Executive Board Building Partnerships for a Better Government</p>	1. U.S. Government (Chicago Federal Executive Board)	<ul style="list-style-type: none"> <li>Chairman: Susan Hedman</li> <li>Full-time Employees: 49,860 (-4.4%) <ul style="list-style-type: none"> <li>*As of 9/30/12</li> </ul> </li> <li>Revenue: N/A</li> </ul>
	2. Chicago Public Schools	<ul style="list-style-type: none"> <li>CEO: Barbara Byrd-Bennett</li> <li>Full-time Employees: 39,094 (-2.6%)</li> <li>Revenue: \$5.34 billion (-2.7%) <ul style="list-style-type: none"> <li>*Fiscal year ends in June</li> </ul> </li> </ul>
	3. City of Chicago	<ul style="list-style-type: none"> <li>Mayor: Rahm Emanuel</li> <li>Full-time Employees: 30,340 (0.3%)</li> <li>Revenue: \$8.17 billion (1.1%) <ul style="list-style-type: none"> <li>*Fiscal year ends in June</li> <li>*Estimated operating budget</li> </ul> </li> </ul>
	4. Cook County	<ul style="list-style-type: none"> <li>Board of Commissioners President: Toni Preckwinkle</li> <li>Full-time Employees: 21,482 (2.0%)</li> <li>Revenue: \$2.9 billion (-0.3%) <ul style="list-style-type: none"> <li>*Fiscal year ends in November</li> <li>*Operating Budget</li> </ul> </li> </ul>
 <p>Advocate Health Care</p>	5. Advocate Health Care	<ul style="list-style-type: none"> <li>President, CEO: James H. Skogsberg</li> <li>Full-time Employees: 18,512 (10.8%)</li> <li>Revenue: N/A</li> </ul>
	6. JPMorgan Chase & Co.	<ul style="list-style-type: none"> <li>Midwest Chairman: Glenn Tilton</li> <li>Full-time Employees: 16,045 (6.2%)</li> <li>Revenue: N/A</li> </ul>
	7. University of Chicago	<ul style="list-style-type: none"> <li>President: Robert J. Zimmer</li> <li>Full-time Employees: 15,452 (2.8%)</li> <li>Revenue: \$3.6 billion (10.5%) <ul style="list-style-type: none"> <li>*Fiscal year ends in June</li> </ul> </li> </ul>
	8. State of Illinois	<ul style="list-style-type: none"> <li>Governor: Pat Quinn</li> <li>Full-time Employees: 14,731 (-4.3%) <ul style="list-style-type: none"> <li>*State estimate</li> </ul> </li> <li>Revenue: \$30.2 billion (3.3%) <ul style="list-style-type: none"> <li>*Fiscal year ends in June</li> <li>*Operating budget</li> </ul> </li> </ul>
	9. United Continental Holdings Inc.	<ul style="list-style-type: none"> <li>Chairman, President, CEO: Jeffery A. Smisek</li> <li>Full-time Employees: 14,000 (7.7%) <ul style="list-style-type: none"> <li>*Company estimate</li> </ul> </li> <li>Revenue: \$38.3 billion (3.0%)</li> </ul>
	10. AT&T Inc.	<ul style="list-style-type: none"> <li>Illinois President: Paul La Schiazza</li> <li>Full-time Employees: 14,000 (0%) <ul style="list-style-type: none"> <li>*Company estimate</li> </ul> </li> <li>Revenue: N/A</li> </ul>
	11. Walgreens Co.	<ul style="list-style-type: none"> <li>President, CEO: Gregory D. Wasson</li> <li>Full-time Employees: 13,657 (-6.0%)</li> <li>Revenue: \$72.2 billion (0.8%) <ul style="list-style-type: none"> <li>*Fiscal year ends in August</li> </ul> </li> </ul>
	12. Abbott Laboratories	<ul style="list-style-type: none"> <li>Chairman, CEO: Miles D. White</li> <li>Full-time Employees: 12,000 (-7.7%) <ul style="list-style-type: none"> <li>*Crain's estimate</li> </ul> </li> <li>Revenue: \$21.85 billion (1.6%)</li> </ul>
	13. Presence Health	<ul style="list-style-type: none"> <li>President, CEO: Sandra Bruce</li> <li>Full-time Employees: 11,959 (-16%)</li> <li>Revenue: N/A</li> </ul>
	14. Chicago Transit Authority	<ul style="list-style-type: none"> <li>President: Forrest Claypool</li> <li>Full-time Employees: 11,100 (24.7%)</li> <li>Revenue: \$1.35 billion (7.2%)</li> </ul>
	15. University of Illinois at Chicago	<ul style="list-style-type: none"> <li>Chancellor: Paula Allen-Mearns</li> <li>Full-time Employees: 9,900 (0%) <ul style="list-style-type: none"> <li>*Crain's estimate</li> </ul> </li> </ul>

		<ul style="list-style-type: none"> <li>• Revenue: N/A <ul style="list-style-type: none"> <li>○ <i>*Fiscal year ends in June</i></li> </ul> </li> </ul>
	16. Northwestern Memorial Healthcare	<ul style="list-style-type: none"> <li>• President, CEO: Dean M. Harrison</li> <li>• Full-time Employees: 9,614 (44.3%)</li> <li>• Revenue: \$1.71 billion (0.5%) <ul style="list-style-type: none"> <li>○ <i>*Fiscal year ends in August</i></li> </ul> </li> </ul>
	17. American Airlines Group Inc	<ul style="list-style-type: none"> <li>• Vice President, Chicago: Franco Tedeschi</li> <li>• Full-time Employees: 9,600 (3.6%)</li> <li>• Revenue: \$19.4 billion (-22.1%)</li> </ul>
	18. Jewel-Osco	<ul style="list-style-type: none"> <li>• Interim President: Jim Rice</li> <li>• Full-time Employees: 9,155 (2.9%)</li> <li>• Revenue: N/A <ul style="list-style-type: none"> <li>○ <i>*Fiscal year ends in February</i></li> </ul> </li> </ul>
	19. Northwestern University	<ul style="list-style-type: none"> <li>• President: Morton O. Schapiro</li> <li>• Full-time Employees: 9,121 (0%)</li> <li>• Revenue: 2 billion (N/A) <ul style="list-style-type: none"> <li>○ <i>*Fiscal year ends in August</i></li> </ul> </li> </ul>
	20. Allstate Corp.	<ul style="list-style-type: none"> <li>• Chairman, President, CEO: Thomas J. Wilson</li> <li>• Full-time Employees: 7,808 (-0.2%)</li> <li>• Revenue: \$34.51 billion (3.6%)</li> </ul>
	21. Aon PLC	<ul style="list-style-type: none"> <li>• President, CEO: Gregory C. Case</li> <li>• Full-time Employees: 7,667 (-0.9%)</li> <li>• Revenue: N/A</li> </ul>
	22. Rush University Medical Center	<ul style="list-style-type: none"> <li>• CEO: Larry J. Goodman</li> <li>• Full-time Employees: 7,500 (0.7%)</li> <li>• Revenue: \$1.52 billion (4.7%) <ul style="list-style-type: none"> <li>○ <i>*Fiscal year ends in June</i></li> </ul> </li> </ul>
	23. Archdiocese of Chicago	<ul style="list-style-type: none"> <li>• Archbishop: Francis E. George</li> <li>• Full-time Employees: 7,500 (-5.1%)</li> <li>• Revenue: N/A <ul style="list-style-type: none"> <li>○ <i>*Fiscal year ends in June</i></li> </ul> </li> </ul>
	24. Wal-Mart Stores Inc	<ul style="list-style-type: none"> <li>• Senior vice president, Midwest division: Labeed Diab</li> <li>• Full-time Employees: 7,260 (N/A) <ul style="list-style-type: none"> <li>○ <i>*Crain's estimate</i></li> </ul> </li> <li>• Revenue: \$469.2 billion (5.7%) <ul style="list-style-type: none"> <li>○ <i>*Fiscal year ends in January</i></li> </ul> </li> </ul>
	25. Northern Trust Co.	<ul style="list-style-type: none"> <li>• Chairman, CEO: Frederick H. "Rick" Waddell</li> <li>• Full-time Employees: 6,644 (3.4%)</li> <li>• Revenue: N/A</li> </ul>

The following are the top publicly traded companies in the Chicago metro area:

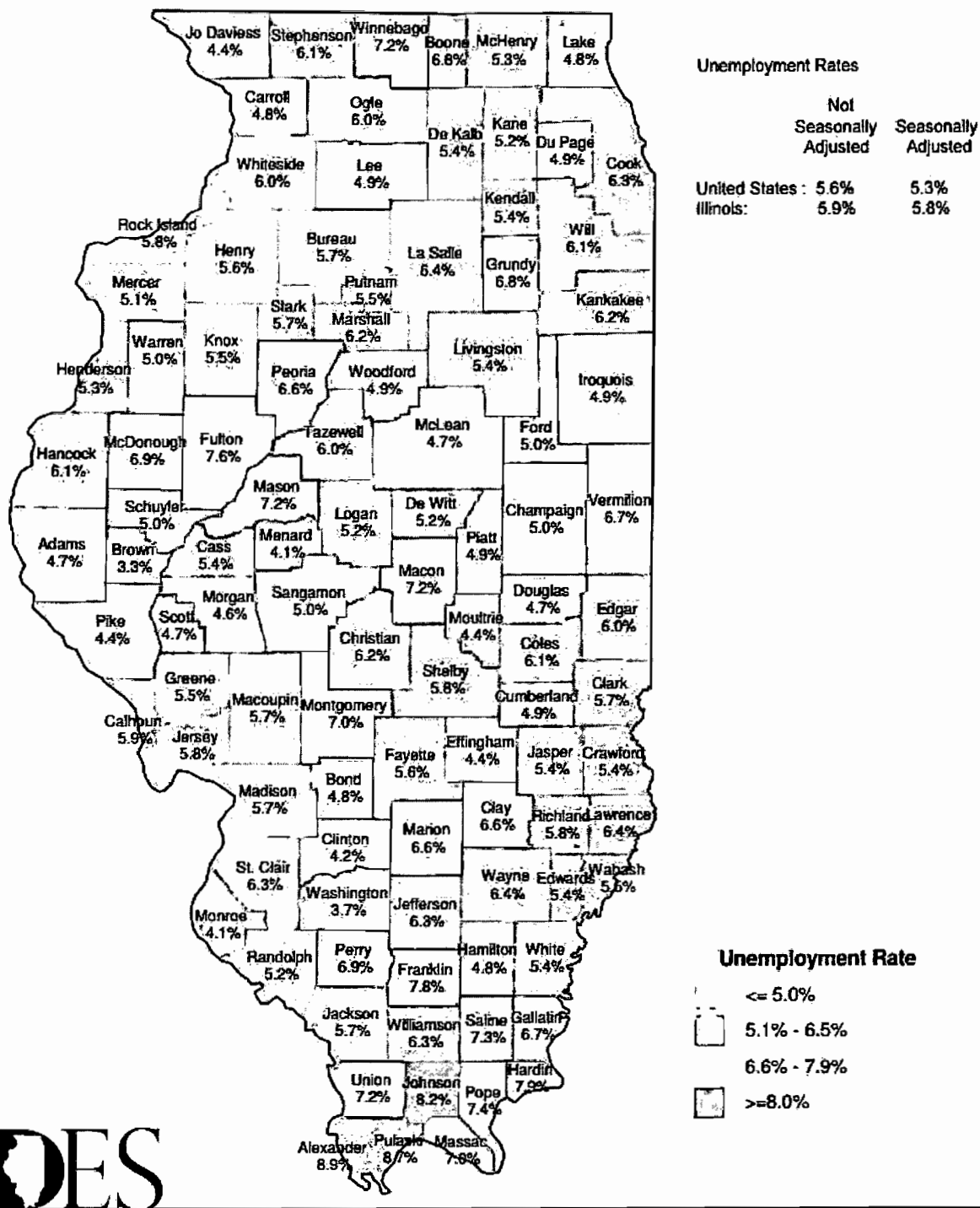
<b>Top publicly traded companies in metro Chicago according to revenues with metro and U.S. rankings</b>		
<b>Metro</b>	<b>Corporation</b>	<b>US</b>
1	Walgreens Boots Alliance	17
2	Archer Daniels Midland	27
3	Boeing	30
4	State Farm	41
5	United Continental	78
6	Sears Holdings	87
7	Mondelēz International	89
8	Allstate	92
9	McDonald's	106
10	Exelon	119
11	US Foods	133
12	Abbott Laboratories	136
13	AbbVie	152
14	Kraft Foods	156
15	Illinois Tool Works	171
16	Baxter	189
17	Navistar	259
18	CDW	265
19	RR Donnelley	268
20	W. W. Grainger	295
21	Discover Financial	296
22	Dover Corporation	301
23	Motorola Solutions	312
24	Tenneco	338
25	Ingredion	412
26	Anixter	420
27	Integrus	450
28	CF Industries	463
29	Old Republic International	465
30	United Stationers	488
31	LKQ Corporation	490
32	Telephone and Data Systems	504
33	Jones Lang LaSalle	552
34	Northern Trust	574
35	Mead Johnson Nutrition	582

*Further information:*  
**Companies in the Chicago area**  
**Source:** Fortune 500 2013<sup>(1)</sup>

Area Unemployment Rates

# Illinois Unemployment Rate by County July, 2015 - Not Seasonally Adjusted

IL Dept. of Employment Security, Economic Information & Analysis Division

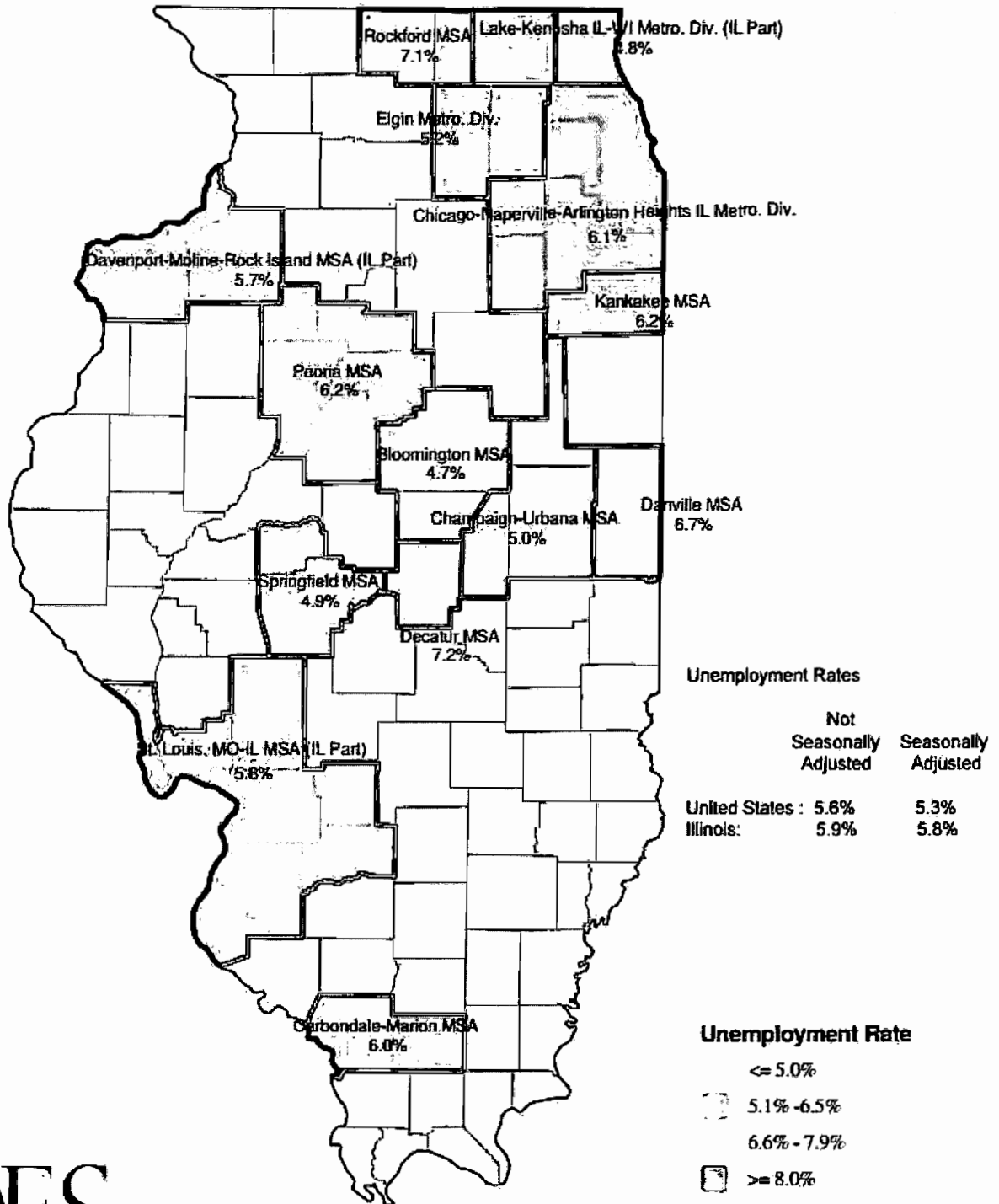


➤ Kane County had a July 2015 unemployment rate of 5.2% which decreased from the April 2014 rate of 7.4%. The current rate is below the state and national averages.



# Illinois Unemployment Rate by Metropolitan Statistical Areas July, 2015 - Not Seasonally Adjusted

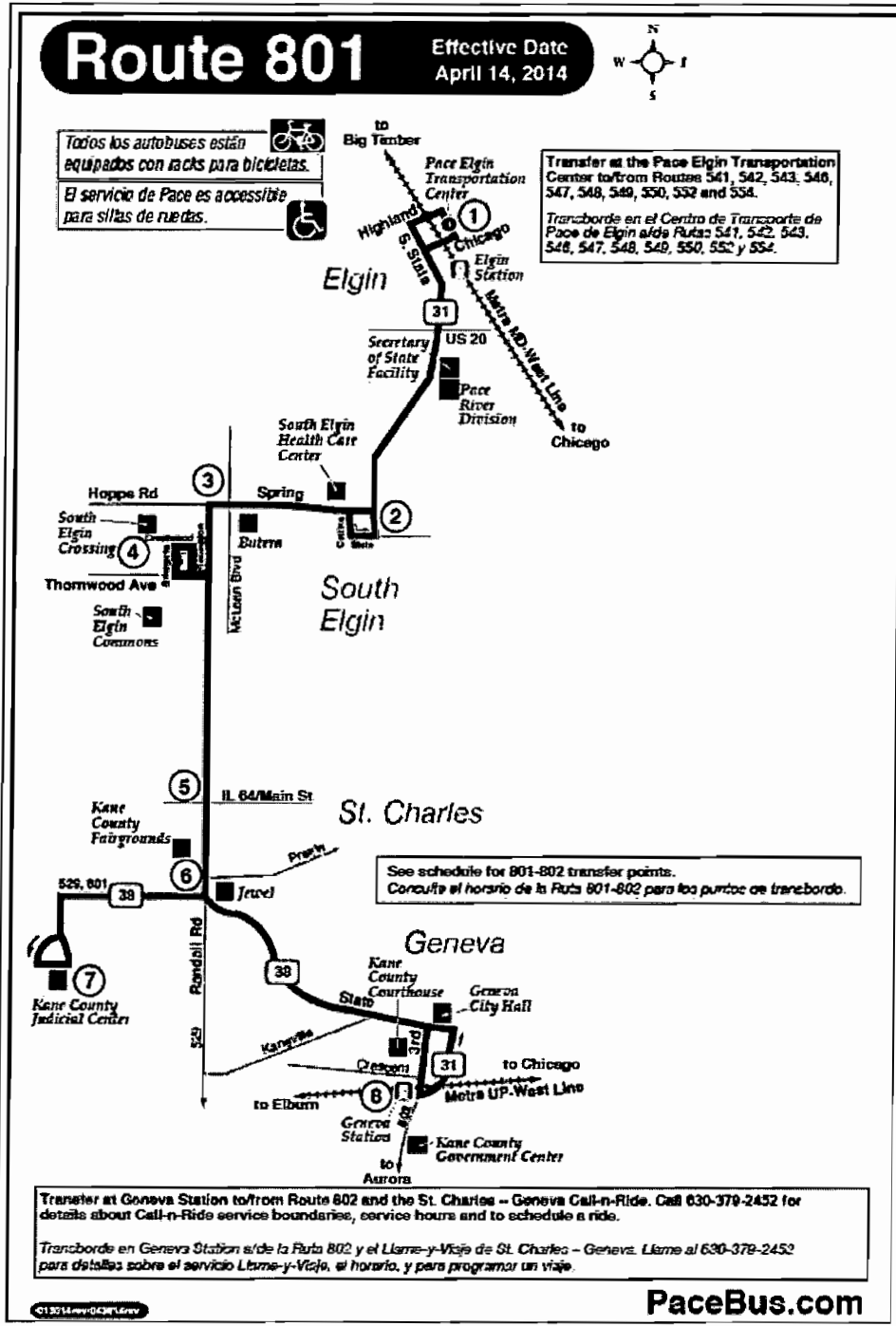
IL Dept. of Employment Security, Economic Information & Analysis Division



➤ The Elgin MSA had a July 2015 unemployment rate of 5.2% which is below the state and national averages and is below the April, 2014 rate of 7.4%.

**Transportation**

The Chicago area has two main airports – O’Hare and Midway. A Chicago Tribune article dated January 27th, 2012 reported that O’Hare was ranked 2nd in the nation as measured by the number of flights which was 878,798 in 2011, a slight decline of 0.4% from the prior year. Midway was ranked 27th in 2011 with 255,227 flights which was up 3.0% from the prior year. The subject is located along Route 25, a north-south arterial street. The area is easily accessible via Route 25. The subject site is about 5 miles south from the Interstate 90 and Route 25 interchange. O’Hare International Airport is about 30 miles east and Midway International Airport is about 50 miles southeast. Pace bus route 801 runs along Route 31, about 2 miles west of the subject site. <http://www.pacebus.com/pdf/maps/801map.pdf>



Pace Bus Route Map

## HOUSING

The Chicago market area should see improving, and sustainable, housing market activity over the coming year. Home values are rising at a year-over-year pace equal to that of the national average (Chart 7). New residential permitting activity continued to outpace both the national and Midwest regional averages over the past year. Solid local labor market fundamentals and upward pressure on earnings will provide ample demand toward keeping Chicago's housing market trends on track.

Despite the positive housing trends in place, though, Chicago is still behind any semblance of what is considered "normal" conditions in the local market. Sales of existing homes (Chart 3) are still stuck at levels not seen since the mid-1990s. And although permitting activity is rising, it is still only about one-third of its pre-bubble equilibrium pace, versus the U.S. being at about 60 percent. Several years still lie ahead before full recovery will be attained. Chicago's housing market will perform well over the long term given the market area's industrial diversity and ability to draw high-earning talent into the workforce.

**Chart 3**  
Home Sales (Ths., SAAR)  
& Price Growth, (% change year ago)

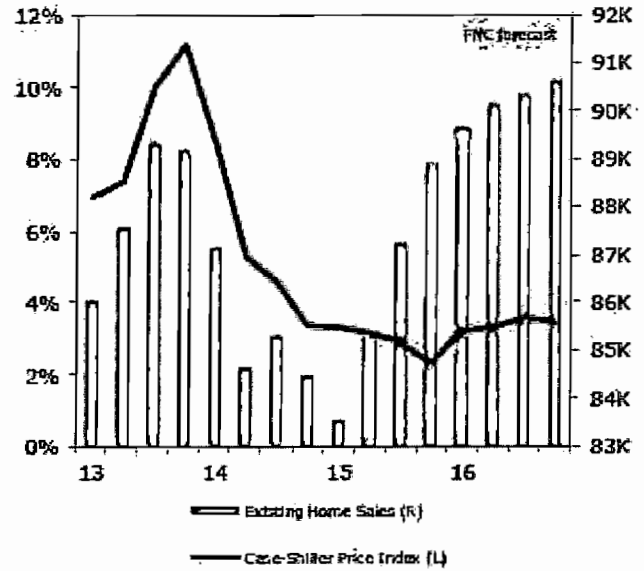


Chart sources: National Association of Realtors; Fiserv, Inc.; The PNC Financial Services Group

## DEMOGRAPHICS

A substandard labor market recovery through most of the recovery thus far has kept Chicago's demographic trends from significant post-recession improvement (Chart 4). The longer-term story of the market area's demographic trends has also been one of underperformance, though. Chicago has not been at the epicenter of any of the past several U.S. industrial breakthroughs—such as the dot-com boom, financial market evolution, or, looking ahead, new natural resources development. Chicago will always be able to incorporate new economic breakthroughs into its economic landscape thanks to its existing industrial diversity, size, and high quality labor resources. But its capacity to front-run such advancement in a way that sparks mass demographic growth is lacking.

**Chart 4**  
Demographic Growth, (% change year ago)  
& Net Migration, (Ths., SA)

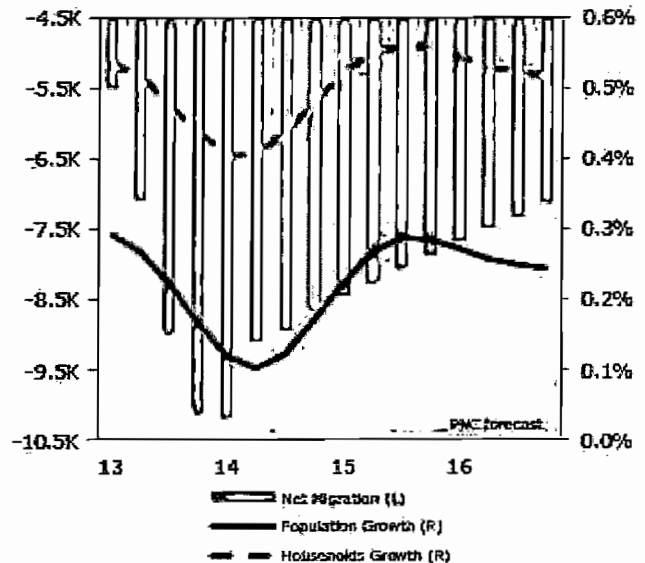


Chart sources: Bureau of Census; Bureau of Economic Analysis; Moody's Analytics; The PNC Financial Services Group

## OUTLOOK SUMMARY

The Chicago market area looks set to enjoy economic growth on par with national conditions over the next year and a half. The market area's prominence as a hub of industrial activity for the Midwest region will keep it integrated with what could be stronger business investment as this year wears on, and as businesses plan ahead of rising interest rates set for late 2015 and into next year. Financial and professional & business service industries will be the most immediate beneficiaries of any upturn in business expansion. Excess labor supply is not a significant threat within the market area, and thus the next significant wave of hiring in Chicago should bring the added benefit for workers of upward wage pressures as employers battle to attract, and retain, the most productive and skilled workers.

Chicago's housing market will continue on its long road to recovery over the near term horizon. Home values are bouncing back from damage inflicted by the recession, which will benefit existing homeowners' household balance sheets and keep consumer spending from dampening. New home construction is progressing nicely, and housing market demand will keep this trend intact. Construction industry employment has benefited, and hiring in the industry enters the second half of 2015 trailing national growth only marginally after remaining virtually flat throughout the first few years of the recovery.

In the long view, Chicago remains central North America's undisputed economic powerhouse. Its economy and population are diverse, productive and affluent. The market area is also host to high quality universities such as the University of Chicago, the University of Illinois and Northwestern University, as well as several nationally recognized healthcare institutions associated with them. Chicago's broad industrial base offers enough in the way of business and career opportunities to continue to attract investment and its share of the most highly-qualified workers from around the globe.

## FORECAST TABLE

	U.S.			Chicago		
	2014	2015F	2016F	2014	2015F	2016F
Employment Growth, (% change)	1.9	2.1	1.7	1.3	1.8	1.7
Unemployment Rate, (%)	6.2	5.3	4.9	7.0	5.9	5.4
Median Household Income, (Ths. \$)	53.1	54.1	55.3	61.2	62.5	63.9
House Prices**, (% change)	6.6	3.9	2.6	5.4	2.9	3.4
Single-Family Permits* (% change)	4.3	6.5	4.8	6.4	1.3	5.4
Multifamily Permits* (% change)	14.8	10.7	4.5	82.2	15.2	2.6

\*U.S. starts, F = PNC forecast, \*\*Case-Shiller House Price Index

	U.S.		Chicago	
	2006-2011†	2011-2016†	2006-2011†	2011-2016†
Employment Growth, (% change)	-0.7	1.8	-1.0	1.6
Unemployment Rate, (%)	7.1	6.8	7.7	7.7
Median Household Income, (Ths. \$)	50.3	52.8	58.7	60.9
House Prices**, (% change)	-5.4	4.8	-6.1	3.7
Single-Family Permits* (% change)	-21.7	10.7	-32.1	14.8
Multifamily Permits* (% change)	-12.1	18.2	-28.2	22.2

\*U.S. starts: 1 per annum, \*\*Case-Shiller House Price Index

Table sources: Bureau of Census; Bureau of Labor Statistics; Bureau of Economic Analysis; National Association of Realtors; National Association of Home Builders; FHFA; Moody's Analytics; The PNC Financial Services Group.

3

## LONG-RUN EMPLOYMENT TRENDS

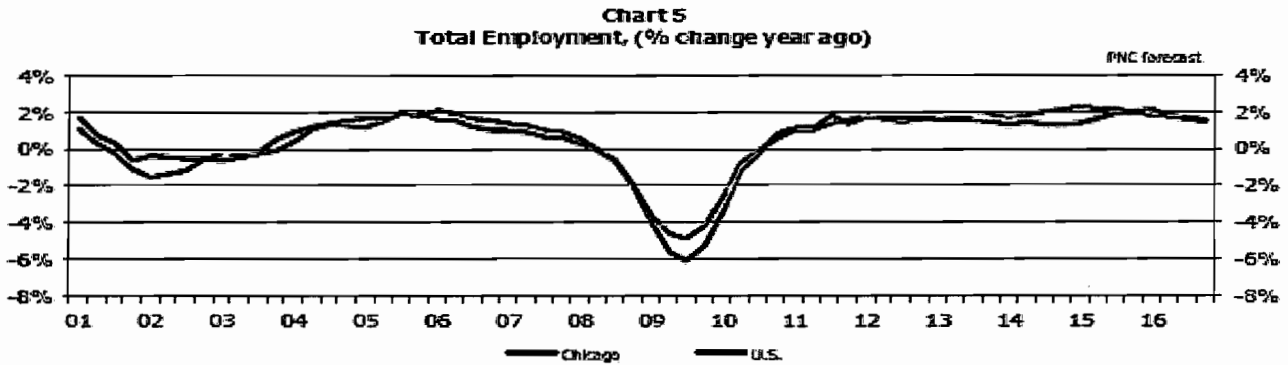


Chart sources: Bureau of Labor Statistics; The PNC Financial Services Group

## LONG-RUN DEMOGRAPHIC TRENDS

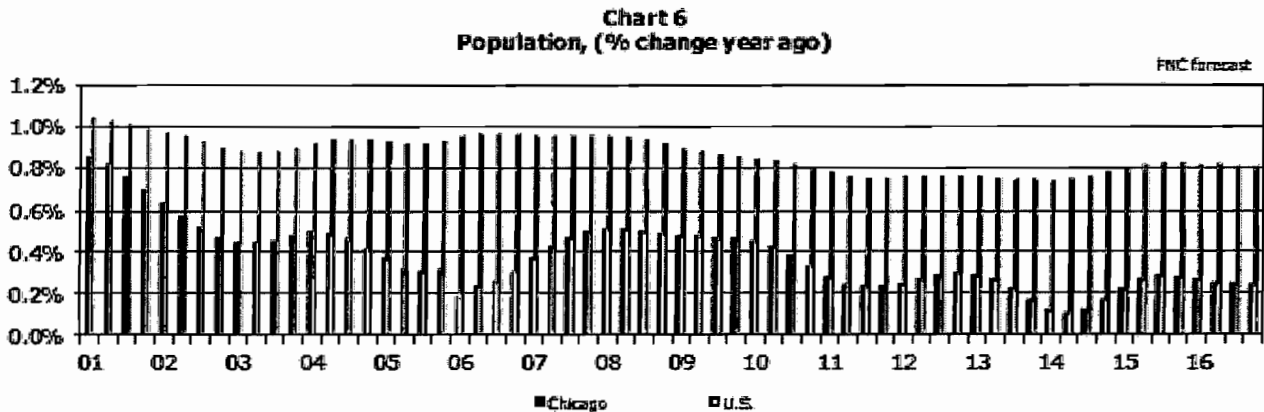


Chart sources: Bureau of Census; Moody's Analytics; The PNC Financial Services Group

## LONG-RUN HOUSE-PRICE TRENDS

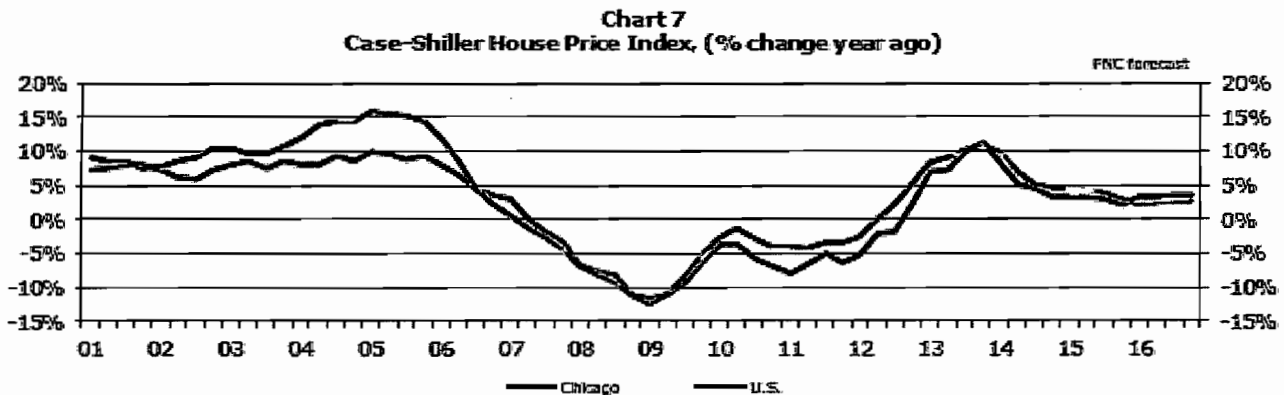


Chart source: National Association of Realtors; Fiserv, Inc.; The PNC Financial Services Group

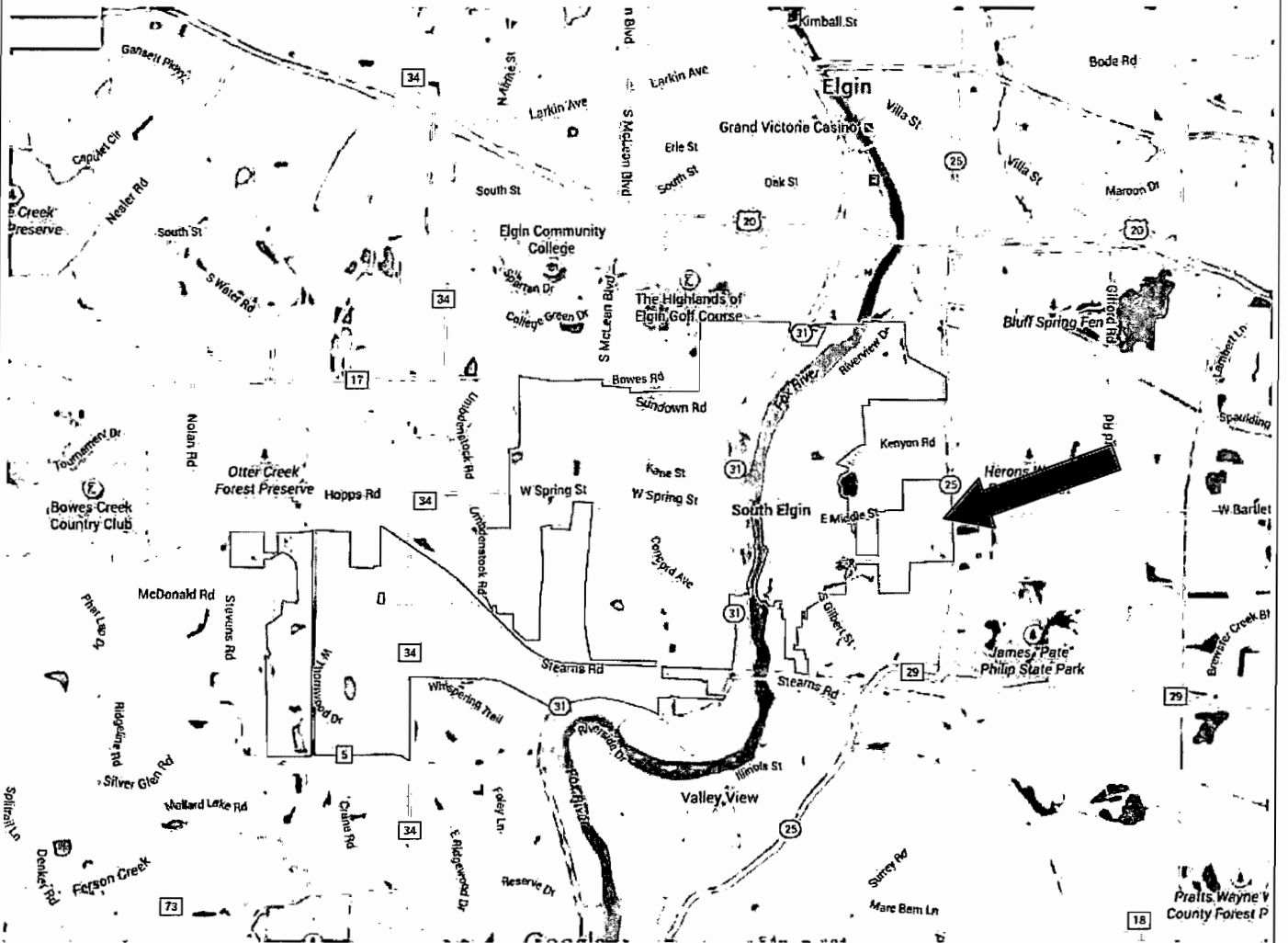
### Regional Market – Conclusion

The decreasing unemployment rate bodes well when paired with an improving economy. The PMA has a projected increasing general and elderly population. The long-term outlooks for the Primary and Secondary Market Areas are stable to positive.

# NEIGHBORHOOD AREA DATA

## Location

The subject neighborhood is the far eastern portion of South Elgin near the intersection of Illinois Route 25 and East Middle Street. Route 25 is a main north-south street on the edge of South Elgin, and Middle Street/Bartlett Street is a main east-west street in the central portion of South Elgin. These two streets have residential, schools, medical, retail, and restaurants along the more commercial corridors.





### South Elgin Background

The following was taken from [http://www.southelgin.com/index.asp?SEC=AA82BDD7-F95A-4A27-A994-245BE265374F&Type=B\\_BASIC](http://www.southelgin.com/index.asp?SEC=AA82BDD7-F95A-4A27-A994-245BE265374F&Type=B_BASIC):

#### **The South Elgin Community**



South Elgin is rich in history, culture, recreation and natural beauty. Long before Illinois' early settlers moved into the region during the nineteenth century, the Fox River carved out a picturesque valley through northeastern Illinois. By 1835, the Fox River Valley was established and a small settlement emerged with a blacksmith shop, flour mills and a quarry that was known as Clintonville. In the mid-1880's the Clintonville Post Office changed its name to South Elgin and the area was incorporated as the Village of South Elgin on April 20, 1897. The Village slowly grew and evolved from a rural farming community and railroad depot, to a thriving modern community. Residents here enjoy the natural beauty of the Fox River, and live close to work and schools. In 2007, Money Magazine ranked South Elgin as one of the Best Places to live in the United States for economic opportunity, excellent schools, safe streets, things-to-do and a real sense of community. In 2011, the Village was ranked in the CNN/Money's Top 100 again for economic strength, great job opportunities, top schools and safe streets.

The Village is located in Northeastern Illinois' Kane County, approximately 40 miles northwest of Chicago. IL Route 31 and IL Route 25 extend south to St. Charles and north to Elgin and beyond. Residents use IL Route 19 and U.S. 20 (Lake Street) to reach destinations to the east and west. Driving the 4.6 mile Stearns Road Corridor is an amazing experience. The lush foliage, natural landscape, simple but beautiful river crossing and open pedestrian/bicycle trail celebrate the natural history of the corridor while providing a much needed transportation link connecting IL Route 25 at Dunham Road with McLean Boulevard and Randall Road to the west.

PACE Suburban Bus Service provides public transportation Monday through Saturday beginning at the Elgin Transportation Center south along IL Route 31 and turns west on Spring Street to Randall Road before heading south. The bus then does one loop at Thornwood Avenue and Briargate Road - in the middle of South Elgin's Randall Road retail corridor - before heading down to the Kane County Judicial Center on

selected routes when the building is open. The route ends, and begins to head north again, at the Geneva Metra Center. Route 801 connects to Aurora, Elgin, Dundee, Carpentersville and the Woodfield Shopping Mall in Schaumburg. PACE offers a Vanpool Incentive Program as an alternate way to travel between home and work. The Village's Ride-in-Kane handicapped-accessible transportation service is available 24 hours-a-day, 7 days-a-week to resident 63 years and older for medical appointments and to disabled residents for medical appointments or for transportation to work or job training destinations.

Commuters to Chicago use Metra rail service, which makes frequent stops at nearby National Street in Elgin and Railroad Avenue in Bartlett. Many travelers use the Northwest Tollway, I-90, which has access ramps off IL Route 31 and Randall Road. For air travel, South Elgin is only 30 minutes from O'Hare International Airport and 45 minutes from Chicago's Midway Airport. The DuPage County Airport on Route 64 is six miles south of town.

**City Services**

**Utilities**

**Electric**

**Name of Provider**

Commonwealth Edison

**Cable TV**

**Name of Provider**

Comcast

**Name of Provider**

AT&T

**Natural Gas**

**Local Distributor**

Nicor Gas

**Telephone**

**Name of Provider**

AT&T

**Garbage**

**Name of Supplier**

Village of South Elgin

**Name of Supplier**

Allied Waste

**Water**

**Name of Supplier**

Village of South Elgin

**Sewer**

**Name of Supplier**

Village of South Elgin

**Transportation Linkages**

Please refer to the previous Regional Market analysis.

**Employment Trends**

Please refer to the previous Regional Market analysis.

**Conclusion**

South Elgin is a well-established community and is expected to remain stable for the foreseeable future.



## MARKET ANALYSIS - SNF

### Current Inventory & Supply

Only skilled nursing facilities are considered to represent direct competition to the proposed subject. The remaining long-term care facility types (ICFs/SCFs/ALFs/SLFs) are considered secondary/alternative (indirect) choices available to the market. The proposed subject SNF will not compete with independent or assisted living facilities.

Three facilities are located just north of the PMA, and were excluded from our supply analysis: the new Addison Rehab Center, Highland Oaks SNF and Rosewood Care Center of Elgin. They are all just outside our PMA and near the new Sherman Hospital Campus. They are over 5 miles from the subject and draw mostly from the northern section of Elgin as well as the suburbs north of 90.


The following table is our survey of the subject PMA which was done between July 2015 and September 2015. There were two properties that did not participate in the survey, so we used the 2014 IDPH facility profile and/or 2014 Medicaid Cost Report. We considered excluding Data 6, River View Rehabilitation Center, and Data 7, Arba CC of Elgin, facilities with an MI focus. However, these properties are licensed as a nursing facility (not a Specialized Mental Health Rehabilitation Facility) and the IDPH reports it does have some elderly census and services residents with complex medical conditions. So we included both in our survey.

Primary Market Area Survey - Census Mix & Occupancy																																																		
Facility Name & Location # Medicaid and Medicare?	Effective Beds Licensed Beds	Occupied Beds % Occupancy	# Medicaid % of Total	# Private Pay % of Total	# Medicare % of Total	# Insurance % of Total	# Other % of Total	Source Date																																										
1 South Elgin Rehab & HCC 746 West Spring St., South Elgin, IL Medicaid & Medicare	80	73	68	2	3	0	-	CVG Survey 7/15/2015																																										
	90	91.3%	93%	3%	4%	0%	0%																																											
			Quality Mix =			7%																																												
2 Tower Hill HCC 759 Kane Street, South Elgin, IL Medicaid & Medicare	206	189	140	32	17	-	-	CVG Survey 9/14/2015																																										
	206	91.7%	74%	17%	9%	0%	0%																																											
			Quality Mix =			26%																																												
3 ManorCare of Elgin 180 S State St, Elgin, IL Medicaid & Medicare	85	75	50	2	13	10	-	CVG Survey 7/9/2015																																										
	88	88.2%	67%	3%	17%	13%	0%																																											
			Quality Mix =			33%																																												
4 Heritage Health Elgin 355 Raymond Street, Elgin, IL Medicaid & Medicare	94	80	67	4	5	4	-	CVG Survey 9/14/2015																																										
	94	85.1%	84%	5%	6%	5%	0%																																											
			Quality Mix =			16%																																												
5 Sherman West Court 1950 Larkin Ave., Elgin, IL Medicaid & Medicare	112	74	6	18	50	-	-	CVG Survey 9/14/2015																																										
	112	66.1%	8%	24%	68%	0%	0%																																											
			Quality Mix =			92%																																												
6 River View RC 50 North Jane, Elgin, IL Medicaid & Medicare	203	187	173	6	8	-	-	2014 Medicaid Cost Report																																										
	203	91.9%	93%	3%	4%	0%	0%																																											
			Quality Mix =			7%																																												
7 Arba CC of Elgin 134 N. McLean Blvd., Elgin, IL Medicaid & Medicare	99	83	67	3	12	1	-	CVG Survey 7/15/2015																																										
	102	83.8%	81%	4%	14%	1%	0%																																											
			Quality Mix =			19%																																												
8 Assisi HC of Clare Oaks 829 Carillon Dr., Bartlett, IL Medicaid & Medicare	120	95	18	34	38	4	1	2014 Medicaid Cost Report																																										
	120	79.4%	19%	35%	40%	4%	1%																																											
			Quality Mix =			80%																																												
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www.CooperValuationGroup.com																																																		
*For Data 8 we estimated 4 Insurance and 1 Other Based on IDPH Profile which indicates an average of 1 Charity Resident.																																																		
*For data 6 we estimated "other" census is part of Medicaid																																																		

- The PMA has an average occupancy of 85.7% with a quality mix of 31%.
- In terms of census mix, the subject is expected to be most similar to Data 2, 3, 5 and 8 because of its proposed unit mix, layout and focus on a high quality mix.



PMA Competition Map

<b>Data 1</b>		<b>South Elgin Rehab &amp; HCC</b>																																																																							
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		Effective capacity 80 due to some units being converted into offices and therapy room.																																																																							

**Data 2** **Tower Hill HCC**

**Address / Location:** 759 Kane Street, South Elgin, IL



<b>Year Built:</b>	1994	
<b>Condition:</b>	Average to Good	
<b>Overall Occupancy - 9/14/2015:</b>	<b>91.7%</b>	<b>% Total</b>
Medicaid	140	74%
Private Pay	32	17%
Medicare	17	9%
VA/Hospice/Other	-	0%
Insurance	-	0%
<b>Totals:</b>	<b>189</b>	<b>100%</b>

Resident Type	Current Daily Rate	Monthly Rate	Unit Type	# Beds
Private Pay Rates:			1 Bed	0
1-bed	\$202.00	\$6,144	2 Bed	206
2-bed	\$190.00	\$5,779	3 Bed	0
			4 Bed	0
			Effective Capacity:	206
			Licensed Beds:	206
Medicaid:	\$156.43		Contact:	
Medicare:	Certified		Facility	
VA/Hospice/Other:	Accepted		847-697-3310	
Insurance:	Accepted			

Services / Features		Comments
<b>Included in Rate</b>	<b>Optional Services</b>	
24-Hour Skilled Nursing Care	Physician Services	Average to good condition facility in residential area with limited exposure. 2-Bed Units only- 1-Bed rate for no roommate. All resident bathrooms remodeled in 2014. Private Pay rates from IDPH
All Meals & Snacks	Therapies	
Activities	Salon	
Laundry & Linen Services	Estimated Monthly Fees	
Social Services	For Optional Services:	
	\$25-\$125/month	

**Data 3** **ManorCare of Elgin**

**Address / Location:** 180 S State St, Elgin, IL



<b>Year Built:</b>	1965 / 2003	
<b>Condition:</b>	Good	
<b>Overall Occupancy - 7/15/2015:</b>	<b>88.2%</b>	<b>% Total</b>
Medicaid	50	67%
Private Pay	2	3%
Medicare	13	17%
VA/Hospice/Other	-	0%
Insurance	10	13%
<b>Totals:</b>	<b>75</b>	<b>100%</b>

Resident Type	Current Daily Rate	Monthly Rate	Unit Type	# Beds
Private Pay Rates:			1 Bed	N/A
1-bed	\$322.75	\$9,817	2 Bed	N/A
2-bed	\$288.26	\$8,768	3 Bed	N/A
			4 Bed	N/A
			Effective Capacity:	85
			Licensed Beds:	88
Medicaid:	\$162.51		Contact:	
Medicare:	Certified		Facility	
VA/Hospice/Other:	Accepted		847-742-3310	
Insurance:	Accepted			

Services / Features		Optional Services	Comments
<b>Included in Rate</b>			
24-Hour Skilled Nursing Care		Physician Services	State Street very high traffic, difficult ingress / egress coming from south heading northbound. Regular upgrades.
All Meals & Snacks		Therapies	
Activities		Salon	
Laundry & Linen Services		Estimated Monthly Fees	
Social Services		For Optional Services:	
		\$25-\$125/month	

**Data 4** **Heritage Health Elgin**

**Address / Location:** 355 Raymond Street, Elgin, IL



<b>Year Built:</b>	1969 / 1993	
<b>Condition:</b>	Average to Good	
<b>Overall Occupancy - 9/14/2015:</b>	<b>85.1%</b>	<b>% Total</b>
Medicaid	67	84%
Private Pay	4	5%
Medicare	5	6%
VA/Hospice/Other	-	0%
Insurance	4	5%
<b>Totals:</b>	<b>80</b>	<b>100%</b>

Resident Type	Current Daily Rate	Monthly Rate	Unit Type	# Beds
Private Pay Rates:			1 Bed	N/A
1-bed	n/a		2 Bed	94
2-bed	\$208.00	\$6,327	3 Bed	N/A
			4 Bed	N/A
			Effective Capacity:	94
			Licensed Beds:	94
Medicaid:	\$166.33		Contact:	
Medicare:	Certified		Facility	
VA/Hospice/Other:	Accepted		847-697-6636	
Insurance:	Accepted			

Services / Features		Optional Services	Comments
<b>Included in Rate</b>			
24-Hour Skilled Nursing Care		Physician Services	2-bed units only. SNF in older commercial / industrial area. Renovation planned within the next 12 months, including front entrance, therapy room, paving parking.
All Meals & Snacks		Therapies	
Activities		Salon	
Laundry & Linen Services		Estimated Monthly Fees	
Social Services		For Optional Services:	
		\$25-\$125/month	

**Data 5**

**Sherman West Court**

**Address / Location:** 1950 Larkin Ave., Elgin, IL



<b>Year Built:</b>	1990	
<b>Condition:</b>	Average to Good	
<b>Overall Occupancy - 9/14/2015:</b>	<b>66.1%</b>	<b>% Total</b>
Medicaid	6	8%
Private Pay	18	24%
Medicare	50	68%
VA/Hospice/Other	-	0%
Insurance	-	0%
<b>Totals:</b>	<b>74</b>	<b>100%</b>

Resident Type	Current Daily Rate	Monthly Rate	Unit Type	# Beds
Private Pay Rates:			1 Bed	N/A
1-bed	\$191.00	\$5,810	2 Bed	N/A
2-bed	\$136.00	\$4,137	3 Bed	N/A
			4 Bed	N/A
			Effective Capacity:	112
			Licensed Beds:	112
Medicaid:	\$139.08		Contact:	
Medicare:	Certified		Facility	
VA/Hospice/Other:	Accepted		847-742-7070	
Insurance:	Accepted			

**Services / Features**

Included in Rate	Optional Services	Comments
24-Hour Skilled Nursing Care	Physician Services	Part of Advocate Group- Referalls from Sherman Hospital also part of Advocate Group.
All Meals & Snacks	Therapies	
Activities	Salon	
Laundry & Linen Services	Estimated Monthly Fees	
Social Services	For Optional Services:	
	\$25-\$125/month	

**Data 6** **River View RC**

**Address / Location:** 50 North Jane, Elgin, IL



<b>Year Built:</b>	1970 / 2011	
<b>Condition:</b>	Average	
<b>Overall Occupancy - 2014:</b>	<b>91.9%</b>	<b>% Total</b>
Medicaid	173	93%
Private Pay	6	3%
Medicare	8	4%
VA/Hospice/Other	-	0%
Insurance	-	0%
<b>Totals:</b>	<b>187</b>	<b>100%</b>

Resident Type	Current Daily Rate	Monthly Rate	Unit Type	# Beds
Private Pay Rates:			1 Bed	N/A
1-bed	\$185.00	\$5,627	2 Bed	N/A
2-bed	\$135.00	\$4,106	3 Bed	N/A
			4 Bed	N/A
			Effective Capacity:	203
			Licensed Beds:	203
Medicaid:	\$135.46		Contact:	
Medicare:	Certified		Facility	
VA/Hospice/Other:	Accepted		847-697-3750	
Insurance:	Accepted			

Services / Features		Comments
Included in Rate	Optional Services	
24-Hour Skilled Nursing Care	Physician Services	Average facility in residential area. MI focus.
All Meals & Snacks	Therapies	
Activities	Salon	
Laundry & Linen Services	Estimated Monthly Fees	
Social Services	For Optional Services:	
	\$25-\$125/month	



**Data 7** **Arba CC of Elgin**

**Address / Location:** 134 N. McLean Blvd., Elgin, IL



<b>Year Built:</b>	1960	
<b>Condition:</b>	Average	
<b>Overall Occupancy - 7/15/2015:</b>	<b>83.8%</b>	<b>% Total</b>
Medicaid	67	81%
Private Pay	3	4%
Medicare	12	14%
VA/Hospice/Other	-	0%
Insurance	1	1%
<b>Totals:</b>	<b>83</b>	<b>100%</b>

Resident Type	Current Daily Rate	Monthly Rate	Unit Type	# Beds
Private Pay Rates:			1 Bed	N/A
1-bed	\$200.00	\$6,083	2 Bed	N/A
2-bed	\$170.00	\$5,171	3 Bed	N/A
			4 Bed	N/A
			Effective Capacity:	99
			Licensed Beds:	102
Medicaid:	\$156.06		Contact:	
Medicare:	Certified		Administrator	
VA/Hospice/Other:	Accepted		847-742-8822	
Insurance:	Accepted			

Services / Features	Optional Services	Comments
<b>Included in Rate</b>		
24-Hour Skilled Nursing Care	Physician Services	Older facility in average condition. MI focus.
All Meals & Snacks	Therapies	
Activities	Salon	
Laundry & Linen Services	Estimated Monthly Fees	
Social Services	For Optional Services:	
	\$25-\$125/month	

**Data 8** **Assisi HC of Clare Oaks**

**Address / Location:** 829 Carillon Dr., Bartlett, IL



<b>Year Built:</b>	2008	
<b>Condition:</b>	Very Good	
<b>Overall Occupancy - 2014:</b>	<b>79.4%</b>	<b>% Total</b>
Medicaid	18	19%
Private Pay	34	35%
Medicare	38	40%
VA/Hospice/Other	1	1%
Insurance	4	4%
<b>Totals:</b>	<b>95</b>	<b>100%</b>

Resident Type	Current Daily Rate	Monthly Rate	Unit Type	# Beds
Private Pay Rates:			1 Bed	N/A
			2 Bed	N/A
1-bed Skilled	\$370.00	\$11,254	3 Bed	N/A
2-bed Skilled	\$355.00	\$10,798	4 Bed	N/A
1-bed Intermediate	\$332.00		Effective Capacity:	120
2-bed Intermediate	\$317.00		Licensed Beds:	120
Medicaid:	\$165.01		Contact:	
Medicare:	Certified		Marketing	
VA/Hospice/Other:	Accepted		(630) 372-1983	
Insurance:	Accepted			

Services / Features		Comments
<b>Included in Rate</b>	<b>Optional Services</b>	Located in Clare Oaks CCRC. Based on the 2014 IDPH profile we estimated "other" census in the Medicaid Cost Report at 4 insurance and 1 charity as this property appears to average 1 charity bed per year.
24-Hour Skilled Nursing Care	Physician Services	
All Meals & Snacks	Therapies	
Activities	Salon	
Laundry & Linen Services	Estimated Monthly Fees	
Social Services	For Optional Services:	
	\$25-\$125/month	

## Analysis of Competition

### Size and Condition

The PMA comps range in size from 88 to 206 licensed beds. The subject will be in the middle of the range at 120 beds after completion of construction. The condition of each is regulated by the state and is often reflected in the Medicaid reimbursement rates or achievable private pay rates. No facility is deemed significantly substandard or obsolete. With the exception of Data 8, built in 2008, all the SNFs in the PMA are much older, originally built between 1960 and 1994. Data 6 has undergone renovations in 2011, and all resident bathrooms were remodeled in 2014 in Data 2. The subject will be the newest SNF in the PMA. In terms of age and curb appeal the main competition will be Data 2, 3, 5, and 8. Even though these facilities are older, they have been regularly updated and have achieved high quality mixes, and will be in competition with the proposed subject.

### Services

The subject will focus on short-term rehab (Medicare and private insurance) but is also expected to have a long-term Medicaid and private pay census. The amenities and services offered at each of the data are consistent with the broader market in terms of caring for "standard" nursing facility residents as well as for Medicare residents. The comparables most similar to the proposed subject in terms of services are Data 2, 3, 5 and 8. The other competitors are expected to be less competitive due to their older age and lower market positions. As is typical of NFs, no concessions are offered in this market. All the SNFs quote base private pay rates that cover similar included services (24-hour care, meals, etc.). Typical charges for optional services in the PMA include telephone, beauty/barber shops, and therapies (as needed). From our research, the fees for optional services/care at the competitors tend to be consistent with one another.

### Location

In terms of location near referral sources, all are located within a few miles of each other. The subject upon completion will have an average location in the PMA, close to the local referring hospitals (Sherman Hospital, Presence St. Joseph Hospital, Delnor Community Hospital, and Central DuPage Hospital). The subject's location is considered somewhat superior to the SNFs located in the City of Elgin (Data 3 - 7) which has inferior demographics.

### Target Populations

At all the SNFs in the PMA, the specifically targeted population groups are the standard elderly population requiring long-term care and short-term rehab services. The subject will have short-term rehab (M<sup>2</sup>) with a dedicated 30-bed wing, but is projected to also have long-term private pay and Medicaid census.

### Unit Mix and Layout

Exact unit mixes and sizes were not available for all the comparables so unit mixes and sizes were estimated based on our interviews with local market participants. Based on conversations with the developers, the subject will have a unit mix of (80) 1-bed units and (20) 2-bed units, which is superior to all the SNFs in the PMA. In general, the SNFs with the higher quality mixes have only 1-bed and 2-bed units such as Data 5 and 8.

### Subject's Market Position

The SNFs which currently have the highest market positions in the PMA are Tower Hill HCC, ManorCare of Elgin, Sherman West Court, and Assisi HC of Clare Oaks. We feel that the subject will have the top market position due to new construction, modern unit mix and sizes, and overall superior layout/amenities.

### Future Supply

The State of Illinois operates on a certificate of need (CON) program with regard to new additions to Skilled Nursing Facility bed supply (source: <http://www.hfsrb.illinois.gov/conprocess.htm>).

**Certificate of Need Program** The Health Facilities Planning Act (the Act) (20 ILCS 3960), established Illinois' certificate of need (CON) program. CON is designed to restrain rising health care costs by preventing unnecessary construction or modification of health care facilities. The Act promotes the development of a comprehensive health care delivery system that assures the availability of quality facilities, related services, and equipment to the public, while simultaneously addressing the issues of community need, accessibility, and financing. In addition, CON promotes cost containment, better management and improved planning by health care providers. The Act established the Health Facilities Planning Board (since renamed the Health Facilities and Services Review Board (Review Board)) which issues permits (certificates of need) for construction or modification projects proposed by or on behalf of healthcare facilities, and for approving transactions for the acquisition of major medical equipment. To obtain a permit, a person must justify that a proposed project is needed and financially and economically feasible. Included in the application review is the opportunity for public comments and a public hearing that

provides for community input into the process. The Review Board is an independent nine member commission appointed by the Governor with Senate confirmation. The Secretary of the Illinois Department of Human Services and the Directors of the Illinois Department of Healthcare and Family Services and Department of Public Health serve as ex-officio non-voting members. The issuance of a permit requires five affirmative votes. The Illinois Department of Public Health's Division of Health Systems Development provides primary staff support for the Review Board.

**Coverage** Entities subject to the Act include licensed and state-operated: hospitals; long-term care facilities; dialysis centers; ambulatory surgery centers; alternative health care delivery models, free standing emergency centers, and birthing centers. Facilities operated by the federal government are exempt. Transactions requiring a permit include construction or modification by or on behalf of a health care facility exceeding the capital expenditure minimum that is in excess of **\$12,495,668** for hospitals, **\$7,062,768** for long term care facilities and for all other applicants **\$3,259,740**. The same capital expenditure thresholds apply to the acquisition of major medical equipment. In addition a substantial increase in a facility's bed capacity or a substantial change in the scope or functional operation of a facility and the proposed establishment or discontinuation of a facility or category of service must obtain a permit or exemption. Long term care facilities no longer are required to submit a certificate of need for the discontinuation or a change of ownership of a long term care facility.

**NOTICE**

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To: Interested Parties  
From: Illinois Health Facilities and Services Review Board  
Re: Revised CON Review Thresholds  
Date: July 1, 2014

In accordance with PA 096-031, the following revised thresholds for review become effective. These thresholds were adjusted by 1.4% in accordance with PA 096-031.  
(Source for increase RS Means)

Capital Expenditures (Hospitals)	\$12,670,607
Capital Expenditures (Long Term Care)	\$7,161,646
Capital Expenditures (All other applicants)	\$3,305,376

- The subject's proposed construction cost are above the threshold so state approval is required.

Development Budget	ALF Units	SNF Units	Total
	60	120	Project Costs
	47,500	65,000	112,500
<b>Construction (Hard Costs)</b>			
Building Construction Costs	\$ 3,020,000	\$ 4,530,000	\$ 7,550,000
Site Work	\$ 950,000	\$ 1,425,000	\$ 2,375,000
Major Non-Moveable Equip	\$ 325,000	\$ 487,500	\$ 812,500
Mechanical/Electrical	\$ 2,573,000	\$ 3,859,500	\$ 6,432,500
Interior Finishes	\$ 1,577,780	\$ 2,366,670	\$ 3,944,450
General Conditions/Contingency	\$ 459,220	\$ 699,830	\$ 1,159,050
Performance Bond	\$ 60,000	\$ 80,000	\$ 140,000
<b>General Contractor GMP</b>	<b>\$ 8,965,000</b>	<b>\$ 13,448,500</b>	<b>\$ 22,413,500</b>
Architecture & Engineering	\$ 450,000	\$ 720,000	\$ 1,170,000
Architecture & Engineering Reimbursables	\$ 20,000	\$ 30,000	\$ 50,000
Minor Moveable	\$ 50,000	\$ 75,000	\$ 125,000
Major Moveable Equip	\$ 300,000	\$ 1,500,000	\$ 1,800,000
<b>Total Architect &amp; Moveable Equip Fees</b>	<b>\$ 820,000</b>	<b>\$ 2,325,000</b>	<b>\$ 3,145,000</b>
<b>Total All Improvements</b>	<b>\$ 9,785,000</b>	<b>\$ 15,773,500</b>	<b>\$ 25,558,500</b>
Square Footage	\$ 47.500	\$ 65.000	\$ 112.500
Hard Costs Per Square Foot	\$ 189	\$ 207	

<b>Carrying Charges and Financing</b>			
Title and Recording	\$ 50,000	\$ 50,000	\$ 100,000
Interest 16 months	\$ 240,000	\$ 500,000	\$ 740,000
HUD/Bank/EB5 Financing Fees	\$ 300,000	\$ 475,000	\$ 775,000
Real Estate Taxes	\$ 25,000	\$ 25,000	\$ 50,000
Property Insurance	\$ 50,000	\$ 50,000	\$ 100,000
<b>Total Carrying Charges and Financing</b>	<b>\$ 665,000</b>	<b>\$ 1,100,000</b>	<b>\$ 1,765,000</b>
<b>Land Costs (Market Value)</b>			\$ -
Land (all Costs) and Closing Costs	\$ 750,000	\$ 1,450,000	\$ 2,200,000
<b>Total Land Costs</b>	<b>\$ 750,000</b>	<b>\$ 1,450,000</b>	<b>\$ 2,200,000</b>
<b>Other Fees</b>			\$ -
Utility Connection & Tap Fees	\$ 50,000	\$ 50,000	\$ 100,000
Marketing /Leasing/Ramp Up	\$ 250,000	\$ 350,000	\$ 600,000
Designer Fees	\$ 50,000	\$ 50,000	\$ 100,000
Engineering/Soil/Phase 1/Environmental	\$ 75,000	\$ 100,000	\$ 175,000
Due Diligence Review	\$ 6,000	\$ 6,000	\$ 12,000
Appraisal/Market Study	\$ 15,000	\$ 15,000	\$ 30,000
Consulting Fees	\$ 150,000	\$ 250,000	\$ 400,000
Legal Fees	\$ 150,000	\$ 150,000	\$ 300,000
Printing Fees	\$ 5,000	\$ 5,000	\$ 10,000
Accounting/Certification Fees	\$ 20,000	\$ 20,000	\$ 40,000
<b>Total Other Fees</b>	<b>\$ 771,000</b>	<b>\$ 996,000</b>	<b>\$ 1,767,000</b>
Operating Reserves	\$ 377,000	\$ 635,000	\$ 1,012,000
Debt Service Reserve (6 months)	\$ 289,986	\$ 430,506	\$ 720,492
Working Capital (2%)	\$ 192,336	\$ 310,000	\$ 502,336
HUD req reserves	\$ 450,000	\$ 750,000	\$ 1,200,000
Replacement Reserves	\$ 18,000	\$ 36,000	\$ 54,000
<b>Cash Reserves</b>	<b>\$ 1,327,322</b>	<b>\$ 2,161,506</b>	<b>\$ 3,488,828</b>
<b>Total Project Cost with escrow / reserves</b>	<b>\$ 13,298,322</b>	<b>\$ 21,481,006</b>	<b>\$ 34,779,328</b>
<b>80% LTC (Est Mortgatable Costs)</b>	<b>\$ 10,278,658</b>	<b>\$ 16,584,805</b>	<b>\$ 26,863,462</b>
<b>Total Equity Requirement***</b>	<b>\$ 3,019,664</b>	<b>\$ 4,896,201</b>	<b>\$ 7,915,866</b>
Equity Investor Group 1			\$ 4,835,865
Additional Equity Investor Group 2			\$ 3,200,000
Contingency			\$ (119,999)

\*\*\*Includes Reserves

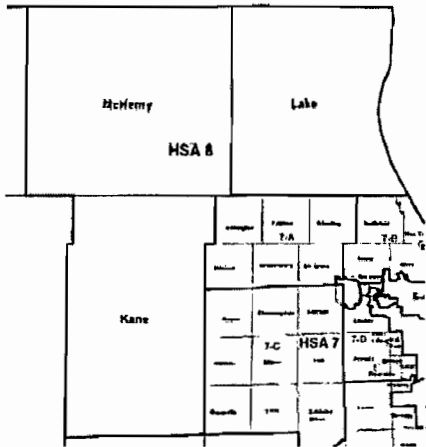
Illinois is divided into 11 Health Service / Long-Term Care Planning Areas. According to data supplied by the Illinois Department of Public Health, the subject is in Health Service Area 8 – which we note is much larger than the subject’s PMA. In addition, the PMA is also in Cook County and part in DuPage County, which are part of HSA 7-C and HSA 7-A. Therefore, we also presented the LTC facility updates for all three areas.

Health Service Area 8

INVENTORY OF HEALTH CARE FACILITIES AND SERVICES AND NEED DETERMINATIONS  
General Nursing Care

Illinois Health Facilities and Services Review Board  
Illinois Department of Public Health

3-Aug-15  
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Summary of General Long-Term Nursing Care Beds and Need by Planning Area				
Health Service Area 8				
PLANNING AREA	EXISTING BEDS	PROJECTED BEDS NEEDED - 2018	ADDITIONAL BEDS NEEDED	EXCESS BEDS
Kane County	3064	2705	0	359
Lake County	4663	4186	0	477
McHenry County	997	1124	127	0
<b>HSA 8 TOTALS</b>	<b>8724</b>	<b>8015</b>	<b>127</b>	<b>836</b>

Summary of General Long-Term Nursing Care Beds and Need by Planning Area				
Health Service Area 7				
PLANNING AREA	EXISTING BEDS	PROJECTED BEDS NEEDED - 2018	ADDITIONAL BEDS NEEDED	EXCESS BEDS
Planning Area 7-A	3321	3783	462	0
Planning Area 7-B	6827	6101	0	726
Planning Area 7-C	5862	5998	136	0
Planning Area 7-D	2904	2462	0	442
Planning Area 7-E	9165	8026	0	1139
<b>HSA 7 TOTALS</b>	<b>28079</b>	<b>26370</b>	<b>598</b>	<b>2307</b>

- According to the IDPH, there is an excess of 359 nursing care beds in Kane County (the subject 120-bed SNF and new Addison Rehab are already included in the HSA calculations), whereas Area 7-A reports 462 beds needed and Area 7-C reports 136 beds needed. The 239 bed need (359 -462-136 = -239) is a positive indicator in that it lends support for the subject’s addition to the PMA. Furthermore, we believe developers will be aware of both the subject and the new Addison Rehab (in Elgin/Kane County) which would discourage any more new construction within the PMA. However, beds may be added to other areas of Planning Areas 7-A and 7-C.

Recent Changes to PMA Bed Supply

**LONG-TERM CARE FACILITY UPDATES**  
6/15/2015  
**CHANGES TO GENERAL LONG-TERM CARE**

PLANNING AREA	ACTION	EFFECTIVE DATE	FACILITY	DESCRIPTION
<b>Health Service Area 8</b>				
Kane	CHOW	2/1/2014	Aurora Rehab & Living Center, Aurora	Change of Ownership occurred.
	09-077	2/20/2014	Asbury Gardens Nursing & Rehab, North Aurora	Facility licensed for operation; completed project to establish 75 bed Nursing Care facility.
	CHOW	6/1/2014	Maplewood Care, Elgin	Change of Ownership occurred.
	Name Change	6/4/2014	River View Rehab Center, Elgin	Formerly Maplewood Care.
	Name Change	8/14/2014	The Grove of Fox Valley, Aurora	Formerly Aurora Rehab & Living Center.
	CHOW	10/1/2014	Geneva Nursing & Rehab Center, Geneva	Change of Ownership occurred.
	Name Change	10/1/2014	Bria of Geneva, Geneva	Formerly Geneva Nursing & Rehab Center.
	CHOW	6/10/2014	Asta Care Center of Elgin, Elgin	Change of Ownership occurred.
	Name Change	1/22/2015	ARBA Care Center of Elgin, Elgin	Formerly Asta Care Center of Elgin.
<b>Health Service Area 7</b>				
Planning Area 7-A	Name Change	7/1/2014	Aperion Care Plum Grove, Palatine	Formerly Plum Grove Nursing & Rehab Center.
	14-022	8/27/2014	Asbury Court Nursing & Rehabilitation, Des Plaines	Received permit to establish a facility with 71 Nursing Care beds.
	CHOW	8/29/2014	Emeritus at Prospect Heights, Prospect Heights	Change of Ownership occurred.
	Bed Change	12/1/2014	Greek American Rehab & Care Center, Wheeling	Discontinued 10 Nursing Care beds; facility now has 188 Nursing Care beds.
	Name Change	12/1/2014	Brookdale Prospect Heights, Prospect Heights	Formerly Emeritus at Prospect Heights.
	Bed Change	12/15/2014	St. Joseph Home for the Elderly, Palatine	Discontinued 2 Sheltered Care beds; facility now has 59 Nursing Care and 5 Sheltered Care beds.
	Bed Change	4/14/2015	Lutheran Home for the Aged, Arlington Heights	Converted 12 beds from Sheltered Care to Nursing Care; facility now has 346 Nursing Care beds and 46 Sheltered Care beds.

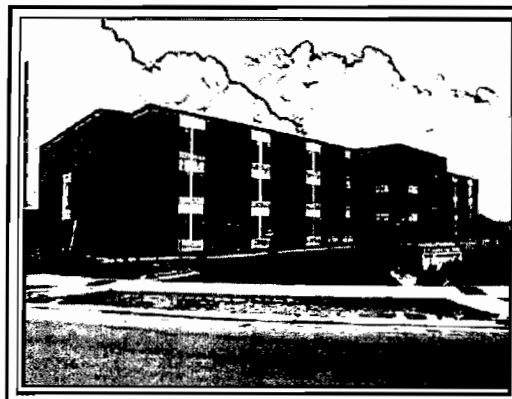
## LONG-TERM CARE FACILITY UPDATES

6/15/2015

## CHANGES TO GENERAL LONG-TERM CARE

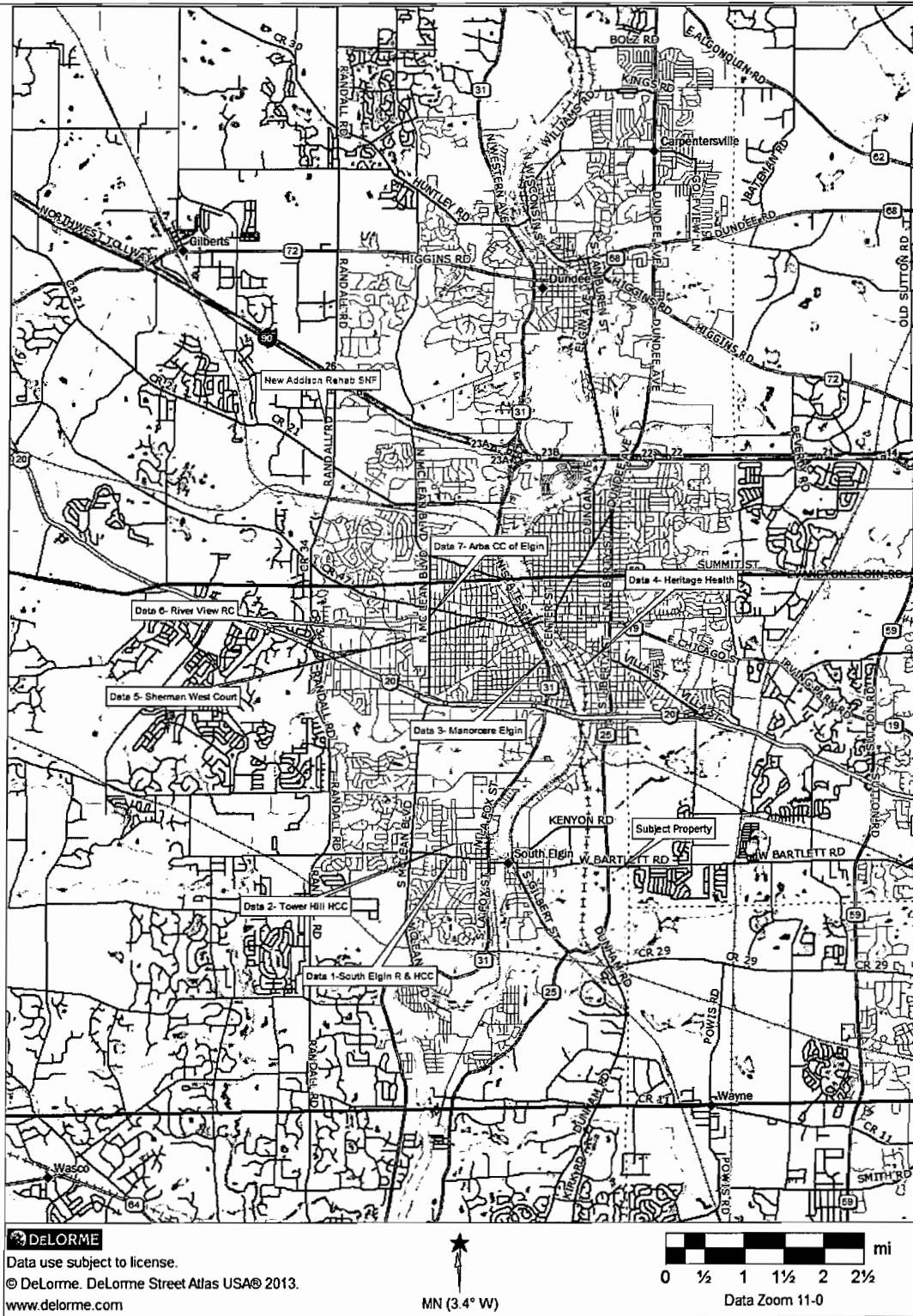
PLANNING AREA	ACTION	EFFECTIVE DATE	FACILITY	DESCRIPTION
Planning Area 7-C	Closure	8/26/2013	Snow Valley Nursing & Rehab Center, Lisle	Facility closed due to flood damage. 51 Nursing Care beds removed from Inventory.
	Bed Change	9/24/2013	Wood Glen Nursing & Rehab Center, West Chicago	Added 6 Nursing Care beds; facility now has 213 Nursing Care beds.
	11-055	11/26/2013	Transitional Care Center of Naperville, Naperville	Permit to establish facility with 120 Nursing Care beds relinquished; beds removed from inventory.
	Relinquished CHOW	12/1/2013	Elmhurst Extended Care Center, Elmhurst	Change of Ownership occurred.
	Name Change	6/4/2014	Borrdale Plaza Lisle, Lisle	Formerly Westbury Care Center.
	CHOW	8/29/2014	Emeritus Burr Ridge, Burr Ridge	Change of Ownership occurred.
	CHOW	10/1/2014	Westmont Nursing and Rehab Center, Westmont	Change of Ownership occurred.
	Name Change	10/1/2014	Bria of Westmont, Westmont	Formerly Westmont Nursing and Rehab Center.
	CHOW	8/1/2013	Providence Downers Grove, Downers Grove	Change of Ownership occurred.
	Board Order	10/7/2014	Marianjoy Rehabilitation Center, Wheaton	Board ordered authorized Long-Term Care beds reduced from 27 to 20.
	12-036	10/9/2014	Healthcare Center at Monarch Landing, Naperville	Facility licensed for operation with 96 Nursing Care beds.
	Name Change	10/9/2014	The Springs at Monarch Landing, Naperville	Formerly Healthcare Center at Monarch Landing.
	Name Change	12/1/2014	Brookdale Burr Ridge, Burr Ridge	Formerly Emeritus at Burr Ridge.
	CHOW	1/1/2015	Bridgeway Christian Village Rehab & Nursing, Bensenville	Change of Ownership occurred.
	Name Change	1/1/2015	Bridgeway Senior Living, Bensenville	Formerly Bridgeway Christian Village Rehab & Nursing.
	CHOW	3/2/2015	Wynscape, Wheaton	Change of Ownership occurred.
	Name Change	3/2/2015	Wynscape Health & Rehab, Wheaton	Formerly Wynscape.
	Bed Change	3/26/2015	Manorcare of Westmont, Westmont	Discontinued 6 Nursing Care beds; facility now has 149 Nursing Care beds.
	Correction	4/3/2015	Marianjoy Rehabilitation Center, Wheaton	7 Nursing Care beds restored to facility.

While beds are being added to the planning areas as shown above, the only recent changes that have occurred within the PMA as of 06/15/2015 are name changes or ownership changes. We note that there is a 120-bed (Addison Rehab & Living Center) facility under construction roughly 2 miles north of the PMA northern boundary and 6.5 miles northwest of the subject (20 minute drive time). It is located at 1750 Capital Street in Elgin just south of the I-90 expressway and just west of Randall Road. An opening date has yet to be announced. This facility will focus on northern Elgin, West Dundee and Carpentersville. It was excluded from our supply and demand analysis specifically because it will draw mostly from northern Elgin West Dundee and Carpentersville.



**120-Bed Addison R&LC Under Construction North of PMA**





Map of new SMA SNF in relation to proposed subject and subject PMA

Supply Conclusion

We phoned the cities of South Elgin, Elgin, Bartlett, Streamwood and Kane County to ascertain if any new facilities were under construction, or proposed within the PMA. South Elgin reported no new facilities under construction or proposed in

the PMA. Elgin and Kane County reported the Addison R&LC under construction outside the PMA, but no known others proposed in the PMA. An internet search of news articles uncovered no news of new nursing facilities within the PMA.

The Illinois Department of Public Health shows an excess of 359 nursing care beds in Kane County (our subject 120-bed SNF already included in the HSA calculations), whereas Area 7-A reports 462 beds needed and Area 7-C reports 136 beds needed. The three areas indicated a 239 bed need ( $359 - 462 - 136 = -239$ ), which is a positive indicator in that it lends support for the subject's addition to the PMA. Based on our research, there are ample unoccupied beds in the PMA (85.7% occupancy; more supply than demand). The supply in the PMA is not expected to dramatically change in the next few years and aside from the proposed subject SNF, there are no other known proposed bed increases to the subject's PMA. As such, no other new nursing beds (aside from the subject) are expected for the Primary Market Area in the near future. The only other additions to bed supply would be from existing state-regulated facilities applying for an increase in the current license (every two years, an Illinois SNF may increase the lesser of 20 beds or 10% of licensed beds).

- "Off-line beds": As is typical of many SNFs and the overall industry, the effective operating capacity can be less than the licensed capacity as SNFs often convert 3-bed and 4-bed units into 2-bed or 1-bed units or other uses. In this market, the effective capacity is 999 beds with a licensed capacity of 1,015 beds. This means that the PMA has 16 "off-line" beds. We feel that these beds will not come back on-line due to market demands/preferences.

**Other than the proposed subject SNF, we feel that the likelihood of other additions to the PMA supply is low.**

**Demand Estimate and Analysis**

**Target Residents**

In order to determine the age cohort for the subject SNF, we researched statistics regarding needs for assistance with activities of daily living as it relates to skilled nursing care.

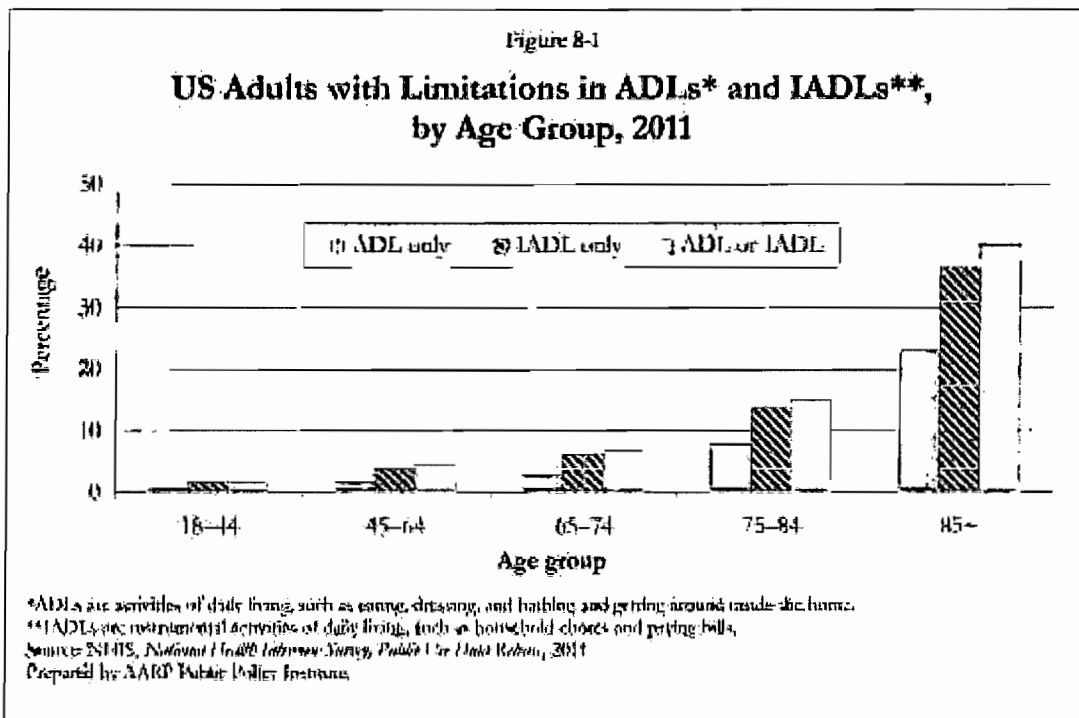
**Source # 1 National Information Aging Center *Mobility and Self-Care Limitations of Persons 60+***

The National Information Aging Center published statistics in *Mobility and Self-Care Limitations of Persons 60+ by age 1990 (United States, Civilian Non-institutionalized Persons)*, based on 1990 Census information. The study identifies percentages of the population needing assistance with medications and other personal needs. Based on the national study, 13.3% of persons aged 65 to 74, 25.8% of persons aged 75 to 84, and 49.8% of persons aged 85+ have mobility and self-care limitations requiring assistance.

**Source #2 AARP Policy Book 2013-2014**

The following was taken from the AARP Policy Book 2013-2014 at <http://aarp54390.tizrapublisher.com/chapter-8-1/1>:

An estimated 5.2 million individuals 18 and older require help with activities of daily living, and 9.8 million require help with instrumental activities of daily living (Figure 8-1). Long-term services and supports (LTSS) generally provide ongoing help with these activities.

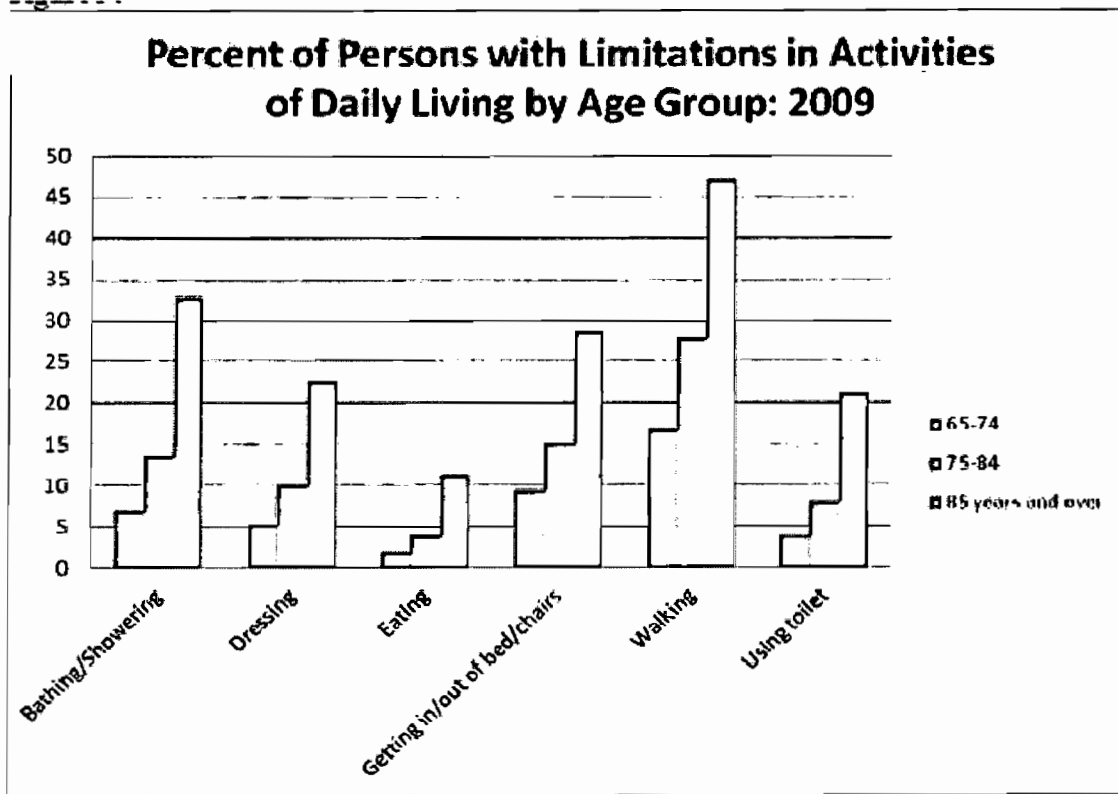


Based on the table above 15%+ of people aged 75-84 need assistance with ADLs or IADLs and this number rises to 40%+ for the 85+ cohort.

**Source # 3: U.S. Department of Health and Human Services - A Profile of Older Americans: 2011**

The following was taken from the U.S. Department of Health and Human services document "A Profile of Older Americans: 2011" (page 15).

In another study which focused on the ability to perform specific activities of daily living (ADLs), over 27% of community-resident Medicare beneficiaries over age 65 in 2009 had difficulty in performing one or more ADLs and an additional 12.7% reported difficulties with instrumental activities of daily living (IADLs). By contrast, 95% of institutionalized Medicare beneficiaries had difficulties with one or more ADLs and 74% of them had difficulty with three or more ADLs. [ADLs include bathing, dressing, eating, and getting around the house. IADLs include preparing meals, shopping, managing money, using the telephone, doing housework, and taking medication.] Limitations in activities because of chronic conditions increase with age. As shown in Figure 9, the rate of limitations in activities among persons 85 and older are much higher than those for persons 65-74.



Except where noted, the figures above are taken from surveys of the noninstitutionalized elderly.

Although nursing homes are being increasingly used for short-stay post-acute care, about 1.3 million elderly are in nursing homes (about half are age 85 and over). These individuals often have high needs for care with their ADLs and/or have severe cognitive impairment due to Alzheimer's disease or other dementias.

*(Sources: Americans with Disabilities: 2005, December 2008, P70-117 and other Internet releases of data from the U.S. Census Bureau, the Centers for Medicare and Medicaid, and the National Center on Health Statistics, including the NCHS Health Data Interactive data warehouse)*

**Source #4: US Department of Health and Human Services Office of Disability, Aging and Long-Term Care Policy - Disability and Care Needs of Older Americans**

The following chart was taken from the Disability and Care Needs of Older Americans report published April 2014 by the US Department of Health and Human Services Office of Disability, Aging and Long-Term Care Policy.

	65-69	70-74	75-79	80-84	85-89	90+
<b>Self-care and mobility limitations<sup>a,b</sup></b>						
Difficulty, but no help	17.1	17.7	19.1	21.8	19.1	14.6
Help	11.0	12.9	18.1	26.1	41.8	61.7
<b>Household activity limitations<sup>c</sup></b>						
Difficulty, but no help	12.2	13.6	13.6	12.5	10.8	5.7
Help for health or functioning reasons	12.3	14.6	23.9	34.2	54.1	73.1
<b>Any limitations</b>						
Difficulty, but no help	19.6	20.7	21.0	21.2	16.5	9.3
Help	15.8	16.8	27.5	38.2	58.5	76.0
<b>Population (in millions)</b>	<b>11.6</b>	<b>8.9</b>	<b>6.9</b>	<b>5.4</b>	<b>3.4</b>	<b>1.9</b>
<b>Unweighted n</b>	<b>1417</b>	<b>1610</b>	<b>1569</b>	<b>1590</b>	<b>1067</b>	<b>824</b>

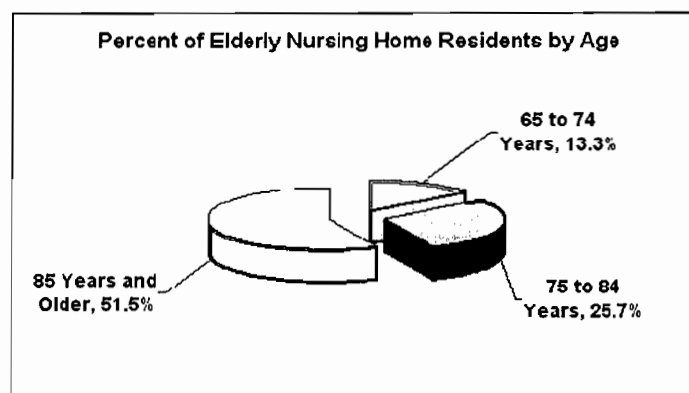
**SOURCE:** 2011 NHATS; N=8077.  
**NOTES:**  
a. Bathing, dressing, eating, toileting.  
b. Getting out of bed, getting around inside one's home or building, or leaving one's home or building.  
c. Laundry, hot meals, shopping for personal items, paying bills/banking, handling medications.

In the chart above we focus on the category for "Self Care and mobility limitations – Help" which shows that 11% of people aged 65-69, 12.9% of age 70-74, 18.1% aged 75-79, 26.1% aged 80-84, 41.8% aged 85-89 and 61.7% of people aged 90+ need help with activities of daily living.

**Source #5 National Care Planning Council**

[https://www.longtermcarelink.net/eldercare/nursing\\_home.htm](https://www.longtermcarelink.net/eldercare/nursing_home.htm)

From the chart below, note that over half of all nursing home residents are 85 years and older. The number of people who survive beyond age 85 is expected to increase dramatically over the next 20 years. It used to be a novelty for someone to survive to age 100 and oftentimes that person was recognized in the community. Also, invariably, that person being recognized was in a nursing home. It is not so rare to survive beyond age 100 now and so few people are being recognized for that event. Surveys are finding that the older nursing home residents require a significant amount of care for help with activities of daily living and with severe medical problems.



Source: 2005 statistical abstract of the United States

**Conclusion – Demand Age and ADLs Strata**

- Based on the information above for short-term rehab we focus on the age 65+ cohort as this population is less likely to use long-term SNF care, but qualifies for Medicare.
- The age 85+ have the highest need for assistance, with at least 40% needing assistance with ADLs. Indicating that these residents are the most likely to need long-term SNF care.

**Subject PMA Senior Population Demographics**

Elderly Population Projections by Age Cohort - PMA							
Population Over Age 75	2010 Census		2015 Estimate		2020 Projection		Annual Change 2015-2020
	Number	% Total	Number	% Total	Number	% Total	
65-69	4,662	36%	6,480	40%	7,285	36%	2.5%
70-74	2,978	23%	3,996	25%	5,624	28%	8.1%
75-79	2,108	16%	2,429	15%	3,344	17%	7.5%
80-84	1,575	12%	1,568	10%	1,897	9%	4.2%
85 and Over	1,583	12%	1,697	10%	1,855	9%	1.9%
<b>Total</b>	<b>12,906</b>	<b>100%</b>	<b>16,170</b>	<b>100%</b>	<b>20,005</b>	<b>100%</b>	<b>4.7%</b>
Source: STDB				% Change 2015-2020:		23.7%	

CVG#1024B

In the PMA, the age 65+ population is expected to grow 23.7% over the next five years, 4.7% per year. This indicates increasing demand for short-term rehab beds in the PMA, as a significant percentage of the 65+ cohort needs rehab. The age 65+ population is projected to increase by 3,835 from 2015 to 2020.

Elderly Population Projections by Age Cohort - PMA							
Population Over Age 75	2010 Census		2015 Estimate		2020 Projection		Annual Change 2015-2020
	Number	% Total	Number	% Total	Number	% Total	
85+	1,583	12%	1,697	10%	1,855	9%	1.9%
Source: STDB				% Change 2015-2020:		9.3%	

CVG#1024B

In the PMA, the age 85+ segment (long-term care) is projected to grow 1.9% per year which indicates increasing demand for nursing beds in the PMA, as a significant percentage of the 85+ cohort typically requires assistance with ADLs. The age 85+ population is projected to increase by 158 from 2015 to 2020.

**Demand Analysis – Methodology**

Rather than arbitrarily apply capture rates from other markets, we prefer to analyze the current actual behavior of the PMA. We focus on both the age 65+ population for short-term rehab (M<sup>2</sup> census) and age 85+ population for long-term care (private pay and Medicaid census).

Our survey of the PMA indicates 856 occupied SNF beds, which is 50.4% of the age 85+ bracket in 2015. The projected age 85+ population in 2020 is 1,855, so using the same 50.4% capture rate would equate to 935.5 occupied beds in 2020. This is an increase of 79.7 beds from the current level, which when combined with taking modest future market share away from some of the other SNFs in the PMA, indicates sufficient future demand in the PMA for the subject on an As Completed & Stabilized basis.

<b>85+ Population</b>	
2015 Age 85+ Population	1,697
Current PMA Occupied Beds	856
Capture Rate	50.4%
2020 Age 85+ Population	1,855
Capture Rate	50.4%
Projected 2020 Occupied Beds	935.5
<b>Net Demand Increase or (Decrease)</b>	<b>79.7</b>

### **Affect on PMA Comps Overall Occupancy**

We next project taking future market share away from the existing SNFs in the PMA.

#### *Occupancy Comparables*

We look at the before and after effects of a new SNF entering a PMA. We examined the before and after effects of two new recently built SNFs on their respective PMAs in other Chicago Suburban markets.

The **Claremont of Hanover Park** opened January 2011. In order to determine the effects of this new SNF on M<sup>2</sup> census, we examined the Illinois Department of Public Health (IDPH) facility profiles for all the SNFs in its PMA as of year-end 2010 (before construction of the Claremont) and compared that to the IDPH profiles for year-end 2012 (after completion and stabilization).

Claremont of Hanover Park Net Gain/Loss to PMA SNFs from 2010 to 2012				
#	Facility Name & Location Medicaid and Medicare?	Effective Beds Licensed Beds	Occupied Beds % Occupancy	Gain/Loss Actual Share
1	Claremont of Hanover Park 2000 W. Lake Street, Hanover Park, IL Medicaid & Medicare	100 100	84 83.7%	8%
2	Alden-Poplar Creek Rehab and Care SNF 1545 Barrington Road, Hoffman Estates, IL Medicaid & Medicare	131 131	11 -3.4%	0%
3	Alden-Valley Ridge Rehab & Care SNF 275 East Army Trail Road, Bloomingdale, IL Medicaid & Medicare	120 120	(24) -11.4%	-3%
4	Friendship Village SNF 350 West Schaumburg Road, Schaumburg, IL Medicaid & Medicare	87 87	(24) -9.7%	-4%
5	Manor Care SNF- Elk Grove Village 1920 Nerge Road, Elk Grove Village, IL Medicaid & Medicare	214 214	(11) -1.7%	-2%
6	West Suburban Care Center SNF 311 Edgewater Drive, Bloomingdale, IL Medicaid & Medicare	203 203	9 -2.4%	0%
7	Assisi Health Care Center @ Clair Oaks 829 Carillon Drive, Bartlett, IL Medicaid & Medicare	176 176	13 12.0%	1%
<b>Totals:</b>		<b>Effective Beds</b> 1,031 1,031	<b>Occupied Beds</b> 57 -4.1%	<b>Total</b> -8% <b>Average</b> -1.3%

- The gain or loss in actual share ranges from -4% to +1%, averaging -1.3%
- The overall PMA occupancy decreased 4.1% ranging from -11.4% to +12%.
- There were 57 more beds overall added to the PMA as a result of growth of the elderly population.
- The comps ranged from a net gain or loss in beds from -24 to +13.

The **Alden Estates of Shorewood** opened March 2012. In order to determine the effects of this new SNF on M<sup>2</sup> census, we examined the Illinois Department of Public Health (IDPH) facility profiles for all the SNFs in its PMA as of year-end 2011 (before construction of the Alden Estates of Shorewood) and compared that to the IDPH profiles for year-end 2013 (as complete and stabilized).



Alden Estates of Shorewood Net Gain/Loss to PMA SNFs 2011-2013				
#	Facility Name & Location Medicaid and Medicare?	Effective Beds	Occupied Beds	Actual Share
		Licensed Beds	% Occupancy	
1	Alden Estates of Shorewood 710 W. Black Rd., Shorewood, IL Medicaid & Medicare	100 100	62 62.3%	8%
2	Lakewood Nursing & Rehab 14718 S. Eastern Ave., Plainfield, IL Medicaid & Medicare	131 131	2 1.6%	-1%
3	Rosewood Care Center 3401 Hennepin Dr., Joliet, IL Medicaid & Medicare	120 120	6 5.0%	0%
4	Our Lady of Angels 1201 Wyoming Ave., Joliet, IL Medicaid & Medicare	87 87	(8) -8.7%	-2%
5	Symphony of Joliet (Deerbrook) 306 N. Larkin Ave., Joliet, IL Medicaid & Medicare	214 214	2 1.0%	-2%
6	Parc at Joliet (Fairview) 222 N. Hammes, Joliet, IL Medicaid & Medicare	203 203	30 14.8%	3%
7	Presense Villa Franciscan 210 N. Springfield, Joliet, IL Medicaid & Medicare	176 176	(31) -17.9%	-6%
<b>Totals:</b>		<b>Effective Beds</b>	<b>Occupied Beds</b>	<b>Total</b>
		1,031	64	-8%
		1,031	-1.6%	<b>Average</b>
				-1.3%

- The gain or loss in actual share ranges from -6% to +3%, averaging -1.3%
- The overall PMA occupancy decreased 1.6% ranging from -17.9% to +14.8%.
- There were 64 more beds overall added to the PMA as a result of growth of the elderly population.
- The comps ranged from a net gain or loss in beds from -31 to +30.

Both the Claremont and Shorewood SNFs did affect the actual share of the existing competitors in their respective markets. Both markets indicate an average market share loss 1.3% which forms the basis for our following projections.

The following comments reflect the projected effect on each comp in the PMA.

1. **South Elgin Rehab & HCC:** This comp is an older building with a low quality mix (7%). Therefore, it will not be a strong competitor to the subject, which will focus on a higher quality mix. The building has a below average layout for the market due to 17 of 40 (43%) of the rooms having no in-unit bath, and no 1-bed units. The subject will be superior in terms of construction features and unit mix, so we do project a loss in market share of 1%. Consequently, this comp is projected to decrease occupancy from 91.3% to 88.1%.

2. **Tower Hill HCC:** This is the largest SNF of the PMA, with a current quality mix of 26% for an actual market share of 22.1% against a fair share of 20.6%. This facility is in superior condition than most of the other facilities in the PMA, which translates into a performance higher than its fair market share, even though it only has 2-bed units. However, with the subject being new and featuring 1-bed units, we estimate that this comp's share will be affected. So we reduce the share by 2.0% and project a slight decrease in occupancy from 91.7% to 91.2%.
3. **ManorCare of Elgin:** This SNF is an older facility in an older section of Elgin. It has been well maintained over the years, with a Medicare and private insurance focus (quality mix of 33%). However, due to its age, it is considered to be inferior to the proposed subject. We project a 1.0% loss in market share, with a decrease in occupancy from 88.2% to 85.4%.
4. **Heritage Health Elgin:** This SNF has only 2-bed units. It is located in an older commercial / industrial area. Some renovation is planned within the next 12 months, including front entrance, therapy room, paving parking. It has a mostly Medicaid focus with a low quality mix (16%) due to its location and age. Although, we still believe this SNF will lose share as the subject will focus on a superior quality mix. We project a 1.0% loss in market share, with a decrease in occupancy from 85.1% to 83.1%.
5. **Sherman West Court:** This SNF is part of Advocate Group and nearby Sherman Hospital is also part of Advocate Group. This facility has the highest quality mix of the PMA (92%). We forecast that this SNF will continue to have a high quality mix but will lose some its referrals to the proposed subject. We project a loss in share of 1.50% and a resulting decrease in overall occupancy from 66.1% to 59.7%. Although this SNF's overall occupancy of 66.1% is lower than other PMA comps, we estimate that this is due likely to the conversion of some 2-bed units into private units and need to keep beds open due to the high Medicare census.
6. **River View:** This SNF is an older facility and is considered to be significantly inferior to the proposed subject. It has a mostly Medicaid focus with a low quality mix due to its older physical plant and focus on MI residents. However, it does have a history of some Medicare and private pay census. Although the subject will not have a Medicaid focus, we still believe this SNF will lose share, especially in terms of Medicare census. We project a 2.0% loss in market share, but we project only a slight loss in occupancy from (91.9% to 91.3%) as the Medicaid census will likely not be affected.
7. **Arba CC of Elgin:** The SNF has an older physical plant and has historically had a low occupancy. According to Medicare.gov it is currently a "Special Focus Facility" meaning it is being monitored by Medicare due to poor care. It is rated as "Facilities that have not improved" as of 5/8/2015. It also has a high Medicaid mix and MI population. Although the subject will not have a Medicaid focus, we still believe this SNF will lose share. We project a 2.0% loss in market share, and a decrease in occupancy from 83.8% to 72.7%.
8. **Assisi HC of Clare Oaks** is in a large CCRC. It is also the most recent construction in the PMA (2008). It has the second highest quality mix (80%) in the PMA. The SNF caters mostly to a Medicare and private pay census, though most of the residents in the SNF are from its CCRC. The addition of the subject beds is expected to affect the occupancy of the comparable, considering that the subject will also offer continued care with its ALF component and it will be the newest construction in the PMA. We project a 1.5% loss in market share, with a decrease in occupancy from 79.4% to 75.0%.
  - **Upon stabilization, the subject is projected to have an occupancy of 93.6% (112 beds). The subject is expected to take share away from the PMA comparables as it will be new with a modern layout and mostly 1-bed unit mix. However, the effect of the subject on the PMA comparables is mitigated by the increasing elderly population in the PMA. The current PMA occupancy is 85.7% and after completion of the subject, we project a slightly lower PMA occupancy of 83.6%.**

The following table and text detail our methodology for projecting demand and capture rates.

Methodology Step #	1	2	3	4	5	6
	Fair Share of PMA Effective Beds	Current Actual Share of Occupied PMA Beds	Affecting Factors	Estimated Affect on Market Share	% Affect	Projected Future Share of Occupied PMA Beds
South Elgin Rehab & HCC	8.0%	8.5%	Older building, low Qmix	Small Loss	-1.00%	7.5%
Tower Hill HCC	20.6%	22.1%	Newer building but no 1-bed units, Older building, good reputation	Losing share	-2.00%	20.1%
ManorCare of Elgin	8.5%	8.8%	Older building, but planning renovation	Small Loss	-1.00%	7.8%
Heritage Health Elgin	9.4%	9.3%	Older building, high Qmix, near hospital	Small Loss	-1.00%	8.3%
Sherman West Court	11.2%	8.6%	Newer building, low Qmix, high MI census	Losing share	-1.50%	7.1%
River View RC	20.3%	21.8%	Older building, low Qmix, high MI census	Losing share	-2.00%	19.8%
Arba CC of Elgin	9.9%	9.7%	On SFF List, Low Qmix MI census	Losing share	-2.00%	7.7%
Assisi HC of Clare Oaks	12.0%	11.1%	Newer Building, High Qmix, CCRC Proposed for 2017	Losing Share	-1.50%	9.6%
Proposed Subject	100.0%	100.0%		Proposed; Gaining share	-12.00%	88.0%
<b>Methodology Step #</b>	<b>7</b>	<b>8</b>	<b>9</b>	<b>10</b>	<b>11</b>	<b>12</b>
	Current Effective Beds	Projected Effective Beds	Projected Occupied Beds in 2020 in PMA	Projected Future Share of Occupied PMA Beds	Projected Future Occupied Beds	Projected Future Occupancy
South Elgin Rehab & HCC	80	80		7.5%	70.44	88.1%
Tower Hill HCC	206	206		20.1%	187.89	91.2%
ManorCare of Elgin	85	85		7.8%	72.63	85.4%
Heritage Health Elgin	94	94		8.3%	78.09	83.1%
Sherman West Court	112	112		7.1%	66.86	59.7%
River View RC	203	203		19.8%	185.30	91.3%
Arba CC of Elgin	99	99		7.7%	72.02	72.7%
Assisi HC of Clare Oaks	120	120		9.6%	90.06	75.0%
Proposed Subject	0	120	Proposed for 2017	12.0%	112.27	93.6%
	999	1119	935.5	100.0%	935.55	83.6%

**Methodology & Conclusions**

- Step 1 lists each SNF's "Fair Share" = effective capacity divided by the PMA effective capacity.
- Step 2 lists each SNF's "Actual Share" of occupied beds which is each SNF's occupied beds divided by the PMA occupied beds. We note that these percentages do not consider quality census mixes.
- Step 3 lists significant factors that affect future market share.
- Step 4 is our opinion of the direction of the effect on future market share.
- Step 5 is our opinion of the percentage effect on market share. A negative % reflects losing market share.
- Step 6 is then our opinion of the projected future share of occupied beds = Step 2 + Step 5.
- Step 7 lists the current available beds in the PMA.
- Step 8 lists the projected available beds in the PMA.
- Step 9 is the projected occupied beds in the PMA in 2020.
- Step 10 is the projected future share (restates Step 6).
- Step 11 is our projection of future occupied beds for each PMA SNF (Step 9 \* Step 10 for each SNF).
- Step 12 is our projected occupancy for each SNF in 2020 (Column 11/Column 8).

**Length of Stay Estimates**

As Medicare and Insurance Census are volatile, we need to determine the typical length-of-stay (LOS).

The following was taken from [www.cms.hhs.gov/MedicareGenInfo/](http://www.cms.hhs.gov/MedicareGenInfo/).

**Medicare**

**Skilled Nursing Facility Care:** Includes semi-private room, meals, skilled nursing and rehabilitative services, and other services and supplies (only after a 3-day minimum inpatient hospital stay for a related illness or injury). To qualify for care in a skilled nursing facility, your doctor must certify that you need daily skilled care like intravenous injections or physical therapy. Medicare doesn't cover long-term care or custodial care in this setting.

Medicare uses a period of time called a benefit period to keep track of how many days of SNF benefits you use, and how many are still available. A benefit period begins on the day you start using hospital or SNF benefits under Part A of Medicare. You can get up to 100 days of SNF coverage in a benefit period. Once you use those 100 days, your current benefit period must end before you can renew your SNF benefits. Your benefit period ends when you have not been in a SNF or a hospital for at least 60 days in a row, OR if you remain in a SNF, when you haven't received skilled care there for at least 60 days in a row. There is no limit to the number of benefit periods you can have. However, once a benefit period ends, you must have another 3-day qualifying hospital stay and meet the Medicare requirements.

**Medicare Advantage Plans**

A Medicare Advantage Plan is a type of Medicare health plan offered by a private company that contracts with Medicare to provide you with all your Part A and Part B benefits. Medicare Advantage Plans include Health Maintenance Organizations, Preferred Provider Organizations, Private Fee-for-Service Plans, Special Needs Plans, and Medicare Medical Savings Account Plans. If you're enrolled in a Medicare Advantage Plan, Medicare services are covered through the plan and aren't paid for under Original Medicare. Most Medicare Advantage Plans offer prescription drug coverage. Typically the LOS in a Medicare Advantage plan is the same as that of a Medicare plan.

To qualify for SNF Medicare coverage a resident must have a 3-day qualifying inpatient hospital stay. The following more detailed length-of-stay (LOS) information was taken from Medicare.gov: <http://www.medicare.gov/Pubs/pdf/10153.pdf>

**When and how long does Medicare cover care in a SNF?**

Medicare covers care in a SNF up to 100 days if you continue to meet Medicare's requirements (see page 17.)

**How much is covered by Original Medicare (see page 23)?**

<b>For days</b>	<b>Medicare pays for covered services</b>	<b>You pay for covered services</b>
1-20	Full cost	Nothing
21-100	All but a daily coinsurance*	A daily coinsurance*
Beyond 100	Nothing	Full cost

\* The coinsurance is up to \$157.50 per day in 2015. It can change each year. If you have a Medicare Supplement Insurance (Medigap) policy with Original Medicare or are in a Medicare Advantage Plan (like an HMO or PPO), your costs may be different or you may have additional coverage.

6. The Renaissance at Midway (Chicago, IL) opened on June 5, 2000 and at the end of 2002 had 232 occupied beds. Over this 30 month time frame, this is an absorption rate of **7.7 beds per month**.
7. The Pavilion of Forest Park (Forest Park, IL) was built in 1998/99 and its 2001 Medicaid Cost Reports shows an average occupancy of 159 beds. So in roughly 2 years, this SNF had an absorption rate of **6.6 beds per month**.
8. The 156-bed Renaissance at Hillside (Hillside, IL) was built in 1996 and reportedly reached 80% occupancy after 18 months. This equates to an absorption rate of **6.9 beds per month**.
9. St. Joseph Village SNF in the Chicago Lakeview neighborhood opened 54 SNF beds which was an addition to their CCRC in January 2006. In July 31, 2006 there were about 26 beds occupied (87% occupancy) for an absorption of **3.7 beds per month**. As of July 31, 2007, a year later, there were 52 beds occupied for an absorption of **2.7 beds per month**.

The data indicate absorption rates from 2.2 to 13.7 beds per month. Data 1 and 2 are the best comparables as they are both new SNFs in similar Chicago suburban areas and are the most recent data. These two data had absorption rates of 3.8 and 4.1 beds per month respectively and **so we select an absorption rate of 4 beds per month for the subject.**

Our client provided the following pro forma which shows the projected income as well as occupancy and absorption estimates. We note that this is a dated pro forma that is several years old and that our client suggested a current average private pay rate of \$310 per day.

**REVENUE - SNF**

South Egin Healthcare & Rehabilitation Center  
 Projected Revenue - Operator

	Month 1	Month 2	Month 3	Month 4	Month 5	Month 6	Month 7	Month 8	Month 9	Month 10	Month 11	Month 12
<b>Beds Available</b>	120	120	120	120	120	120	120	120	120	120	120	120
<b>Days</b>	365	30.42	30.42	30.42	30.42	30.42	30.42	30.42	30.42	30.42	30.42	30.42
<b>Patient Per Day:</b>												
Semi Private	3.00	6.00	6.00	6.00	6.00	6.00	6.00	6.00	6.00	6.00	6.00	6.00
Private	3.00	8.00	9.00	12.00	14.00	14.00	14.00	14.00	16.00	16.00	18.00	16.00
Medicaid	5.00	10.00	15.00	20.00	25.00	30.00	30.00	30.00	44.00	50.00	50.00	50.00
Medicare	30.00	0.00	15.00	20.00	25.00	30.00	30.00	30.00	30.00	30.00	30.00	30.00
<b>Total</b>	108.00	16.00	45.00	59.00	70.00	80.00	85.00	85.00	96.00	97.00	102.00	108.00
<b>Patient Days by Payer:</b>												
Semi Private	2,190	182.50	182.50	182.50	182.50	182.50	182.50	182.50	182.50	182.50	182.50	182.50
Private	5,440	182.50	213.75	365.00	425.83	425.83	425.83	425.83	486.67	486.67	486.67	486.67
Medicaid	20,440	152.08	304.17	456.25	608.33	760.42	1,064.58	1,064.58	1,338.33	1,338.33	1,338.33	1,338.33
Medicare	10,950	152.08	304.17	456.25	608.33	760.42	912.50	912.50	912.50	912.50	912.50	912.50
<b>Total</b>	39,420	486.67	843.50	1,199.00	1,376.88	1,376.88	2,585.42	2,585.42	2,920.00	2,920.00	3,102.50	3,102.50
<b>Occupancy</b>	90.00%	13.33%	26.67%	48.33%	58.33%	68.67%	70.83%	76.67%	80.00%	80.83%	85.00%	90.00%
<b>Rates By Payer:</b>												
Semi Private	\$ 225.00	\$ 225.00	\$ 225.00	\$ 225.00	\$ 225.00	\$ 225.00	\$ 225.00	\$ 225.00	\$ 225.00	\$ 225.00	\$ 225.00	\$ 225.00
Private	\$ 300.00	\$ 500.00	\$ 300.00	\$ 300.00	\$ 300.00	\$ 300.00	\$ 300.00	\$ 300.00	\$ 300.00	\$ 300.00	\$ 300.00	\$ 300.00
Medicaid	\$ 158.00	\$ 158.00	\$ 158.00	\$ 158.00	\$ 158.00	\$ 158.00	\$ 158.00	\$ 158.00	\$ 158.00	\$ 158.00	\$ 158.00	\$ 158.00
Medicare	\$ 485.00	\$ 485.00	\$ 485.00	\$ 485.00	\$ 485.00	\$ 485.00	\$ 485.00	\$ 485.00	\$ 485.00	\$ 485.00	\$ 485.00	\$ 485.00
<b>Revenue:</b>	\$ 492,750.00	\$ 20,531.25	\$ 41,062.50	\$ 41,062.50	\$ 41,062.50	\$ 41,062.50	\$ 41,062.50	\$ 41,062.50	\$ 41,062.50	\$ 41,062.50	\$ 41,062.50	\$ 41,062.50
Private	\$ 1,752,000.00	\$ 27,375.00	\$ 54,750.00	\$ 109,500.00	\$ 127,750.00	\$ 127,750.00	\$ 127,750.00	\$ 127,750.00	\$ 146,000.00	\$ 146,000.00	\$ 146,000.00	\$ 146,000.00
Medicaid	\$ 3,229,500.00	\$ 24,026.17	\$ 43,038.33	\$ 58,116.67	\$ 73,145.83	\$ 73,145.83	\$ 73,145.83	\$ 73,145.83	\$ 73,145.83	\$ 73,145.83	\$ 73,145.83	\$ 73,145.83
Medicare	\$ 5,510,750.00	\$ 7,160.42	\$ 14,320.83	\$ 21,481.25	\$ 27,090.67	\$ 34,250.83	\$ 42,311.17	\$ 42,311.17	\$ 42,311.17	\$ 42,311.17	\$ 42,311.17	\$ 42,311.17
<b>Total Routine Services</b>	\$ 10,785,025.00	\$ 445,095.83	\$ 891,391.67	\$ 1,116,586.25	\$ 1,341,700.83	\$ 1,341,700.83	\$ 1,341,700.83	\$ 1,341,700.83	\$ 1,341,700.83	\$ 1,341,700.83	\$ 1,341,700.83	\$ 1,341,700.83
<b>Other Medical Income</b>												
Part B Income	\$ 24,162.00	\$ 3,000.00	\$ 3,000.00	\$ 3,000.00	\$ 3,000.00	\$ 3,000.00	\$ 3,000.00	\$ 3,000.00	\$ 3,000.00	\$ 3,000.00	\$ 3,000.00	\$ 3,000.00
Other Income/Misc	\$ 12,000.00	\$ 971.85	\$ 971.85	\$ 971.85	\$ 971.85	\$ 971.85	\$ 971.85	\$ 971.85	\$ 971.85	\$ 971.85	\$ 971.85	\$ 971.85
<b>Total Other Income</b>	\$ 12,000.00	\$ 971.85	\$ 971.85	\$ 971.85	\$ 971.85	\$ 971.85	\$ 971.85	\$ 971.85	\$ 971.85	\$ 971.85	\$ 971.85	\$ 971.85
<b>Total Income</b>	\$ 11,028,182.00	\$ 177,067.68	\$ 325,363.52	\$ 450,528.10	\$ 575,692.68	\$ 704,115.22	\$ 801,904.80	\$ 825,933.97	\$ 887,416.47	\$ 892,242.30	\$ 918,271.47	\$ 969,725.52

The developer's pro-forma indicates a 90% stabilized occupancy (108 beds) with a 12-month absorption period (9 beds per month).

The following is the summary of our occupancy and census mix conclusions. Reputation and quality of nursing care are critical to the success of NFs but the market still is drawn by new buildings with modern amenities. We project a stabilized occupancy above the PMA average at 93.6% (112 occupied beds). For the absorption rate, the two best comps are #1 and #2 which are new Illinois SNFs with initial absorption rates of 3.8 and 4.1 beds per month.

- ❖ We project an absorption rate at the average of the two best comps at 4 beds per month to our stabilized occupancy as follows:

Subject's Absorption Calculation	
Absorption Rate Estimate	4 beds per month
Projected Occupancy	112.3 beds
#months to stabilized occupancy	28.07 months
Rounded	28.00
Estimated completion of construction	10/1/2016
Estimated stabilized date	2/1/2019

The absorption statistics indicate that the subject could reach stabilized occupancy before the end of 2020; which is likely given the new construction and good location in the preferable southeastern section of the PMA.

#### **Subject's Census Mix Conclusion and Effect on PMA Comparables Census Mixes**

The preceding discussion focused on projecting overall occupancies. The next step is to project census mixes.

The following is our projection of the PMA occupancies and census breakdown, including the subject as complete and stabilized - with analysis to follow.

PRIMARY MARKET AREA: Projected 2020 Census Mix & Occupancy																																																		
Facility Name & Location # Medicaid and Medicare?	Effective Beds Licensed Beds	Occupied Beds % Occupancy	# Medicaid % of Total	# Private Pay % of Total	# Medicare % of Total	# Insurance % of Total	# Other % of Total	Source Date																																										
1 South Elgin Rehab & HCC 746 West Spring St., South Elgin, IL Medicaid & Medicare	80 90	70 88.1%	66 93%	2 3%	2.89 4%	- 0%	- 0%	CVG Projections																																										
					Quality Mix = 7%																																													
2 Tower Hill HCC 759 Kane Street, South Elgin, IL Medicaid & Medicare	206 206	188 91.2%	139 74%	32 17%	17 9%	- 0%	- 0%	CVG Projections																																										
					Quality Mix = 26%																																													
3 ManorCare of Elgin 180 S State St, Elgin, IL Medicaid & Medicare	85 88	73 85.4%	48 67%	2 3%	13 17%	10 13%	- 0%	CVG Projections																																										
					Quality Mix = 33%																																													
4 Heritage Health Elgin 355 Raymond Street, Elgin, IL Medicaid & Medicare	94 94	78 83.1%	65 84%	4 5%	5 6%	4 5%	- 0%	CVG Projections																																										
					Quality Mix = 16%																																													
5 Sherman West Court 1950 Larkin Ave., Elgin, IL Medicaid & Medicare	112 112	67 59.7%	5 8%	16 24%	45 68%	- 0%	- 0%	CVG Projections																																										
					Quality Mix = 92%																																													
6 River View RC 50 North Jane, Elgin, IL Medicaid & Medicare	203 203	185 91.3%	171 93%	6 3%	8 4%	- 0%	- 0%	CVG Projections																																										
					Quality Mix = 7%																																													
7 Arba CC of Elgin 134 N. McLean Blvd., Elgin, IL Medicaid & Medicare	99 102	72 72.7%	58 81%	3 4%	10 14%	1 1%	- 0%	CVG Projections																																										
					Quality Mix = 19%																																													
8 Assisi HC of Clare Oaks 829 Carillon Dr., Bartlett, IL Medicaid & Medicare	120 120	90 75.0%	17 19%	32 35%	36 40%	4 4%	1 1%	CVG Projections																																										
					Quality Mix = 80%																																													
9 Proposed Subject 25 & Middle, South Elgin, IL Medicaid & Medicare	120 120	112 93.6%	47.5 42%	22.2 20%	37.7 34%	4.9 4%	- 0%	CVG Projections																																										
					Quality Mix = 58%																																													
<table border="1"> <thead> <tr> <th>Effective Beds</th> <th>Occupied Beds</th> <th># Medicaid</th> <th># Private Pay</th> <th># Medicare</th> <th># Insurance</th> <th># Other</th> </tr> <tr> <th>Licensed Beds</th> <th>% Occupancy</th> <th>% of Total</th> <th>% of Total</th> <th>% of Total</th> <th>% of Total</th> <th>% of Total</th> </tr> </thead> <tbody> <tr> <td>1,119</td> <td>935.5</td> <td>619</td> <td>118</td> <td>175</td> <td>23</td> <td>1</td> </tr> <tr> <td>1,135</td> <td>83.6%</td> <td>66%</td> <td>13%</td> <td>19%</td> <td>2%</td> <td>0%</td> </tr> <tr> <td colspan="2">PMA Vacancy =</td> <td colspan="2">16.4%</td> <td colspan="2">Quality Mix =</td> <td colspan="1">31%</td> </tr> <tr> <td colspan="2">Unused Beds =</td> <td colspan="2">16</td> <td colspan="3"></td> </tr> </tbody> </table>									Effective Beds	Occupied Beds	# Medicaid	# Private Pay	# Medicare	# Insurance	# Other	Licensed Beds	% Occupancy	% of Total	% of Total	% of Total	% of Total	% of Total	1,119	935.5	619	118	175	23	1	1,135	83.6%	66%	13%	19%	2%	0%	PMA Vacancy =		16.4%		Quality Mix =		31%	Unused Beds =		16				
Effective Beds	Occupied Beds	# Medicaid	# Private Pay	# Medicare	# Insurance	# Other																																												
Licensed Beds	% Occupancy	% of Total	% of Total	% of Total	% of Total	% of Total																																												
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PMA Vacancy =		16.4%		Quality Mix =		31%																																												
Unused Beds =		16																																																
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Medicare and Managed Care Demand (M<sup>2</sup>) and Census Conclusions

In order to test how the subject's proposed census mix will affect the PMA comparables' census mixes, we examine future M<sup>2</sup> (Medicare plus Managed Care) demand in the PMA. Based on the amount of demand for M<sup>2</sup>, a new SNF may or may not affect the census mixes of the other SNFs in the PMA.

The following shows the M<sup>2</sup> census in the subject PMA.



Primary Market Area Survey - Census Mix & Occupancy			
#	Facility Name & Location # Medicaid and Medicare?	Effective Beds	Occupied Beds
		Licensed Beds	% Occupancy
		M2	
1	South Elgin Rehab & HCC 746 West Spring St., South Elgin, IL Medicaid & Medicare	80 90	73 91.3%
2	Tower Hill HCC 759 Kane Street, South Elgin, IL Medicaid & Medicare	206 206	189 91.7%
3	ManorCare of Elgin 180 S State St, Elgin, IL Medicaid & Medicare	85 88	75 88.2%
4	Heritage Health Elgin 355 Raymond Street, Elgin, IL Medicaid & Medicare	94 94	80 85.1%
5	Sherman West Court 1950 Larkin Ave., Elgin, IL Medicaid & Medicare	112 112	74 66.1%
6	River View RC 50 North Jane, Elgin, IL Medicaid & Medicare	203 203	187 91.9%
7	Arba CC of Elgin 134 N. McLean Blvd., Elgin, IL Medicaid & Medicare	99 102	83 83.8%
8	Assisi HC of Clare Oaks 829 Carillon Dr., Bartlett, IL Medicaid & Medicare	120 120	95 79.4%
		Effective Beds Licensed Beds	Occupied Beds % Occupancy
		999 1,015	856 85.7%
		#M2 % of Total	
		165 19%	

To compare M<sup>2</sup> demand from area to area, we track the number of occupied M<sup>2</sup> beds as compared to the total age 65+ households in a given market to arrive at a "M<sup>2</sup> capture rate". From our research, this capture rate has ranged from 0.5% to 5% in many markets. Our current survey of the PMA indicates that there are 165 occupied M<sup>2</sup> beds in the PMA, which equates to 1.02% of the 16,170 PMA population in 2015 that are age 65+. In 2020, the PMA households age 65+ are projected to increase to 20,005, so we project the same 1.02% capture rate, which results in 204 occupied M<sup>2</sup> beds (see following table). Our projected 2020 capture rate is at the current capture rate and within the range of other markets.

Medicare+ Managed Care (M <sup>2</sup> ) Demand	
2015 Age 65+ Population	16,170
Current PMA Occupied M2 Beds	165
Capture Rate	1.02%
2020 Age 65+ Population	20,005
Capture Rate	1.02%
Projected 2020 Occupied M2 Beds	204
<b>Net Demand Increase or (Decrease)</b>	<b>39</b>

The PMA M<sup>2</sup> census is then expected to increase by 39 beds in 2020, up to a total of 204 beds which is consistent with our PMA projections of 198 beds. The subject M<sup>2</sup> census is projected at a total of 42.5 beds (37.7 Medicare + 4.9 Insurance). Our projected census is based on both the current PMA comps which have a higher quality mix as well as the two new construction SNFs used earlier (Claremont and Shorewood). When supply and demand are in balance, we would use the same census mix ratios for the before and after scenarios. In the subject PMA, we estimate new demand for 39 M<sup>2</sup> beds; however, we project a total of 42.5 M<sup>2</sup> beds for the subject based on comparables as well as the subject's location and new construction. To test the reasonableness of this conclusion we look to the two recently constructed SNF comparables shown earlier.

The **Claremont of Hanover Park** opened January 2011. In order to determine the effects of this new SNF on M<sup>2</sup> census, we examined the Illinois Department of Public Health (IDPH) facility profiles for all the SNFs in its PMA as of year-end 2010 (before construction of the Claremont) and compared that to the IDPH profiles for year-end 2012 (after completion and stabilization).

Claremont of Hanover Park Net Gain/Loss to PMA SNFs from 2010 to 2012								
#	Facility Name & Location # Medicaid and Medicare?	Effective Beds Licensed Beds	Occupied Beds % Occupancy	# Medicaid % of Total	# Private Pay % of Total	# Medicare % of Total	# Insurance % of Total	% Gain/Loss Market M <sup>2</sup> Share
1	Claremont of Hanover Park 2000 W. Lake Street, Hanover Park, IL Medicaid & Medicare	100 100	84 83.7%	7 8%	5 6%	57 68%	15 18%	22.4%
						Quality Mix = 74%		
2	Alden-Poplar Creek Rehab and Care SNF 1545 Barrington Road, Hoffman Estates, IL Medicaid & Medicare	131 131	11 -3.4%	11 2%	1 0%	(4) -3%	3 1%	-2.9%
						Quality Mix = -3%		
3	Alden-Valley Ridge Rehab & Care SNF 275 East Army Trail Road, Bloomingdale, IL Medicaid & Medicare	120 120	(24) -11.4%	(20) -1%	(3) 0%	(1) 1%	(0) 0%	-1.7%
						Quality Mix = 1%		
4	Friendship Village SNF 350 West Schaumburg Road, Schaumburg, IL Medicaid & Medicare	87 87	(24) -9.7%	(18) -5%	(3) 4%	(4) 0%	- 0%	-4.1%
						Quality Mix = 5%		
5	Manor Care SNF- Elk Grove Village 1920 Nerge Road, Elk Grove Village, IL Medicaid & Medicare	214 214	(11) -1.7%	(1) 2%	(11) -6%	(3) 1%	4 3%	-5.7%
						Quality Mix = -5%		
6	West Suburban Care Center SNF 311 Edgewater Drive, Bloomingdale, IL Medicaid & Medicare	203 203	9 -2.4%	16 5%	(5) -3%	(4) -3%	2 1%	-2.5%
						Quality Mix = -6%		
7	Assisi Health Care Center @ Clair Oaks 829 Carillon Drive, Bartlett, IL Medicaid & Medicare	176 176	13 12.0%	4 2%	16 14%	(4) -11%	(3) -4%	-5.5%
						Quality Mix = 3%		
<b>Totals:</b>		<b>Effective Beds</b> 1,031	<b>Occupied Beds</b> 57 -4.1%	<b># Medicaid</b> (1) -3%	<b># Private Pay</b> 1 -1%	<b># Medicare</b> 37 2%	<b># Insurance</b> 20 2%	<b>% Gain/Loss Market</b> M <sup>2</sup> Share -3.7%
						Quality Mix = 3%		

On average, the pre-existing PMA comparables lost 2.5% of their Medicare census mix and there was very little effect on the Insurance census. The change in Medicare census ranged from -11% to +1%, with an overall loss of 14.8 beds to the pre-existing comparables. The average loss to the pre-existing SNFs in M<sup>2</sup> overall market share was 3.7%.

The **Alden Estates of Shorewood** opened March 2012. In order to determine the effects of this new SNF on M<sup>2</sup> census, we examined the Illinois Department of Public Health (IDPH) facility profiles for all the SNFs in its PMA as of year-end 2011 (before construction of the Alden Estates of Shorewood) and compared that to the IDPH profiles for year-end 2013 (as complete and stabilized).

Alden Estates of Shorewood Net Gain/Loss to PMA SNFs 2011-2013								
#	Facility Name & Location Medicaid and Medicare?	Effective Beds Licensed Beds	Occupied Beds % Occupancy	# Medicaid % of Total	# Private Pay % of Total	# Medicare % of Total	# Insurance % of Total	% Gain/Loss M <sup>2</sup> Share
1	Alden Estates of Shorewood 710 W. Black Rd., Shorewood, IL Medicaid & Medicare	100 100	62 62.3%	5 7%	1 1%	51 82%	6 9%	22.9%
						Quality Mix =	84%	
2	Lakewood Nursing & Rehab 14718 S. Eastern Ave., Plainfield, IL Medicaid & Medicare	131 131	2 1.6%	1 0%	(3) -2%	3 2%	0 0%	-1.1%
						Quality Mix =	0%	
3	Rosewood Care Center 3401 Hennepin Dr., Joliet, IL Medicaid & Medicare	120 120	6 5.0%	9 9%	5 3%	(8) -12%	(0) 0%	-7.0%
						Quality Mix =	-8%	
4	Our Lady of Angels 1201 Wyoming Ave., Joliet, IL Medicaid & Medicare	87 87	(8) -8.7%	(9) -7%	0 4%	1 3%	- 0%	-0.6%
						Quality Mix =	7%	
5	Symphony of Joliet (Deerbrook) 306 N. Larkin Ave., Joliet, IL Medicaid & Medicare	214 214	2 1.0%	1 -1%	1 1%	(0) 0%	0 0%	-2.3%
						Quality Mix =	0%	
6	Parc at Joliet (Fairview) 222 N. Hammes, Joliet, IL Medicaid & Medicare	203 203	30 14.8%	26 2%	3 1%	4 -1%	(2) -2%	-1.5%
						Quality Mix =	-1%	
7	Presense Villa Franciscan 210 N. Springfield, Joliet, IL Medicaid & Medicare	176 176	(31) -17.9%	(13) -1%	(8) -2%	(12) 1%	1 2%	-10.3%
						Quality Mix =	-1%	
<b>Totals:</b>		<b>Effective Beds</b> 1,031	<b>Occupied Beds</b> 64 -1.6%	<b># Medicaid</b> 19 -2%	<b># Private Pay</b> (0) -1%	<b># Medicare</b> 39 3%	<b># Insurance</b> 6 1%	<b>% Gain/Loss</b> M <sup>2</sup> Share -3.8%
						Quality Mix =	1%	
<b>Alden of Shorewood Average Comps Gain/Loss % by census type</b>				<b>0.3%</b>	<b>0.8%</b>	<b>-1.1%</b>	<b>0.0%</b>	

On average, the pre-existing PMA comparables lost 1.1% of their Medicare census mix, and there was no effect on the Insurance census. The change in Medicare census ranged from -12% to +3%. The average loss in total M<sup>2</sup> market share was 3.8% with a loss of 12.3 beds to the pre-existing SNFs.

*Subject Conclusion*

Our M<sup>2</sup> census and demand conclusions indicate that the subject will take beds away from the PMA comparables in order to reach the projected census mix. The two comparables presented show in both cases that M<sup>2</sup> share and Medicare beds were reduced in the existing comparables. The comparables most affected were those that already had a high M<sup>2</sup> mix. The Medicare census mix is the most affected by the new SNF in the market; but, insurance census is only minimally affected.

After completion and stabilization of the subject with a M<sup>2</sup> mix of 42.5 beds (37.9% of total), the subject PMA pre-existing comps' overall average loss in M<sup>2</sup> market share is 2.7% as follows:

<b>PRIMARY MARKET AREA: Projected 2020 Census Mix &amp; Occupancy</b>			
<b>Facility Name &amp; Location # Medicaid and Medicare?</b>	<b>M<sup>2</sup> Share at Stabilization</b>	<b>M<sup>2</sup> Share Current</b>	<b>% Gain/Loss M<sup>2</sup> Share</b>
1 South Elgin Rehab & HCC 746 West Spring St., South Elgin, IL Medicaid & Medicare	1.5%	1.8%	-0.4%
2 Tower Hill HCC 759 Kane Street, South Elgin, IL Medicaid & Medicare	8.5%	10.3%	-1.7%
3 ManorCare of Elgin 180 S State St, Elgin, IL Medicaid & Medicare	11.3%	13.9%	-2.7%
4 Heritage Health Elgin 355 Raymond Street, Elgin, IL Medicaid & Medicare	4.4%	5.4%	-1.0%
5 Sherman West Court 1950 Larkin Ave., Elgin, IL Medicaid & Medicare	22.8%	30.3%	-7.4%
6 River View RC 50 North Jane, Elgin, IL Medicaid & Medicare	4.0%	4.8%	-0.8%
7 Arba CC of Elgin 134 N. McLean Blvd., Elgin, IL Medicaid & Medicare	5.7%	7.9%	-2.2%
8 Assisi HC of Clare Oaks 829 Carillon Dr., Bartlett, IL Medicaid & Medicare	20.2%	25.6%	-5.4%
9 Proposed Subject 25 & Middle, South Elgin, IL Medicaid & Medicare	21.5%	0.0%	21.5%
			<b>Average Loss to comps</b>
			<b>-2.7%</b>

Our projected average loss to pre-existing comparables is lower than that of the Alden Estates of Shorewood (-3.8%) and Claremont of Hanover Park (-3.7%). This is a conservative projection due to the 120-bed (Addison Rehab & Living Center) facility under construction roughly 2 miles north of the PMA northern boundary and 6.5 miles northwest of the subject (20 minute drive time). It is located at 1750 Capital Street in Elgin just south of the I-90 expressway and just west of Randall Road. An opening date has yet to be announced. This facility will focus on northern Elgin, West Dundee and Carpentersville. It was excluded from our supply and demand analysis specifically because it will draw mostly from northern Elgin West Dundee and Carpentersville.

In our final analysis, the projected M<sup>2</sup> census for the PMA after the subject is complete and stabilized is 198 beds (175 Medicare + 23 insurance). In our demand analysis for M<sup>2</sup> based on the capture rate we estimated demand of 204 beds, indicating our projections are conservative.

### Medicare Census – Conclusion

Providers see Medicare as a better profit potential than Medicaid and are emphasizing this care. We are aware of no specific statistic that estimates Medicare demand, which is generally driven by a random event/injury and does not require long-term care. The Medicare census is volatile as it is a short-term resident profile – residents typically stay fewer than two weeks for short-term rehab.

The best Medicare census comparables for the subject are Data 2 (Tower Hill HCC), Data 3 (ManorCare of Elgin), Data 5 (Sherman West Court) and Data 8 (Assisi HC of Clare Oaks). These comparables are mostly new or newly rehabbed buildings which have the highest quality mixes and therefore are considered to be the best comparables to the subject. They are the most similar to the proposed subject for the following reasons:

- Data 2, Tower Hill, is similarly located in South Elgin and is one of the newer facilities built in 1994. It has a high private pay mix and Medicare mix.
- Data 3, ManorCare of Elgin, has a good reputation with consistently high Medicare and Insurance census and a general focus on M<sup>2</sup>. The building is in good condition as it is well maintained and went through a renovation in 2003.
- Data 5, Sherman West Court, has a very good location on the St. Joseph Hospital Campus and has an M<sup>2</sup> focus. The building was built in 1990 and is in good condition.
- Data 8, Assisi HC at Clare Oaks, is located just a few miles east of the subject on Bartlett Road (aka Middle Street) and is the most recently constructed SNF in the PMA. It is also a good comparable as it has an attached ALF, ALZ and ILF and the subject will also offer a continuum of care.

The other SNFs in the PMA have a Medicaid focus and are older and are not good indicators of the current and historical demand for Medicare in the PMA.

The best indicator for Medicare demand in an area is the recent past history of occupied Medicare beds. The Medicare census is volatile as it is a short-term resident profile – residents typically stay less than two weeks for short-term rehab. As such, we focus more on annual averages than one-day snapshots of census.

PMA Medicare Trends - Occupied Medicare Beds								
Facility Name	2012	Capture %	2013	Capture %	2014	Capture %	Current Survey	Capture %
1 South Elgin Rehab & HCC	7	5%	5	4%	7	5%	3	2%
2 Tower Hill HCC	19	13%	19	14%	17	13%	17	12%
3 ManorCare of Elgin	12	8%	13	9%	14	10%	13	9%
4 Heritage Health Elgin	10	7%	10	7%	7	5%	5	3%
5 Sherman West Court	38	26%	33	24%	37	27%	50	34%
6 River View RC	9	6%	8	6%	8	6%	8	5%
7 Arba CC of Elgin	10	7%	12	9%	9	7%	12	8%
8 Assisi HC of Clare Oaks	40	28%	40	28%	38	28%	38	26%
<b>Totals</b>	<b>144</b>	<b>100%</b>	<b>141</b>	<b>100%</b>	<b>138</b>	<b>100%</b>	<b>146</b>	<b>100%</b>

The trend above indicates that in general the Medicare census has not changed significantly over the past four years with the exception of Data 5 which has experienced a large increase in Medicare census. We focus on the current survey as we believe it best represents the market. The following is the Medicare census for the most comparable facilities in the PMA.

Primary Market Area Survey - Census Mix & Occupancy				
Facility Name & Location # Medicaid and Medicare?	Effective Beds Licensed Beds	Occupied Beds % Occupancy	# Medicare % of Total	Source Date
2 Tower Hill HCC 759 Kane Street, South Elgin, IL	206 206	189 91.7%	17 9%	CVG Survey 9/14/2015
3 ManorCare of Elgin 180 S State St, Elgin, IL	85 88	75 88.2%	13 17%	CVG Survey 7/9/2014
5 Sherman West Court 1950 Larkin Ave., Elgin, IL	112 112	74 66.1%	50 68%	CVG Survey 9/14/2014
8 Assisi HC of Clare Oaks 829 Carillon Dr., Bartlett, IL	120 120	95 79.4%	38 40%	2014 Medicaid Cost Report
<b>Average Comps 2, 3, 5 and 8</b>			<b>33.5%</b>	

The average Medicare mix of the best four comparables is 33.5% and we stabilize the subject's Medicare mix at this percentage. The two new occupancy and M<sup>2</sup> comparables, Claremont of Hanover Park and Alden Estates of Shorewood had much higher Medicare mixes of 67.6% and 82.5% respectively. This is a conservative projection due to the 120-bed (Addison Rehab & Living Center) facility under construction roughly 2 miles north of the PMA northern boundary and 6.5 miles northwest of the subject (20 minute drive time). It is located at 1750 Capital Street in Elgin just south of the I-90 expressway and just west of Randall Road. An opening date has yet to be announced. This facility will focus on northern Elgin, West Dundee and Carpentersville. It was excluded from our supply and demand analysis specifically because it will draw mostly from northern Elgin West Dundee and Carpentersville.

We stabilized the subject's Medicare census at the PMA average of 33.5% (37.7 beds). After completion and stabilization of the subject, the total Medicare census for the PMA is projected at 175 beds, an increase of 28 over the current amount of 146 beds.

#### Managed Care / Insurance Census Conclusion

We used the same analysis for Insurance census that we used for the Medicare census and focused only on the PMA SNFs which had a high quality mix as follows:

Primary Market Area Survey - Census Mix & Occupancy				
Facility Name & Location # Medicaid and Medicare?	Effective Beds Licensed Beds	Occupied Beds % Occupancy	# Insurance % of Total	Source Date
2 Tower Hill HCC 759 Kane Street, South Elgin, IL	206 206	189 91.7%	- 0%	CVG Survey 9/14/2015
3 ManorCare of Elgin 180 S State St, Elgin, IL	85 88	75 88.2%	10 13%	CVG Survey 7/9/2014
5 Sherman West Court 1950 Larkin Ave., Elgin, IL	112 112	74 66.1%	- 0%	CVG Survey 9/14/2014
8 Assisi HC of Clare Oaks 829 Carillon Dr., Bartlett, IL	120 120	95 79.4%	4 4%	2014 Medicaid Cost Report
<b>Average Comps 2, 3, 5 and 8</b>			<b>4.3%</b>	

The average Insurance mix of the four best comparables is 4.3%. The two new occupancy and M<sup>2</sup> comparables, Claremont of Hanover Park and Alden Estates of Shorewood had much higher insurance mixes of 18% and 8.8% respectively. This is a conservative projection due to the 120-bed (Addison Rehab & Living Center) facility under construction roughly 2 miles north of the PMA northern boundary and 6.5 miles northwest of the subject (20 minute drive time). It is located at 1750 Capital Street in Elgin just south of the I-90 expressway and just west of Randall Road. An opening date has yet to be announced. This facility will focus on northern Elgin, West Dundee and Carpentersville. It

was excluded from our supply and demand analysis specifically because it will draw mostly from northern Elgin West Dundee and Carpentersville.

We stabilized the subject's Insurance census at the PMA average of 4.3% (4.9 beds). After completion and stabilization of the subject, the total insurance census for the PMA is projected at 23 beds, an increase of 4 over the current amount of 19 beds.

### Private Pay Census – Conclusion

Primary Market Area Survey - Census Mix & Occupancy				
Facility Name & Location	Effective Beds	Occupied Beds	# Private Pay	Source
# Medicaid and Medicare?	Licensed Beds	% Occupancy	% of Total	Date
2 Tower Hill HCC 759 Kane Street, South Elgin, IL	206	189	32	CVG Survey 9/14/2015
	206	91.7%	17%	
3 ManorCare of Elgin 180 S State St, Elgin, IL	85	75	2	CVG Survey 7/9/2014
	88	88.2%	3%	
5 Sherman West Court 1950 Larkin Ave., Elgin, IL	112	74	18	CVG Survey 9/14/2014
	112	66.1%	24%	
8 Assisi HC of Clare Oaks 829 Carillon Dr., Bartlett, IL	120	95	34	2014 Medicaid Cost Report
	120	79.4%	35%	
<b>Average Comps 2, 3, 5 and 8</b>			<b>19.8%</b>	

The average private pay mix of the best four comparables is 19.8%.

The following is the historic private pay census trends.

PMA Insurance Trends - Occupied Private Pay Beds								
Facility Name	2012	Capture %	2013	Capture %	2014	Capture %	Current Survey	Capture %
1 South Elgin Rehab & HCC	8	6%	6	5%	5	5%	2	2%
2 Tower Hill HCC	56	42%	55	43%	29	27%	32	32%
3 ManorCare of Elgin	2	1%	2	2%	4	4%	2	2%
4 Heritage Health Elgin	8	6%	4	3%	9	8%	4	4%
5 Sherman West Court	26	19%	21	16%	17	16%	18	18%
6 River View RC	3	3%	4	3%	6	6%	6	6%
7 Arba CC of Elgin	4	3%	3	2%	3	3%	3	3%
8 Assisi HC of Clare Oaks	26	20%	33	26%	34	31%	34	33%
<b>Totals</b>	<b>133</b>	<b>78%</b>	<b>127</b>	<b>72%</b>	<b>107</b>	<b>66%</b>	<b>100</b>	<b>64%</b>

The PMA's private pay census has been consistently decreasing since 2012; however, this has been off-set somewhat by an increasing Medicare census. So focusing on the most recent survey is reasonable as it reflects the current lower overall private pay mix in the PMA. The current average private pay mix of the best four comparables is 19.8% and we stabilize at this amount for the subject which equates to 22.2 beds. As we don't have detailed information on the private pay occupancies by unit type, to be conservative we estimate half of the occupied private pay beds will be in 1-bed units and half in 2-bed units. The two new occupancy and M<sup>2</sup> comparables, Claremont of Hanover Park and Alden Estates of Shorewood have an M<sup>2</sup> focus and so have very limited private pay census.

The total PMA private pay occupancy after completion and stabilization of the subject is estimated at 118 beds. In order to test the reasonableness of our conclusion, we also look at the PMA demographics to confirm there is demand for

private pay census. The following tables present rent comps which support the \$310 average SNF rate as projected by our client.

Private Pay Rates			
#	Facility	1-bed	2-bed
	Subject Property (Developer Projections)	\$300	\$225
1	South Elgin Rehab & HCC	\$230	\$160
2	Tower Hill HCC	\$202	\$190
3	ManorCare of Elgin	\$323	\$288
4	Heritage Health Elgin	n/a	\$208
5	Sherman West Court	\$191	\$136
6	River View RC	\$185	\$135
7	Arba CC of Elgin	\$200	\$170
8	Assisi HC of Clare Oaks	\$332	\$317
	<b>Average</b>	<b>\$238</b>	<b>\$201</b>
	Average of Data 3 & 8	\$327	\$303
	<b>Rounded</b>	<b>\$325</b>	<b>\$300</b>
	Average	\$313	
	<b>Rounded</b>	<b>\$310</b>	

The best private pay rates comparables for the subject are Data 3, ManorCare of Elgin and Data 8, Assisi of Clare Oaks. The other data have lower private pay rates due to their inferior locations and inferior physical features. Data 3 and 8 have average private pay rates of \$327 per day for a 1-bed unit and \$303 per day for a 2-bed unit. As the subject will have both 1-bed and 2-bed units; we estimate the private pay rate of \$325 for a 1-bed unit and \$300 for a 2-bed unit. Assuming private pay occupancy at 50% in a 1-bed and 50% in a 2-bed unit the overall rate is \$310 per day. We use 1.97 as a multiplier of total income to be spent on long-term care. This is based on a \$60 per month allowance as even SNF residents want to keep at least a small portion of their income. For Illinois Medicaid the allowance is \$30 per month but this is considered too low for a private pay resident. The minimum annual required income for the subject's private pay residents can be calculated as follows:

SNF Income Requirement	
Daily Rent	\$310
+ Daily Personal Needs Allowance (\$60/month):	1.97
Total Daily Costs:	\$312
x # Days:	365
Annual Rent:	\$113,870
<b>Rounded:</b>	<b>\$114,000</b>

Therefore, we focus on the \$114,000+ income range as the primary trade population for private pay residents for the subject. However, some seniors with incomes between \$75,000 and \$149,999 can also be classified as "private pay spend-downs" – depleting assets to eventually qualify for Medicaid. Further, some seniors may be helped financially by their "adult children".

#### Income Qualified Households

The National Care Planning Council reports that 13.3% of SNF residents are 65-74, 25.7% are 75-84 and 51.5% are 85+; so, approximately 77% of SNF residents are 75+. The industry generally agrees that the average age of a SNF resident is 85 years. Therefore to estimate private pay demand we focus on households aged 75+.

The age 75+ potential residents of the PMA are further analyzed on the basis of income. The decision to move to a long-term care facility is typically driven by need rather than a lifestyle choice, so no distinction is made between renters and owners. Following is a breakdown of the age 75+ households in the PMA by income level.



Household Income Brackets - PMA					
Household Income Households Age 75+	2015 Estimate		2020 Projection		Annual Change
	# HH	% of Total	# HH	% of Total	2015-2020
<\$15,000	384	12%	436	11%	2.71%
\$15,000-\$24,999	378	12%	345	9%	-1.75%
\$25,000-\$34,999	480	15%	475	12%	-0.21%
\$35,000-\$49,999	632	20%	758	19%	3.99%
\$50,000-\$74,999	778	24%	962	25%	4.73%
\$75,000-\$99,999	245	8%	391	10%	11.92%
\$100,000-\$149,999	207	6%	344	9%	13.24%
\$150,000-\$199,999	60	2%	119	3%	19.67%
\$200,000+	53	2%	95	2%	15.85%
<b>Total</b>	<b>3,217</b>	<b>100%</b>	<b>3,925</b>	<b>100%</b>	<b>4.40%</b>
Source: STDB		% Change 2015-2020:		22.0%	
CVG#1024B					

The income brackets of \$75,000 and above are expected to increase by the greatest percentage. There will be 238 more households in the Age 75+ income brackets of \$100,000+ over the next five years.

The total PMA private pay occupancy after completion and stabilization of the subject is estimated at 118 beds, which is an increase of 18 beds over the current amount of 100 beds. To determine if the PMA can support a private pay census of 118 beds, we focus on the current capture rate for age 75+ HH earning \$114,000+ and compare that to the number in 2020. The indicated current capture rate for private pay beds is 38.34%. We then apply this rate to the age and income qualifying households in 2020 to arrive at an estimate for private pay bed demand.

Private Pay Age 75+ Income Qualified Households	
2015 HH Aged 75+, \$114,000 +	262
Current PMA Occupied Private pay beds	100
Capture Rate	38.34%
2020 HH Aged 75+, \$114,000 +	462
Capture Rate	38.34%
Projected 2020 Occupied Private pay beds	177
Net Demand Increase or (Decrease)	77

The demand above indicates 177 private pay beds demand in 2020, 77 more than the current amount. So our estimated future private pay census of 118 beds for the PMA, including 22 beds for the subject, is considered conservative and supportable.

### **Medicaid Census – Conclusion**

**Medicaid** refers to the jointly funded, federal-state health insurance program for certain low-income people. The Medicaid census can often simply be a residual calculation after all the other census types are projected. The residual calculation for the subject is 42.3% (47.5 beds). We focus again on the four best comparables which average 42.1%, the 0.2% difference is due to Data 8 which takes charity census.

Primary Market Area Survey - Census Mix & Occupancy				
Facility Name & Location # Medicaid and Medicare?	Effective Beds Licensed Beds	Occupied Beds % Occupancy	# Medicaid % of Total	Source Date
2 Tower Hill HCC 759 Kane Street, South Elgin, IL	206 206	189 91.7%	140 74%	CVG Survey 9/14/2015
3 ManorCare of Elgin 180 S State St, Elgin, IL	85 88	75 88.2%	50 67%	CVG Survey 7/9/2014
5 Sherman West Court 1950 Larkin Ave., Elgin, IL	112 112	74 66.1%	6 8%	CVG Survey 9/14/2014
8 Assisi HC of Clare Oaks 829 Carillon Dr., Bartlett, IL	120 120	95 79.4%	18 19%	2014 Medicaid Cost Report
<b>Average Comps 2, 3, 5 and 8</b>			<b>42.1%</b>	

After completion and stabilization of the subject, the PMA will have a projected 619 Medicaid beds, up 29 from the current amount of 589. In order to test the reasonableness of our conclusion we also look at the PMA demographics to confirm there is demand for Medicaid census. To see if the PMA can support a Medicaid census of 619 beds we focus on the current capture rate for the age and income qualifying households, and compare that to the number in 2020. The primary trade population for Medicaid residents is typically the cohort with incomes below \$25,000. The potential base is likely higher due to residents "paying down" their assets to become eligible for Medicaid. To account for this, we add 50% of the \$25,000 to \$49,999 cohort.

Similar to the private pay demand, as the *average* age of a SNF resident is 85, we analyze the household income for the age 75+ cohort. The indicated current capture rate for Medicaid beds is 44.7%. We then apply this rate to the age and income qualifying households in 2020 to arrive at an estimate for Medicaid bed demand. We estimated the future Medicaid demand as follows:

Medicaid Age 75+ Income Qualified Households	
2015 Age 75+ Households <\$25,000	762
+ 50% 2015 75+ HH \$25,000-\$49,999	556
Total qualifying HH	1,318
Current PMA Occupied Medicaid beds	589
Capture Rate	44.70%
2020 Age 75+ Households <\$25,000	781
+ 50% 2020 75+ HH \$35,000-\$49,999	617
Total qualifying HH	1,398
Capture Rate	44.70%
Projected 2020 Occupied Medicaid	625
Net Demand Increase or (Decrease)	36

The demand above indicates 625 Medicaid beds in 2020, so our estimated future Medicaid census of 619 beds for the PMA, including 47.5 beds for the subject is supportable.

- **Market Study Conclusion:** The proposed SNF and the projected occupancy and census mix are appropriate for and supportable by the Primary Market Area.

## MARKET ANALYSIS - ASSISTED LIVING FACILITY- ALF & ALZ

### Current Inventory & Supply

A standard ALF concentrates on long-term care for geriatric residents needing assistance with activities of daily living but not skilled care or memory care. Only standard assisted living facilities (licensed ALFs/SCFs/SLFs) are considered to represent direct competition.

Memory care ALFs (ALZ) concentrate on long-term care for geriatric residents needing assistance with activities of daily living including memory care. Only memory care assisted living facilities (licensed ALFs/SCFs/SLFs) are considered to represent direct competition.

The remaining long-term care facility types (SNFs and ILFs) are considered secondary/alternative (indirect) choices available to the market.

We surveyed 7 ALFs/ALZs in the PMA, and of these, 5 have standard assisted living units and 2 have ALZ beds. There are 2 stand-alone ALZs which do not offer any standard AL. Representatives of each of the properties participated in our survey. The results of our survey are presented in the following pages:

SUPPLY: "Standard" Assisted Living (ALFs, SCFs, SLFs)									
Facility Name & Location # Units Year Built # CCRC/SNF/IL on site?	# Available Units	Unit Type	# Occupied Units	2nd Person Fee	Occupancy %	Additional Services Rates	Average Monthly	Base	Services Provided
	Census Mix	Community Fee	# Couples	Rate Increase	Unit SF	Base Rates	Base	Rate PSF	Survey Date
Primary Market Area (PMA)									
1 Heritage Woods of South Elgin SLF 700 S. McLean Blvd. South Elgin, IL Built 2008 and 2012 MC attached (32 units) Wait list has 4 Private and 6 Medicaid	150	Studio	66	308		\$4,050	\$13.15	Meals Per Day	3
	150	1BR	84	485		\$4,550	\$9.38	ADLS Included?	All
	100%	2nd Person Fee				\$900		Util./Hskp. Incl?	Yes
	Private Pay	Medicaid Rate Studio or 1BR				\$2,416		Laundry Included	Yes
	37	Additional ADLs assistance (add to base rate)						CVG Survey Date	9/16/2015
	25%	None							
	Medicaid	Security Deposit - No					1/2 month rent		
	113	Last Rate Increase - 6%					Oct-15		
75%	Avg Private Pay Rate					\$4,330			
4									
10									
2 The Vines Senior Living SCF 971 Bode Road Elgin, IL Built 1972 Adding 12 studios	39	Studio 1/2 Bath	3	330		\$4,800	\$14.55	Meals Per Day	3
	39	Shared Studio 1/2 bath	19	330		\$4,800	\$14.55	ADLS Included?	All
	100%	Additional ADLs assistance (add to base rate)						Util./Hskp. Incl?	Yes
	Private Pay	Incontinence Care				\$250		Laundry Included	Yes
	39	2nd Person Fee				N/Av		CVG Survey Date	9/10/2015
	100%	Community Fee				N/Av			
	Medicaid	Last Rate Increase				N/Av			
	0	Average Rate					\$4,800		
0%									
0									
2									
3 Sunset Haven ALF 361 Alfred Street Elgin, IL Single Family home built 1950s converted to ALF in 2006	7	Bedroom No Bath	6	N/av		N/Av		Meals Per Day	3.00
	6	Bedroom With bath	7	N/av		N/Av		ADLS Included?	All
	86%	Rates based on level of care needed						Util./Hskp. Incl?	Yes
	Private Pay	2nd Person Fee				N/Av		Laundry Included	Yes
	6	Community Fee				No		CVG Survey Date	9/10/2015
	100%	Last Rate Increase				N/Av			
	Medicaid								
	0								
0%									
0									
0									
4 Clare Oaks ALF 829 Carillon Drive Bartlett, IL Built 2008 CCRC	17	1BR	16	500		\$5,795	\$11.59	Meals Per Day	3.00
	15	2BR	1	750		\$5,795	\$7.73	ADLS Included?	Some
	88%	2nd Person Fee						Util./Hskp. Incl?	Yes
	Private Pay	Additional ADLs assistance (add to base rate)						Laundry Included	Yes
	15	Level 2				\$455		CVG Survey Date	9/17/2015
	100%	Level 3				\$782			
	Medicaid	Community Fee							
	0	Last Rate Increase				N/Av			
0%	Average is Base or Level 3					\$6,186			
0									
0									
5 Victory Center of Bartlett SLF 1101 W. Bartlett Road Bartlett, IL Built 2006 IL & SLF	104	Studio	64	400		\$4,125	\$10.31	Meals Per Day	3.00
	104	1BR	40	568		\$4,600	\$8.11	ADLS Included?	All
	100%	Additional ADLs assistance (add to base rate)						Util./Hskp. Incl?	Yes
	Private Pay	All Included						Laundry Included	Yes
	62	2nd Person Fee				\$2,025		CVG Survey Date	9/10/2015
	60%	Community Fee				None			
	Medicaid	Last Rate Increase				1/1/15 - 2.5%-3%			
	42	Average Rate					\$4,308		
40%									
4									
0									
<b>PMA Standard ALF Occupancy</b>									
Available Units =		317							
Occupied Units =		314							
PMA Occupancy =		99.1%							
# Private Pay Occupied Units =		159							
% Private Pay =		51%							
# Medicaid Occupied Units =		155							
% Medicaid =		49%							
Average # Couples =		2							
# Private Pay on Wait Lists =		6							
# Medicaid Pay on Wait Lists =		6							
						Overall Average Rate Including ADLs	\$4,906		

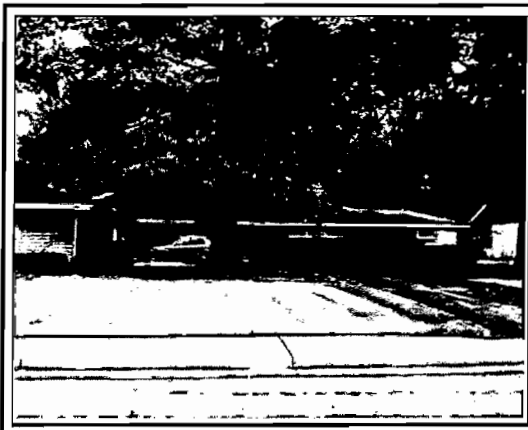
➤ The standard AL PMA occupancy is 99.1% with a 51% private pay mix. The wait lists include 6 private pay and 6 Medicaid units.



*Data 1 – Heritage Woods of South Elgin  
SLF*



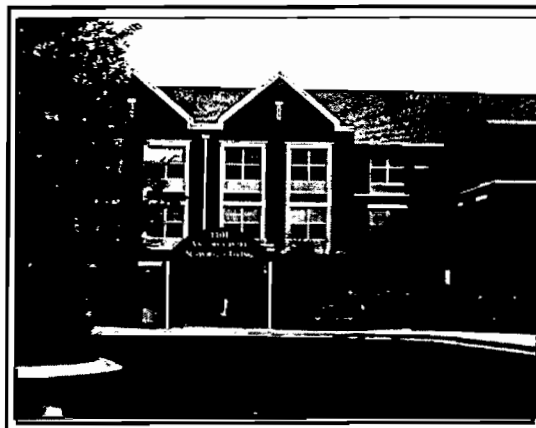
*Data 2 – The Vines*



*Data 3 – Sunset Haven*



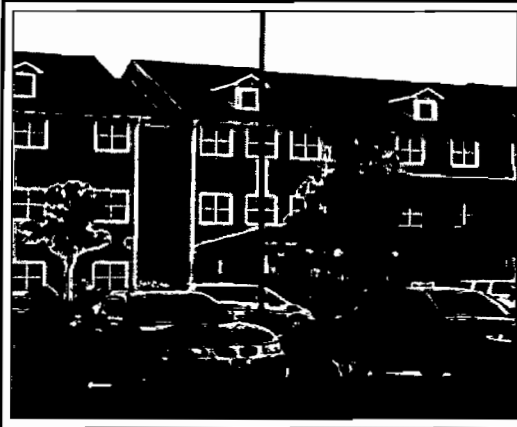
*Data 4 – Clare Oaks*



*Data 5 – Victory Center of Bartlett*

SUPPLY: Memory Care Assisted Living (ALZ ALFs, SCFs, SLFs)									
Facility Name & Location		# Available Beds	Unit Type	# Occupied Beds	2nd Person Fee	Monthly Base Rates		Base Rate PSF	Services Provided
# Beds	Year Built	Census Mix	Community Fee	# Couples	Rate Increase	Unit SF	Base Rates	Base Rate PSF	Survey Date
# CCRC/SNF/IL on site?	# Wait List	Overall Average Rate	# Beds						
<b>Primary Market Area (PMA)</b>									
6	White Oaks @ Heritage Woods ALZ (SLF) 700 S. McLean Blvd. South Elgin, IL Built 2012 Standard AL (SLF) attached 150 units 4.5 Years wait list 400 people for Medicaid	32 32 100% Private Pay 6 19% Medicaid 26 81% 0 0	Studio	32	308	\$6,175	\$20.05	Meals Per Day 3 ADLS Included? All Util./Hskp. Incl? Yes Laundry Included Yes CVG Survey Date 9/16/2015	
			2nd Person Fee			N/Ap			
			Additional ADLs assistance (add to base rate)						
			All Inclusive						
			Community Fee			None			
			Last Rate Increase - 6%				Oct-15		
			Average Rate				\$6,175		
			Daily Rate 107.72						
7	Clare Oaks ALZ 829 Carillon Drive Bartlett, IL Built 2008 CCRC	16 16 100% Private Pay 16 100% Medicaid 0 0% 0 0	Studio	16	250	\$7,540	\$30.16	Meals Per Day 3 ADLS Included? All Util./Hskp. Incl? Yes Laundry Included Yes CVG Survey Date 9/17/2015	
			2nd Person Fee						
			Additional ADLs assistance (add to base rate)						
			All Inclusive						
			Community Fee						
			Last Rate Increase			N/av			
			Average Rate				\$7,540		
8	White Oaks at Spring Street ALZ 1300 Spring Street South Elgin, IL Built 11/1/2014 Affiliated with White Oaks at Heritage Woods (Data 1)	30 30 100% Private Pay 30 100% Medicaid 0 0% 0 13	Studio Large Studio	14 16	354 429	\$6,175 \$6,175	\$17.44 \$14.39	Meals Per Day 3 ADLS Included? All Util./Hskp. Incl? Yes Laundry Included Yes CVG Survey Date 9/16/2015	
			2nd Person Fee			N/Ap			
			Additional ADLs assistance (add to base rate)						
			None						
			Community Fee			\$3,000			
			Last Rate Increase - 6%				Oct-15		
			Average Rate				\$6,175		
9	Oak Crest ALZ (SCF) 204 South State Street Elgin, IL Built 1904 Attached ILF - 34 units	29 18 62% Private Pay 18 100% Medicaid 0 0% 0 0	Studio no bath Studio with bath	25 4	150 200	\$3,000 \$4,200	\$20.00 \$21.00	Meals Per Day 3 ADLS Included? All Util./Hskp. Incl? Yes Laundry Included Yes CVG Survey Date 9/11/2015	
			2nd Person Fee			N/Ap			
			Additional ADLs assistance (add to base rate)						
			Average Additional Monthly Rate			\$1,700			
			Community Fee			None			
			Last Rate Increase			None			
			Studio no bath plus \$1,700				\$4,700		
<b>PMA ALZ Occupancy</b>		Available Beds =	107						
		Occupied Beds =	96						
		PMA Occupancy =	89.7%						
		# Private Pay Occupied Beds =	70						
		% Private Pay =	73%						
		# Medicaid Occupied Beds =	26						
		% Medicaid =	27%						
		Average # Couples =	0						
		# Private Pay on Wait Lists =	13						
		# Medicaid Pay on Wait Lists =	0						
						Overall Average Rate Including ADLs	\$6,148		

- The ALZ PMA occupancy is 89.7% with a 73% private pay mix. Without Oak Crest ALZ, the PMA occupancy would be 100% with a wait list. Oak Crest ALZ is an older facility with most units having no bathroom and has a below average reputation.
- The wait list for the Medicaid SLF was not included in our demand analysis as we focus on private pay beds.



*Data 1 – White Oaks @ Heritage  
Woods ALZ*



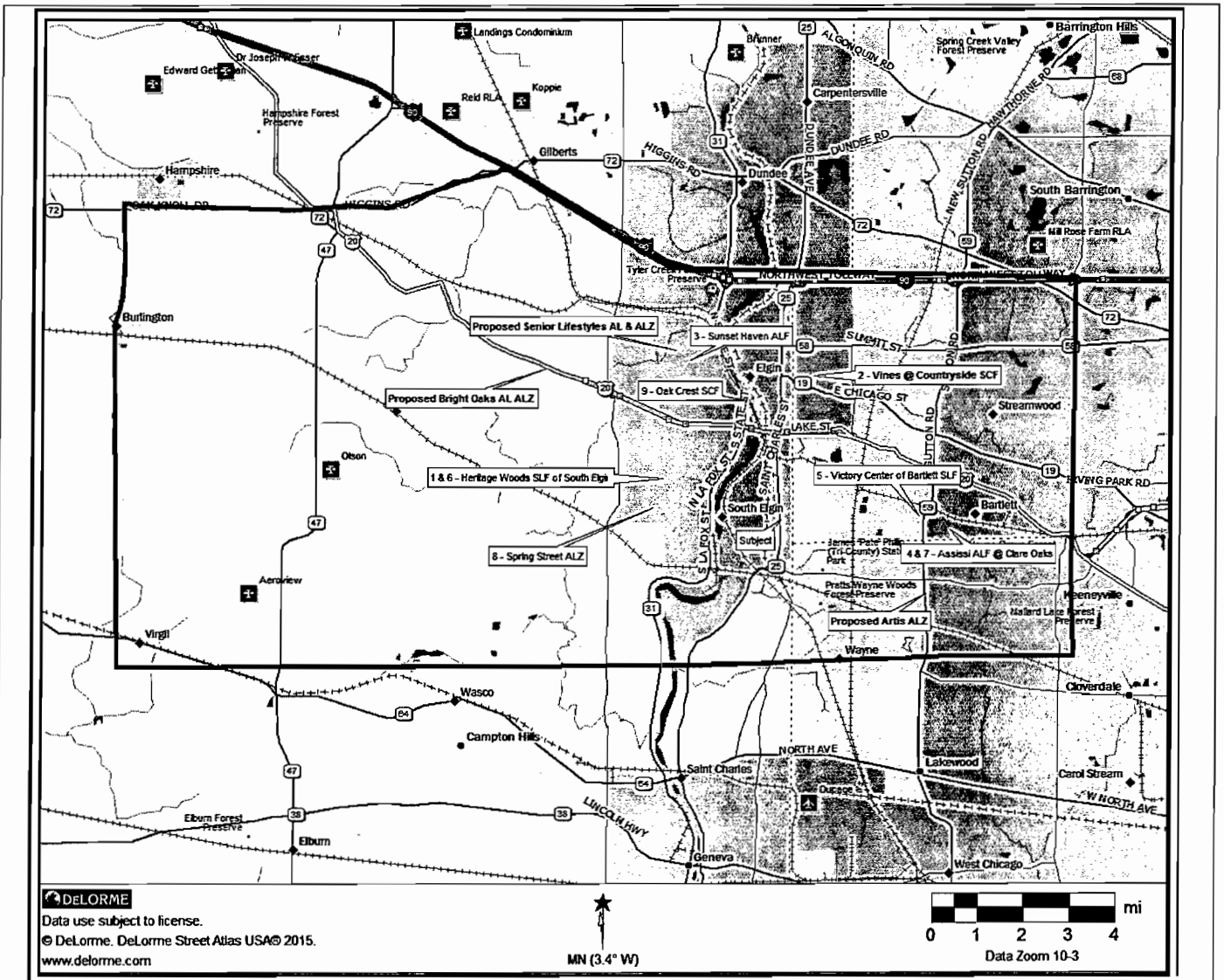
*Data 4 – Clare Oaks ALZ*



*Data 6 – White Oaks at Spring Street  
ALZ*



*Data 7 – Oak Crest ALZ (SCF)*



**Competition Map (also shows Future Supply in PMA)**

**Size and Condition**

**ALF** - There are 5 current standard ALFs/SLFs/SCFs in the PMA ranging in size from 7 to 150 units, with the proposed subject in the middle of the range (60 units). The subject will be one of the newest ALFs in the PMA, along with Senior Lifestyles in Elgin (estimated for 2016), the 12 unit addition to the Vines in Elgin (estimated 2016) and Westbrook (estimated for 2016) and Bright Oaks of Elgin (estimated for 2017). In terms of age and curb appeal the subject will compete with all facilities, except Data 2 and 3, which are much older and smaller facilities. It will be similar to Heritage Woods and Clare Oaks.

**ALZ** - There are 4 ALZs in the PMA ranging in size from 16 to 32 beds. No facility is deemed significantly substandard or obsolete. The most recently constructed facilities in the PMA are White Oaks at Heritage Woods and White Oaks at Spring Street. The subject will be one of the newest AZs in the PMA, along with Senior Lifestyles in Elgin (estimated for 2016), the 39 unit addition to the Vines in Elgin (estimated 2016) and Westbrook (estimated for 2016) and Bright Oaks of Elgin and Artis Senior Living (estimated for 2017). In terms of age and curb appeal the subject will compete with all facilities, except Data 4, Oak Crest ALZ, which is older, in a less desirable area, and has a mediocre reputation in the market area.



Unit Size

*ALF* - Unit sizes range from 308 SF to 400 SF for a studio unit and 485 SF to 568 SF for a 1BR unit, and 750 SF for a 2 BR unit. The subject's proposed studio unit is within the range of the comparables and based on original plans, the subject's potential 1BR and 2 BR units are also within the range.

*ALZ* - Unit sizes range from 150 SF to 429 SF. The subject's proposed studio unit is within the range of the comparables.

Unit Mix and Layout

*ALF* - Data 1 has a good unit mix of (66) studios and (84) 1BR units, which is typical of newer ALF buildings. Data 2 has all studios with 19 out of 22 units that are shared studios with half bath. This is more typical of older construction, and is not within the modern standards. Data 3 is also an older construction which feature only bedrooms with and without bath. Data 4 has (16) 1BR units with (1) 2BR. Data 5 has (64) studios and (40) 1 BRs. Based on the comparables and modern standards, the proposed subject should have a mix of studio, 1 BR units and a limited number of 2BR units. It would be consistent with other ALFs in the PMA. Most stand-alone ALFs have extensive common areas and the subject's proposed layout is consistent with the PMA.

*ALZ* - Data 6, 7 and 8, all modern facilities have 100% private studio units. Data 9, Oak Crest ALZ, is an older facility that has bedrooms with no bathrooms. In our Description of the Improvements we estimated a unit mix of 100% studios for the subject (either addition or stand-alone). As far as layout is concerned we recommended a purpose-built design for memory care.

Services

*ALF* - The amenities and services offered at the subject and each of the other data are consistent with the broader market in terms of caring for geriatric assisted living. Typical services included with the base rate includes three meals a day, housekeeping, utilities and activities. Some facilities do not include laundry with the base rate. All the facilities charge additional fees for assistance with ADLs. The developer's estimated flat rate, which includes ADLs, at the proposed subject is consistent with the competitors' rates, which also include assistance with ADLs.

*ALZ* - The amenities and services offered at each of the data are consistent with the broader market in terms of caring for geriatric memory care assisted living. Typical services included with the base rate includes three meals a day, housekeeping, utilities, laundry and activities geared toward residents with Alzheimer's or dementia diseases. Data 6, 7 and 8 (both White Oaks properties and Clare Oaks) have all inclusive rates and Data 9, Oak Crest ALZ, reported their base rate, plus their typical additional monthly costs. In other markets we've surveyed most of the ALZs have all-inclusive rates as the residents' needs for assistance can change quickly. According to the State of Seniors Housing 2014 survey, 47.2% of ALZs have all-inclusive rates. For the subject analysis, an all-inclusive rate is estimated.

Location

In terms of location, the PMA ALFs are a similar distance away from referral sources and are located in similar areas, However Data 2, 3 and 9 have inferior locations in Elgin. Data 1 (Heritage Woods South Elgin) and 8 (Spring Street ALZ) have a slightly inferior location even though they are also located in South Elgin as the subject's location in the southeast section of the city is considered superior. Data 5 has a similar location and Data 4 has a superior location.

Target Populations

As an ALF, the proposed subject accepts only private pay residents. Heritage Woods of South Elgin and Victory Center of Bartlett are SLFs, and therefore accept Medicaid residents as well as private pay. All the other comparables take only private pay residents.

Subject's Market Position

The subject will share the top market position with Clare Oaks, which offers a continuum of care including SNF, ALF, ALZ and IL.

**Future Supply****Primary Market Area (PMA)**

We called all the towns in the PMA regarding additions to supply and we also spoke with facility administrators regarding changes in ALF supply. The following towns were contacted:

City	Contact #	Planned ALF
Bartlett	630-837-0800	Yes Artis Senior Living 72 ALZ Units
Streamwood	630-736-3800	Yes Westbrook confirmed # units
South Elgin	847-741-3894	Mark McLaughlin - LM
Elgin	847-931-5909	Yes
Village of Hoffman Estates	847-882-9100	Nothing Planned
Hanover Park	(630) 823-5778	Nothing Planned - Only ILFs
Schaumburg	630-923-4430	LM for Planner
Gilberts	847-428-2861	None
Hampshire	847-683-2181	None
St. Charles	630-377-4443	None
Maple Park	815-827-3309	None
Burlington	847-683-2237	None
Kane County Planning	(630) 232-3480	None
DuPage County Planning	630-407-6700	2 In Hanover Park east of County Farm
Cook County Planning	(312) 603-1003	None

In the PMA, there is one proposed stand-alone ALZ, two proposed combination AL/ALZ, one proposed IL/AL/ALZ and one existing property adding AL units and converting its existing building to ALZ. The summary of these proposed facilities is presented in the following table:

New Construction in the PMA					
Name/Location	Type of Units	#Units	% Probabilit	# Units Forecasted	Status
Artis Senior Living ALZ Route 59 and Apple Valley Bartlett, IL	ALZ	72	90%	65	Zoning approved; In final plan review stage No financing, No opening date given
Bright Oaks of Elgin ALF/ALZ SWC Nesler & 20 Elgin, IL	AL ALZ	56 25	80%	45 20	Zoning Approved, projected opening summer 2016, however, has been planned for years with no action taken
Westbrook (Spectrum) IL/AL/ALZ 110 Schaumburg Road Streamwood, IL	IL AL ALZ	69 59 12	100%	69 59 12	Under Construction Almost Complete, opening within a few months
The Vines Senior Homes SCF 971 Bode Road Elgin, IL	AL AL ALZ	12 (39) 39	99%	12 -39 39	Convert 39 standard AL beds to MC Add 12 standard AL units Definitely happening but no completion date
Senior Lifestyles ALF 508 N. McLean Elgin, IL	AL ALZ	56 32	99%	55 32	Approved, has financing, breaking ground very soon, complete end of 2016
Independent Living (IL)		69		69	
Assisted Living (AL)		144		132.5	
Memory Care (ALZ)		180		167.1	

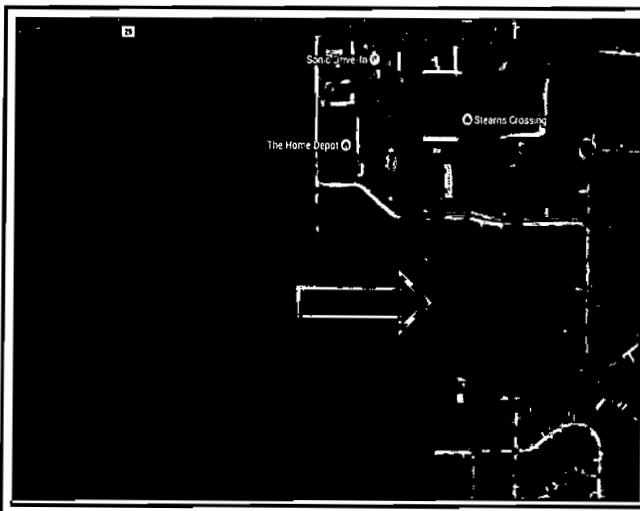
In order to estimate the projected number of units entering the market, we make a projection as to the percentage probability that each property will be completed. This percentage is then multiplied by the number of planned units to arrive at the total number of projected units to be completed in the future.

- We estimated a 90% probability that Artis Senior Living ALZ will be constructed as they have just received zoning approval but have not yet received financing. Therefore we project construction completion and stabilization in 2017.

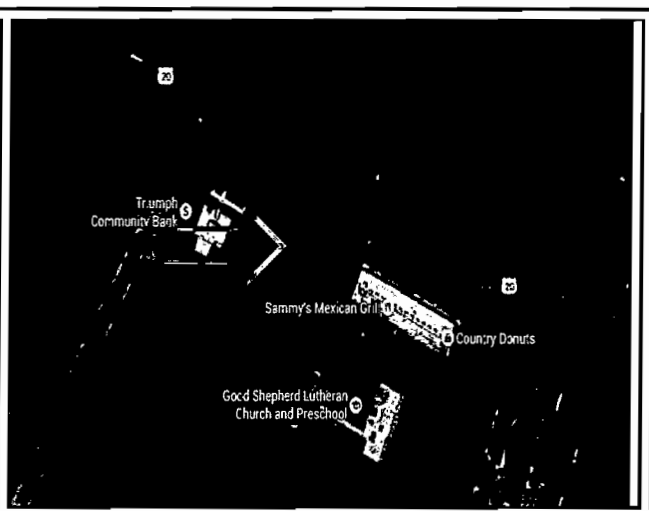
- We project an 80% probability that the Bright Oaks of Elgin will be constructed as this site has had zoning approval for several years without any action being taken. However, the Bright Oaks company is expected to develop the property as it has already successfully done so in other Chicago markets. Therefore, we project construction completion and stabilization in 2017.
- Westbrook is given a 100% probability as construction will be complete in the next few months with an opening projected by either the end of the year or beginning of next year. Therefore, we project construction completion and stabilization in 2016.
- The Vines Senior Homes is projected at 99% probability as owner stated they are definitely going forward with their plans to add standard AL units with kitchenettes and baths. This property has had historically high occupancy with a wait list and a good reputation. Furthermore as it has a Shelter Care license they are easily able to shift the focus of their existing building to memory care without being pre-approved by the state. The layout of the existing building is similar to a SNF and is more appropriate for ALZ residents. We project construction completion and stabilization in 2016.
- Senior Lifestyles ALF is given a 99% probability as we spoke with a member of their development team who stated they have received financing and plan to break ground very soon. Furthermore Senior Lifestyles is an experienced ALF developer and operator in the Chicago area. Therefore, we project construction completion and stabilization in 2016.

The following is a summary of the projected units by type and year.

<b>2016 Pipeline</b>	<b>AL</b>	<b>ALZ</b>
<b>Westbrook</b>	<b>59</b>	<b>12</b>
<b>Vines (net) losing 39 beds to ALZ adding 12 to AL</b>	<b>-27</b>	<b>39</b>
<b>Senior Lifestyles</b>	<b>55</b>	<b>32</b>
<b>Total 2016 Pipeline</b>	<b>87.7</b>	<b>82.3</b>
<b>2017 Pipeline</b>	<b>AL</b>	<b>ALZ</b>
<b>Artis Senior Living</b>	<b>0</b>	<b>85</b>
<b>Bright Oaks of Elgin</b>	<b>45</b>	<b>20</b>
<b>Total 2017 Pipeline</b>	<b>44.8</b>	<b>84.8</b>



*Artis Senior Living Site*



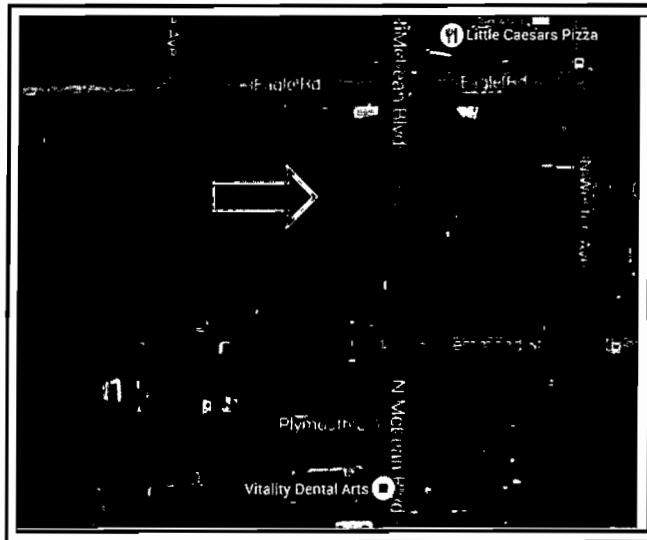
*Bright Oaks - Elgin Site*



*Westbrook IL/AL/ALZ*



*The Vines*



*Senior Lifestyles ALF Site*

Secondary Market Area (SMA)

We also researched new development in the neighboring towns to the east of our subject PMA including Schaumburg, Hanover Park and Bloomingdale. Two other facilities are planned in the SMA, both located along Route 20, east of the PMA boundary:

- Greenbrier 70 AL / 30 AZ, located at 178 W. Lake in Bloomingdale.
- ALZ Facility with 65 beds and 46 units at 237 East Lake in Bloomingdale.

Future Supply Conclusion

There are 144 AL and 180 ALZ units projected in the PMA, not including the subject's proposed 60 units. Our demand analysis that follows will estimate the effect the new supply will have on future demand.

Private Pay Rates - Standard Assisted Living

Per the client's request, we have been asked to analyze the PMA demand based on their proposed all-inclusive rates of \$4,500 per month for the standard ALF and \$5,500 per month for the ALZ units. We have therefore tested the

reasonableness of these rates. Following are the current standard AL private pay rates at the comps in the PMA. These are the base rates only and do not include additional fees for ADLs or medication assistance:

<b>Standard AL</b>			
<b>Studio Base Rates</b>			
# Facility	\$/Month	SF	\$/SF/Month
<b>Proposed Subject</b>	<b>\$4,500</b>	<b>339</b>	<b>\$13.27</b>
1 Heritage Woods of South Elgin SLF	\$4,050	308	\$13.15
2 The Vines Senior Living SCF	4,800	330	14.55
3 Sunset Haven ALF	N/Av	N/av	N/av
4 Clare Oaks ALF	N/Av	N/av	N/av
5 Victory Center of Bartlett SLF	4,125	400	10.31
<b>Average w/o Subject</b>	<b>\$4,325</b>	<b>346</b>	<b>\$12.67</b>
Minimum	4,050	308	10.31
Maximum	4,800	400	14.55

<b>One Bedroom Base Rates</b>			
Facility	\$/Month	SF	\$/SF/Month
1 Heritage Woods of South Elgin SLF	\$4,550	485	9.38
2 The Vines Senior Living SCF	\$4,800	330	14.55
3 Sunset Haven ALF	N/Av	N/Av	N/Av
4 Clare Oaks ALF	5,795	500	11.59
5 Victory Center of Bartlett SLF	4,600	568	8.11
<b>Average w/o Subject</b>	<b>\$4,936</b>	<b>466</b>	<b>\$11.41</b>
Minimum	4,600	330	8.11
Maximum	5,795	568	14.55

The subject's proposed studio rate of \$4,500 per month (\$13.27 psf/month) is within the range of the comparables and near the average of the comps. We were informed that the proposed subject was to be designed exactly like Park Pointe Morris, which features only studio units. Because ALFs typically feature a mix of studios and 1 BR units, we have also presented the price range for 1 BR units in the PMA. Overall the subject's proposed standard AL rate is consistent with the market.

#### Additional Services Income (ADLs)

The rate proposed at the subject is an all-inclusive rate. Therefore, there is no fee for additional services. Facilities vary widely as to how many ADLs are included in each level. Some are based on points, some based on hours, some on DON's assessments, etc. The following are the PMA comparables, when available.

<b>Monthly Rates for ADLs Assistance</b>			
Facility	1st Level	2nd Level	3rd Level+
Heritage Woods of South Elgin SLF	All incl.	All incl.	All incl.
The Vines Senior Living SCF	\$250	n/a	n/a
Sunset Haven ALF	n/a	n/a	n/a
Clare Oaks ALF	n/a	455	782
Victory Center of Bartlett SLF	All incl.	All incl.	All incl.
<b>Average w/o Subject</b>	<b>\$250</b>	<b>\$455</b>	<b>\$782</b>
Minimum	250	455	782
Maximum	250	455	782

Only two comparables have additional charges for ADLs. Therefore, it is reasonable in the market area to have all-inclusive rate as the subject developer proposes.

#### Second Person Fees

For information only we present the following are the second person AL rates at the PMA comparables:

2nd Person Monthly Rate	
Facility	Monthly Rate
Heritage Woods of South Elgin SLF	\$900
The Vines Senior Living SCF	N/Ap
Sunset Haven ALF	N/Ap
Clare Oaks ALF	N/Ap
Victory Center of Bartlett SLF	\$2,025
<b>Average w/o Subject</b>	<b>\$1,463</b>
Minimum	\$900
Maximum	\$2,025

The monthly fee for a second person ranges from \$900 to \$2,025 with an average of \$1,463 per month. Most importantly, only two of the comparables in the PMA offer second person fees as the other comparables charge the full rate for a second occupant (essentially so does Victory Center of Bartlett). Based on other markets we've surveyed including the SMA to the south, the typical 2<sup>nd</sup> person fee is between \$700 and \$1,500. These fees do not include assistance with ADLs as they are intended to just cover food, utilities, etc.

#### Average Rate Analysis

In order to estimate private pay demand we use the comparable standard ALF base rates plus the *typical* level of care and/or \$/month spent on ADLs. We asked marketing directors and administrators of the facilities that participated what was the typical monthly amount spent or which was the most common level of care used. In estimating the income needed to afford standard AL care, we take into account the fact that most residents come into assisted living knowing they will at some point need assistance with ADLs. We make the assumption that these potential residents will plan accordingly. In addition, most facilities have the resident fill out a worksheet and get an evaluation so that the potential resident has an idea of the amount they will be spending on base rates plus assistance. In this way, both the resident and the facility can verify that the person has the funds necessary. Each facility representative told us the most typical unit type and typical monthly costs; and, if these were not available we included the first level of care for facilities that could not provide the additional level of care costs.

Estimated Average Rate in PMA for Standard AL		
Facility	Typical Base rate + typical ADLs costs	\$/Month
Heritage Woods of South Elgin SLF	Avg Private Pay Rate	\$4,330
The Vines Senior Living SCF	Average Rate	4,800
Sunset Haven ALF	Average Rate	n/a
Clare Oaks ALF	Average is Base or Level 3	6,186
Victory Center of Bartlett SLF	Average Rate	4,308
<b>Average Rate in PMA for Standard AL (includes ADLs assistance)</b>		<b>\$4,906</b>
<b>Rounded</b>		<b>\$4,900</b>

As the requested \$4,500 per month rate for the subject ALF falls within the range of the comparables in the PMA. We use later in our demand analysis the rate of 4,500 per month (\$54,000 per year) as the minimum income requirement to afford standard AL.

#### Private Pay Rates - Dementia Assisted Living (ALZ)

Following are the current ALZ private pay rates at the comps in the PMA. These are the base rates only and do not include additional fees for ADLs or medication assistance:

<b>ALZ</b>				
<b>Studio Base Rates</b>				
#	Facility	\$/Month	SF	\$/SF/Month
	<b>Proposed subject</b>	<b>\$5,500</b>	<b>339</b>	<b>\$16.22</b>
1	White Oaks @ Heritage Woods ALZ (SLF)	\$6,175	308	\$20.05
6	White Oaks at Spring Street ALZ	6,175	354	17.44
4	Clare Oaks ALZ	7,540	250	30.16
7	Oak Crest ALZ (SCF)	3,000	150	20.00
<b>Average w/o Subject</b>		<b>\$5,723</b>	<b>266</b>	<b>\$21.91</b>
Minimum		3,000	150	17.44
Maximum		7,540	354	30.16

Per the client's request, we have been asked to analyze the PMA demand based on their proposed rate of \$5,500 per month for the ALZ units. The subject's proposed studio rate of \$5,500 per month (\$16.22 psf/month) is slightly below the range of the comparables. Overall the proposed subject's AZ AL rate is conservative for the market area.

#### Additional Services Income (ADLs)

The rate proposed at the subject is an all-inclusive rate. Therefore, there is no fee for additional services. Only one facility in the PMA charges extra for ADLs services, Oak Crest ALZ charges an additional average of \$1,700 per month. We estimate that an all-inclusive rate for the proposed subject is in line with market standards and appropriate.

#### Average Rate Analysis

The following analysis is used in our demand estimate. In order to estimate private pay demand we use the comparable ALZ base rates plus the *typical* level of care and/or \$/month spent on ADLs. Each facility representative told us the most typical unit type and typical monthly costs; and, if these were not available we included the first level of care for facilities that could not provide the additional level of care costs.

<b>Estimated Average Rate in PMA for Standard AL</b>		
Facility	Typical Base rate + typical ADLs costs	\$/Month
Heritage Woods of South Elgin SLF	Average Rate	\$6,175
White Oaks at Spring Street ALZ	Average Rate	6,175
Clare Oaks ALZ	Average Rate	7,540
Oak Crest ALZ (SCF)	Studio no bath plus \$1,700	4,700
<b>Average Rate in PMA for Standard AL (includes ADLs assistance)</b>		<b>\$6,148</b>
<b>Rounded</b>		<b>\$6,100</b>

The projected \$5,500 per month rate for the subject ALZ falls within the range of the comparables in the PMA. We use it later in our demand analysis as the minimum income requirement (\$66,000 per year) to afford ALZ. We also recognize that the rate of \$5,500 per month is a conservative rate for the proposed subject.

#### Demand Estimate and Analysis

##### Target Residents

In order to determine the age cohort for the subject, we researched statistics regarding needs for Assisted Living care as well as for Alzheimer's Disease and related dementias.

##### Activities of Daily Living Research and Statistics (Standard Assisted Living Resident)

##### **Source # 1 National Information Aging Center *Mobility and Self-Care Limitations of Persons 60+***

The National Information Aging Center published statistics in *Mobility and Self-Care Limitations of Persons 60+ by age 1990 (United States, Civilian Non-institutionalized Persons)*, based on 1990 Census information. The study identifies percentages of the population needing assistance with medications and other personal needs. Based on the national

study, 13.3% of persons aged 65 to 74, 25.8% of persons aged 75 to 84, and 49.8% of persons aged 85+ have mobility and self-care limitations requiring assistance.

**Source # 2: National Center for Assisted Living**

The following report on the typical resident was taken from the National Center for Assisted Living website. <http://www.ahcancal.org/ncal/resources/Pages/ResidentProfile.aspx>

**Resident Profile**



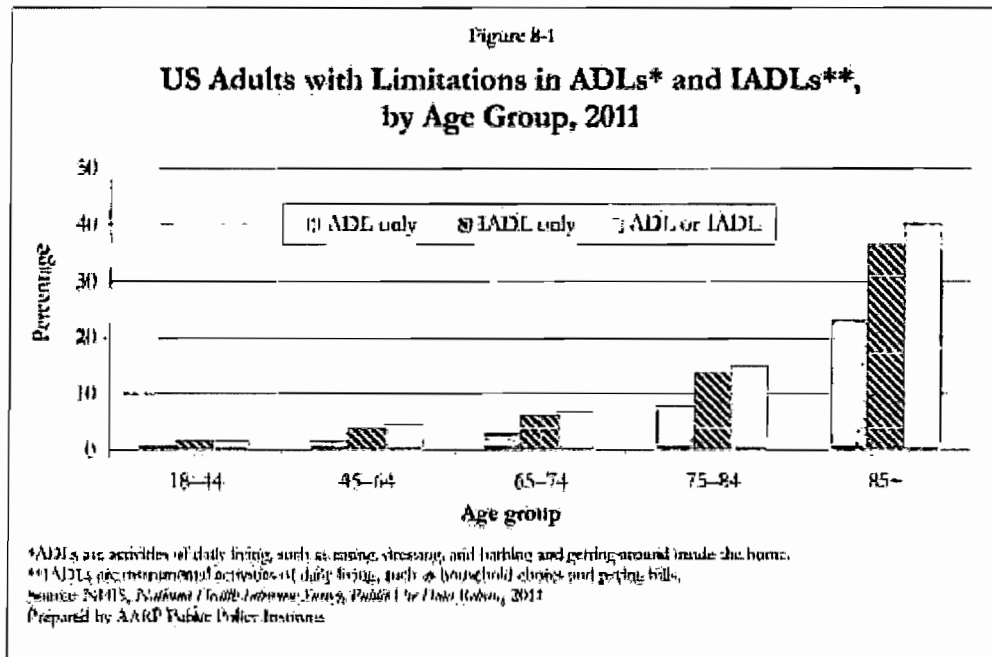
**Typical Resident** - The typical resident is a woman about 87 years old<sup>1</sup> who is mobile, but needs assistance with approximately two to three activities of daily living (ADLs). She would have two to three of the Top 10 chronic conditions.<sup>2</sup>

**Percentage Of All Residents By Age Groups:** In 2010, 54 percent of assisted living residents are 85 years or older; 7 percent are 75-84 years old; 9 percent of residents are between 65 and 74 years; and 11 percent are younger than 65 years old.<sup>2</sup>

**Source #3 AARP Policy Book 2013-2014**

The following was taken from the AARP Policy Book 2013-2014 at <http://aarp54390.tizrapublisher.com/chapter-8-1/1>:

An estimated 5.2 million individuals 18 and older require help with activities of daily living, and 9.8 million require help with instrumental activities of daily living (figure 8-1). Long-term services and supports (LTSS) generally provide ongoing help with these activities.



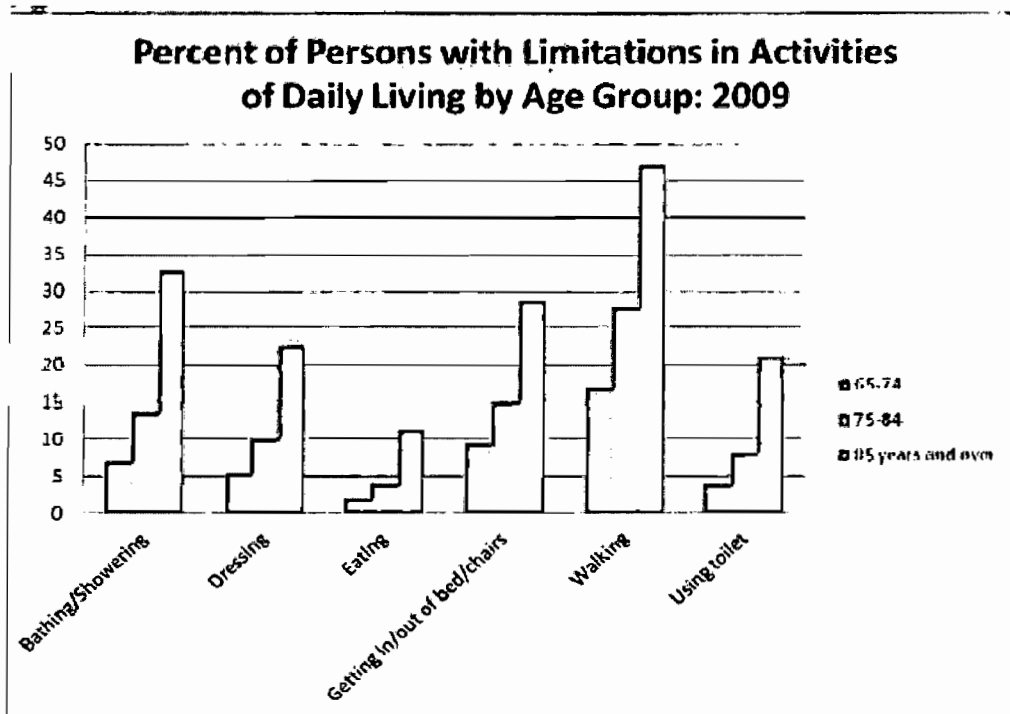
Based on the table above 15%+ of people aged 75-84 need assistance with ADLs or IADLs and this number rises to 40%+ for the 85+ cohort.



**Source # 4: U.S. Department of Health and Human Services - A Profile of Older Americans: 2011**

The following was taken from the U.S. Department of Health and Human services document "A Profile of Older Americans: 2011" (page 15).

In another study which focused on the ability to perform specific activities of daily living (ADLs), over 27% of community-resident Medicare beneficiaries over age 65 in 2009 had difficulty in performing one or more ADLs and an additional 12.7% reported difficulties with instrumental activities of daily living (IADLs). By contrast, 95% of institutionalized Medicare beneficiaries had difficulties with one or more ADLs and 74% of them had difficulty with three or more ADLs. [ADLs include bathing, dressing, eating, and getting around the house. IADLs include preparing meals, shopping, managing money, using the telephone, doing housework, and taking medication.] Limitations in activities because of chronic conditions increase with age. As shown in Figure 9, the rate of limitations in activities among persons 85 and older are much higher than those for persons 65-74.



Except where noted, the figures above are taken from surveys of the noninstitutionalized elderly.

Although nursing homes are being increasingly used for short-stay post-acute care, about 1.3 million elderly are in nursing homes (about half are age 85 and over). These individuals often have high needs for care with their ADLs and/or have severe cognitive impairment due to Alzheimer's disease or other dementias.

*(Sources: Americans with Disabilities: 2005, December 2008, P70-117 and other Internet releases of data from the U.S. Census Bureau, the Centers for Medicare and Medicaid, and the National Center on Health Statistics, including the NCHS Health Data Interactive data warehouse)*

**Source 5: US Department of Health and Human Services Office of Disability, Aging and Long-Term Care Policy - Disability and Care Needs of Older Americans**

The following chart was taken from the Disability and Care Needs of Older Americans report published April 2014 by the US Department of Health and Human Services Office of Disability, Aging and Long-Term Care Policy.

	65-69	70-74	75-79	80-84	85-89	90+
<b>Self-care and mobility limitations<sup>a,b</sup></b>						
Difficulty, but no help	17.1	17.7	19.1	21.8	19.1	14.6
Help	11.0	12.9	18.1	26.1	41.8	61.7
<b>Household activity limitations<sup>c</sup></b>						
Difficulty, but no help	12.2	13.6	13.6	12.5	10.8	5.7
Help for health or functioning reasons	12.3	14.6	23.9	34.2	54.1	73.1
<b>Any limitations</b>						
Difficulty, but no help	19.6	20.7	21.0	21.2	16.5	9.3
Help	15.8	18.8	27.5	38.2	58.5	76.0
<b>Population (in millions)</b>	<b>11.6</b>	<b>8.9</b>	<b>6.9</b>	<b>5.4</b>	<b>3.4</b>	<b>1.9</b>
<b>Unweighted n</b>	<b>1417</b>	<b>1610</b>	<b>1569</b>	<b>1580</b>	<b>1067</b>	<b>824</b>

**SOURCE:** 2011 NHATS; N=8077.  
**NOTES:**  
a. Bathing, dressing, eating, toileting.  
b. Getting out of bed, getting around inside one's home or building, or leaving one's home or building.  
c. Laundry, hot meals, shopping for personal items, paying bills/banking, handling medications.

In the chart above we focus on the category for "Self Care and mobility limitations – Help" which shows that 11% of people aged 65-69, 12.9% of age 70-74, 18.1% aged 75-79, 26.1% aged 80-84, 41.8% aged 85-89 and 61.7% of people aged 90+ need help with Activities of Daily Living.

**Conclusion – Demand Age and ADLs Strata**

The following is a summary of the data given in the sources quoted above. The following shows the estimated percentage of each age cohort that has limitations performing activities of daily living.

Source/Age Cohort	National Information on Aging	National Center for Assisted Living	AARP
% population less than 65		11%	< 5%
% of population 65-74	13.30%	9%	5%
% of population 75-84	25.80%	7%	15%
% of population 85+	49.80%	54%	40%

Source/Age Cohort	US Dept of Health and Human Services
% population 65-69	11%
% of population 70-74	13%
% of population 75-79	18%
% of population 80-84	26%
% of population 85-89	42%
% of population 90+	62%

➤ Based on the above we select age 75+ as the primary age target resident for standard assisted living.

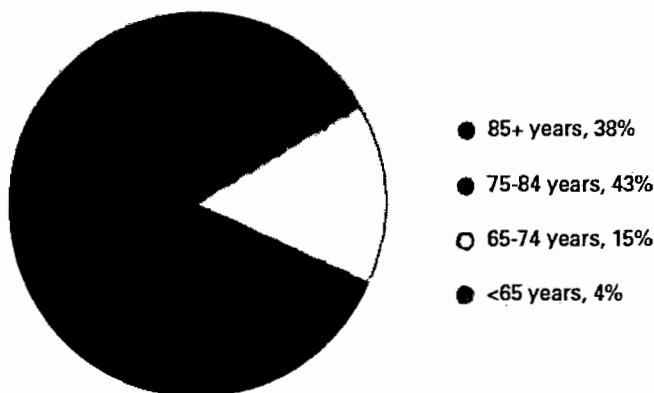
**Alzheimer's and Dementia Related Disease Research (Memory Care Assisted Living Resident)**

Source #1: Alzheimer's Association "2015 Alzheimer's Disease Facts and Figures"

[http://www.alz.org/downloads/Facts\\_Figures\\_2015.pdf](http://www.alz.org/downloads/Facts_Figures_2015.pdf)

**FIGURE 1**

**Ages of People with Alzheimer's Disease  
in the United States, 2015**



Created from data from Hebert et al.<sup>120, A3</sup>

The table above shows that of the people who already have Alzheimer's disease, 43% of those people are aged 75-84, and 38% are 85+.

**Source# 2 National Institute on Aging – ADAMS Study**

<http://www.nih.gov/news/pr/oct2007/nia-30.htm>

As in other studies, the ADAMS analysis showed that the prevalence of dementia increases significantly with age. Five percent of people ages 71 to 79, 24.2 percent of people 80 to 89, and 37.4 percent of those 90 years or older were estimated to have some type of dementia. The estimated rate of Alzheimer's also rose greatly with older age — from 2.3 percent of people ages 71 to 79 to 18.1 percent of people 80 to 89 to 29.7 percent of those age 90 and older.

**Source # 3: National Institute on Aging – *Global Health and Aging (October 2011)***

[http://www.nia.nih.gov/sites/default/files/nia-who\\_report\\_booklet\\_oct-2011\\_a4\\_1-12-12\\_5.pdf](http://www.nia.nih.gov/sites/default/files/nia-who_report_booklet_oct-2011_a4_1-12-12_5.pdf)

The potential for an active, healthy old age is tempered by one of the most daunting and potentially costly consequences of ever-longer life expectancies: the increase in people with dementia, especially Alzheimer's disease. Most dementia patients eventually need constant care and help with the most basic activities of daily living, creating a heavy economic and social burden. Prevalence of dementia rises sharply with age. An estimated 25-30 percent of people aged 85 or older have dementia.

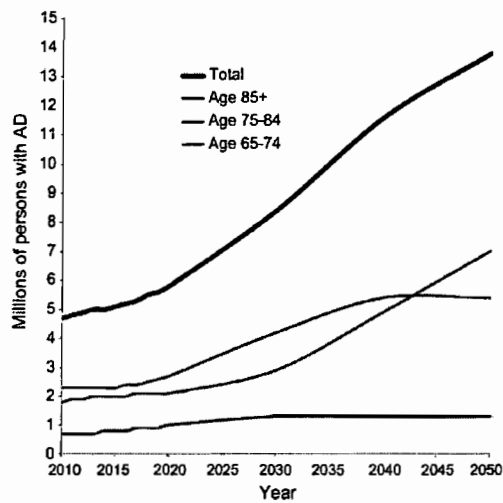
Alzheimer's disease (AD) is the most common form of dementia and accounted for between two-fifths and four-fifths of all dementia cases cited in the OECD report. More recent analyses have estimated the worldwide number of people living with AD/dementia at between 27 million and 36 million. The prevalence of AD and other dementias is very low at younger ages, then nearly doubles with every five years of age after age 65. In the OECD review, for example, dementia affected fewer than 3 percent of those aged 65 to 69, but almost 30 percent of those aged 85 to 89. More than one-half of women aged 90 or older had dementia in France and Germany, as did about 40 percent in the United States, and just under 30 percent in Spain.

**Source #4: Centers for Disease Control and Prevention**  
<http://www.cdc.gov/MentalHealth/basics/mental-illness/dementia.htm>

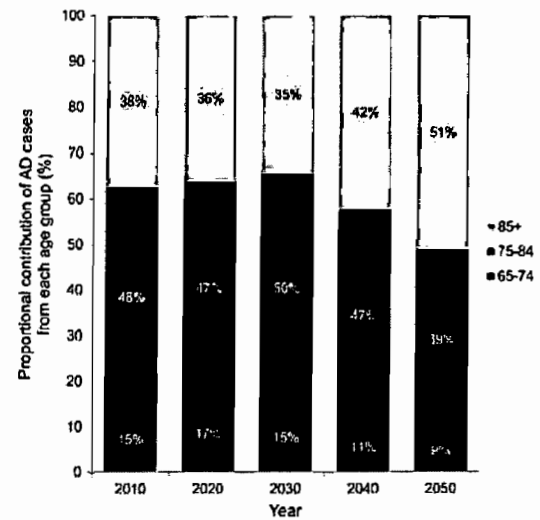
Alzheimer’s disease usually occurs in individuals who are 60 years old and older<sup>3</sup>. Starting at age 65, the risk of developing the disease doubles every five years. By age 85 years and older, between 25 and 50 percent of people will exhibit signs of Alzheimer’s disease. Up to 5.3 million Americans currently have Alzheimer’s disease<sup>4</sup>. By 2050, the number is expected to more than double due to the aging of the population. Alzheimer’s disease is the sixth leading cause of death in the United States and is the fifth leading cause among persons age 65 and older<sup>5</sup>.

**Source # 5: American Academy of Neurology**  
 Neurology Article Alzheimer Disease in the US 2010-2050

**Figure 1** Estimated number of people with Alzheimer disease (AD) in the United States in 2010 and projections through 2050



**Figure 2** Age distribution of number of persons with Alzheimer disease (AD) in the United States, 2010 through 2050



The first two graphs show that of the people who have already been diagnosed with Alzheimer’s disease, most of them (48%) are aged 75-84.

**Table 1** Predicted number of people in the United States with Alzheimer disease (in millions) and percent of the group affected, by age group and year

Year	Aged 65-74 years		Aged 75-84 years		Aged 85 years or older		Total no.
	No.	Percent	No.	Percent	No.	Percent	
2010	0.7	3.0	2.3	17.6	1.8	32.3	4.7
2011	0.7	3.0	2.3	17.5	1.9	32.1	4.8
2012	0.7	2.9	2.3	17.4	1.9	32.1	4.9
2013	0.7	2.9	2.3	17.3	2.0	32.1	5.0
2014	0.8	2.9	2.3	17.2	2.0	32.1	5.0
2015	0.8	2.9	2.3	17.1	2.0	32.1	5.1

The table above indicates that in 2015, 2.9% of people aged 65-74, 17.1% of people aged 75-84 and 32.1% of the people aged 85+ have Alzheimer's Disease.

**Conclusion – Memory Care Demand Age and Occurrence**

The following is a summary of the data given in the sources quoted above. The following shows the estimated percentage of each age cohort that has Alzheimer's disease. The numbers below reflect only the percentage of each cohort expected to be affected by Alzheimer's.

Dementia Statistics - % of people with Alzheimer's Disease by Age Cohort			
Source/Age Cohort	National Institute on Aging - Global Health	Centers for Disease Control	American Academy of Neurology
% population less than 65			
% of population 65-74	3%		2.9%
% of population 75-84			17.1%
% of population 85+	30%	25%-50%	32.1%

Source/Age Cohort	ADAMS Study
% population 71-79	5%
% of population 80-89	24.20%
% of Population 90+	37.40%

We note from Source 1 and Source 4 that of those people who already have the disease, most are between the ages of 75 and 84.

- **Based on the above we select age 75+ as the primary age target resident for memory care assisted living.**

**Demand Estimates and Forecasts**

We used two methodologies to estimate demand for the subject property:

1. Demand based on the subject PMA capture rate.
2. Demand based on capture rate comparables.

A "capture rate" (sometimes referred to as a "penetration rate", which is often used interchangeably) is defined by *The Dictionary of Real Estate Appraisal (Fifth Edition)* as "the estimated percentage of the total potential market for a specific type of property (e.g., office space, retail space, single-family homes) that is currently absorbed by existing facilities or is forecast to be absorbed by proposed facilities." We define a **capture rate** as the percentage of demand captured (i.e. 20 subject occupied beds / 200 demand = 10% capture rate). We define a **penetration rate** as the percentage of occupied beds captured (i.e. 20 subject occupied beds / 150 occupied beds in the market = 13% penetration rate).

**Income Requirements**

*Rent to Income Ratio Analysis (Income Qualifying Households)*

In order to estimate demand, we first estimate the amount of annual income needed to afford for private pay standard AL and also for ALZ. Financial qualification for senior housing rental units works differently than for standard rental housing. Qualification for the latter is typical based on household income qualification. Typically, a household is financially qualified for rents that are 30% or less of monthly household income. For senior housing almost all the income is spent on AL care as it covers meals, housekeeping, utilities, transportation, etc. However, we do estimate a monthly amount kept for personal needs.

In the market analysis industry, many practitioners also analyze the net worth of age 75+ households in a PMA. For senior properties, net worth is considered in addition to monthly income. Some senior households have relatively modest monthly incomes but have substantial savings, long-term health care plans, insurance and/or own homes with little or no debt. Per STDB, Net Worth is total household wealth minus debt, secured and unsecured. Net worth includes home equity, equity in pension plans, net equity in vehicles, IRAs and Keogh accounts, business equity, interest-earning assets and mutual fund shares, stocks, etc. Examples of secured debt include home mortgages and vehicle loans. Examples of unsecured debt include credit card debt, certain bank loans, and other outstanding bills. Forecasts of net worth are based on the Survey of Consumer Finances, Federal Reserve Board (Source: U.S. Census Bureau, Census 2010 Summary File 1. ESRI Forecasts for 2014).

Because net worth does not include annual income, we would also have to add in the demand from income-qualified households. In other words, we would have to assume that a certain portion of the income qualified households also have the net worth needed to afford ALZ in the PMA. For example, if a household has a net worth of \$200,000, that household may also have annual income of \$100,000 per year and either way could afford ALZ. A household with a net worth of \$200,000 and very little income could also afford ALZ. So, the main limitation in the net worth demand analysis method is that there is no known statistic for the overlap of those income qualified and at the same time net worth qualified.

We focus on the aged 75+ income requirements for both standard ALFs and ALZs. As discussed in the Private Pay rates section of this Market Study, the projected monthly rate is \$4,500 for standard AL and \$5,500 for ALZ.

Another assumption includes:

- The resident would pay 90% of his or her income toward monthly fees, with much of the remaining 10% going toward medications and personal/discretionary items. We based this estimate on the following article from consumer reports dated July 2012, <http://www.consumerreports.org/cro/2012/07/evaluating-drugs-to-treat-alzheimer-s-disease/index.htm>. Our estimate for the subject is \$4,500 per month for AL and \$5,500 per month for ALZ, using a 90% ratio equates to additional costs of \$500 ( $\$4,500 \div 90\% = \$5,000$  less  $\$4,500 = \$500$ ) and \$611 ( $\$5,500 \div 90\% = \$6,111$  less  $\$5,500 = \$611$  per month), which would be more than enough to pay for medications and sundry items such as clothes, minor food/snacks (each unit will have a refrigerator), clothing, beauty shop, telephone, etc.

Private Pay Standard AL Income Requirement	
Monthly Rent:	\$4,500
÷ % Personal Needs:	90%
Total Monthly Costs:	\$5,000
x # Months:	12
Annual Rent:	\$60,000
<b>Rounded:</b>	<b>\$60,000</b>

Private Pay MC AL Income Requirement	
Monthly Rent:	\$5,500
÷ % Personal Needs:	90%
Total	\$6,111
x # Months:	12
Annual Rent:	\$73,333
<b>Rounded:</b>	<b>\$73,000</b>

## Demand – Standard Assisted Living

### Method #1 – Subject's PMA Capture Rate

The minimum annual income requirement for standard assisted living is \$60,000, at our client's targeted \$4,500 all-inclusive rate. The PMA demographics indicate that households age 75+ earning \$60,000+ are increasing 9.8% per year, which indicates growing demand for standard AL units.

### Private Pay Demand

#### Private Pay Standard AL - Total HH Age 75+ with incomes \$60,000 +

Household Income Households Age 75+	2015 Estimate		2020 Projection		Annual Change 2015-2020
	# HH	% of Total	# HH	% of Total	
HH <\$15,000 - \$59,999	3,946	70%	4,355	64%	2.07%
<b>HH \$60,000 +</b>	<b>1,671</b>	<b>30%</b>	<b>2,490</b>	<b>36%</b>	<b>9.80%</b>
Total HH in the PMA	5,617	100%	6,845	100%	4.37%
Source: STDB	<b>HHs \$60,000 +</b>	<b>% Change 2015-2020:</b>	<b>49.0%</b>		

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The PMA occupancy is 99.1% with a 51% private pay mix. The following shows the demand in the subject PMA in terms of occupied units and the number of people on wait lists. We include the wait lists because that accounts for the pent up demand, indicating that some people have to leave the PMA in order to get standard AL care.

PMA Private Pay Demand - AL	
Occupied Private Pay AL Units	159
+ Wait Lists	6
<b>Current Demand</b>	<b>165</b>

In order to estimate the demand for private pay AL units over the next five years, we calculate the actual capture rate in the PMA. The current demand of 165 units is 9.88% of the income qualified (\$60,000+) age 75+ households in 2015 ( $165 \div 1,671 = 9.88\%$ ). The income and age qualified households are projected to increase to 2,490 in 2020. So using the same capture rate of 9.88% equates to a net incremental demand of 81 units in 2020 ( $9.88\% \times 2,490 = 246$ ) over the 2015 level. The indicated incremental demand is for 81 additional standard AL units in the PMA ( $246 - 165 = 81$ ). The incremental demand per year is 16.2 units.

PMA Aged 75+ HHs Income \$60,000 +	
2015 HH Aged 75+, \$60,000 +	1,671
+ Total Current Demand	165
= PMA Capture Rate	9.88%
<b>Future Demand</b>	
2020 HH Aged 75+, \$60,000 +	2,490
x PMA Capture Rate	9.88%
= 2020 Demand	246
<b>Net Incremental Demand in 2020</b>	<b>81</b>
<b>÷ 5 years = Demand per year</b>	<b>16.2</b>

NOTE: In this case, the 2015 current demand is not accurate because it only reflects the full occupancy of the market (over 99%), but not the actual demand. The market is currently undersupplied, which therefore infers a low capture rate. We therefore place little emphasis on this method.

### Method #2 – Capture Rate Comparables

The following is a list of properties we have recently analyzed and the capture rates in their respective markets. For this method, the capture rates represent the number of occupied units in the market divided by the income-qualified, age 75+ households in that market. For example, if a market has 1,000 income and age qualified households and there are 100

## Conclusions:

- 2015 unmet demand: 226.1 units
- Net incremental demand by 2020: 189 (or 37.8 units incremental demand per year)
- New Supply: 87.7 units in 2016 and 44.8 units in 2017

Next we compare the projected future supply with the projected future demand to arrive at remaining demand per year. Remaining Demand is the total incremental demand indicated by the PMA capture rate less the new inventory. If the incremental demand per year is lower than the number of new beds coming into the supply then there will be negative demand. The incremental demand in 2016 is 37.8 units. The proposed (under construction) supply in the PMA is the following:

<b>2016 Pipeline</b>	<b>AL</b>	<b>ALZ</b>
Westbrook	59	12
Vines (net) losing 39 beds to ALZ adding 12 to AL	-27	39
Senior Lifestyles	55	32
<b>Total 2016 Pipeline</b>	<b>87.7</b>	<b>82.3</b>
<b>2017 Pipeline</b>	<b>AL</b>	<b>ALZ</b>
Artis Senior Living	0	65
Bright Oaks of Elgin	45	20
<b>Total 2017 Pipeline</b>	<b>44.8</b>	<b>84.8</b>

We estimated a 95% occupancy to allow for frictional vacancy (move-ins/move-outs).

In addition, there is no known support to estimate which proportion of the unmet demand can be recaptured once the new supply opens in the PMA. Due to undersupply, some have left the PMA; the question is will they return by the time the new supply opens (considering the average length of stay in another facility, life expectancy)? While it would be unrealistic to assume than 100% of the current unmet demand can be recaptured, it is also doubtful that none of the current unmet demand could be recaptured. Therefore, we have run a sensitivity analysis, using three probabilities of recapture: 25%, 50% and 75%. The following table shows the net demand for AL units over the next five years.



**Conservative Scenario**

Private Pay Standard AL Incremental Demand and New Supply Analysis Based on Capture Rate Comps						
Year	2015	2016	2017	2018	2019	2020
Stabilized occupancy of new supply (95% occupancy)	0	-83.3	-42.6	0.0	0.0	0.0
Annual Demand (unmet demand in 2015 - 25% capture)	57	37.8	37.8	37.8	37.8	37.8
<b>Remaining Demand</b>	<b>57</b>	<b>10.9</b>	<b>6.1</b>	<b>43.9</b>	<b>81.6</b>	<b>119.4</b>

2016 = Estimated completion new ALFs at % occupancy

Assumes PMA captures 100% of all waiting lists and no affect on existing comps.

\* used probability of 25% of capture and re-capture in unmet demand

**Moderate Scenario**

Private Pay Standard AL Incremental Demand and New Supply Analysis Based on Capture Rate Comps						
Year	2015	2016	2017	2018	2019	2020
Stabilized occupancy of new supply (95% occupancy)	0	-83.3	-42.6	0.0	0.0	0.0
Annual Demand (unmet demand in 2015 - 50% capture)	113	37.8	37.8	37.8	37.8	37.8
<b>Remaining Demand</b>	<b>113</b>	<b>67.5</b>	<b>62.6</b>	<b>100.4</b>	<b>138.2</b>	<b>175.9</b>

2016 = Estimated completion new ALFs at % occupancy

Assumes PMA captures 100% of all waiting lists and no affect on existing comps.

\* used probability of 50% of capture and re-capture in unmet demand

**Aggressive Scenario**

Private Pay Standard AL Incremental Demand and New Supply Analysis Based on Capture Rate Comps						
Year	2015	2016	2017	2018	2019	2020
Stabilized occupancy of new supply (95% occupancy)	0	-83.3	-42.6	0.0	0.0	0.0
Annual Demand (unmet demand in 2015 - 75% capture)	170	37.8	37.8	37.8	37.8	37.8
<b>Remaining Demand</b>	<b>170</b>	<b>124.0</b>	<b>119.2</b>	<b>156.9</b>	<b>194.7</b>	<b>232.4</b>

2016 = Estimated completion new ALFs at % occupancy

Assumes PMA captures 100% of all waiting lists and no affect on existing comps.

\* used probability of 75% of capture and re-capture in unmet demand

Under the moderate scenario, there is an unmet demand of 113 units in 2015 (50% of the 226 units). In 2016, we forecast 83.3 occupied beds for this new supply and an incremental demand for 37.8 units. The remaining demand at the end of 2016 is a 67.5 units, calculated as follows:  $113 - 83.3 + 37.8 = 67.5$ . The 67.5 units at the end of 2016 is then added to the 2017 annual demand as follows:  $67.5 + 37.8$  units annual demand for 2017 – 42.6 new supply units (stabilized occupancy) = 62.6 units remaining demand in 2017. This calculation is repeated for the following three years. The result is a total remaining demand of 100.4 units in 2018, 138.2 units in 2019 and 175.9 units in 2020.

**Occupancy / Census Mix Conclusions – ALF****Census mix**

We estimated 100% private pay.

**Vacancy Rates**

The PMA is essentially 100% occupied with a wait list. The demand analysis presented indicates strong demand for standard private pay ALF units over the next five years. So a low vacancy of 5% is forecasted for the subject as complete and stabilized.

**Turnover Rates**

Based on conversations with other operators, typical length of stay is 12 to 36 months per resident for standard assisted living. The State of Seniors Housing 2014 report stated that the median reported length of stay was 21.5 months.

**Economic Factors.** The subject's market area has not changed significantly recently in terms of overall employment or other economic factors which are considered to have a long-term impact on the subject. In the PMA, the age 75+ cohort is projected to increase 5% annually from 2015 to 2020 with a 25% increase over the five year period. This indicates stable

demand for standard ALF units going forward, as a significant percentage of the 75+ cohort typically requires assistance with ADLs. There will be an additional 2,448 persons 75+ from 2015 to 2020.

#### Changes to Market Supply.

There will be significant changes to the market supply over the next few years as discussed. Our demand estimate shows an opportunity for subject development in 2017 as follows:

#### **Moderate Scenario**

<b>Private Pay Standard AL Incremental Demand and New Supply Analysis Based on Capture Rate Comps</b>						
Year	2015	2016	2017	2018	2019	2020
Stabilized occupancy of new supply (95% occupancy)	0	-83.3	-42.6	0.0	0.0	0.0
Annual Demand (unmet demand in 2015 - 50% capture)	113	37.8	37.8	37.8	37.8	37.8
<b>Remaining Demand</b>	<b>113</b>	<b>67.5</b>	<b>62.6</b>	<b>100.4</b>	<b>138.2</b>	<b>175.9</b>

2016 = Estimated completion new ALFs at % occupancy  
Assumes PMA captures 100% of all waiting lists and no affect on existing comps.

\* used probability of 50% of capture and re-capture in unmet demand

- Under the moderate scenario, there is positive demand for the next five years, despite the new supply entering the PMA in 2016 and 2017, with an opportunity for the subject AL development in 2017. In our opinion the subject should announce in 2016, break ground in late 2016 and open in 2017. In this way, it is highly likely that the subject will discourage other developers.
- At completion and stabilization, we estimate a vacancy for the subject proposed 60 unit standard ALF at 5% (57 occupied units) as it will be new, in a market with significant demand and given its location on a campus with a SNF.

#### Absorption Rates and Occupancy Conclusion

There have been no recently constructed ALFs in the PMA. The best indicator of absorption for the subject would be the Heritage Woods of South Elgin SLF which opened June 22, 2009 with 132 units. According to the administrator and owner the subject property took 10 months to fill to 100% unit occupancy – an absorption rate of **13.2 units per month**. The new addition of 18 units in 2012 filled within a few months but this was due to a long wait list.

There are currently operating SLFs in Illinois which have reported solid absorption of beds, thus proving demand for this product - as follows.

- The Park Pointe SLF (58 units) in Morris, IL opened January 2009 and reached 100% occupancy in one year. The census mix was approximately 50% Medicaid and 50% Private pay. The indicated absorption rate is 4.8 units per month. **The indicated private pay absorption is 2.4 units per month.**
- The Heritage Woods of Batavia SLF (93 units) opened August 22, 2003 and was 100% occupied by December 1, 2003. The facility was 90% pre-leased due to the pre-marketing campaign. This is an absorption rate of **29 units per month** – or 15 units per month when including the pre-marketing time. The 55-unit addition in 2007 absorbed in 2 months – **27.5 units per month**.
- The Rush Barton SLF (139 units) in Chicago reported reaching 100% occupancy in November 2001 indicating an absorption rate of approximately **14 units per month**.
- The Victory Senior Center SLF (32 beds) in Joliet, Will County, opened in January 17, 2000 and was 93.75% occupied as of February 2003. The developer stated that this level was reached late in year 2000. This equates to an absorption rate of **3 beds per month**.
- Heritage Woods SLF (52 beds) in Flora, Clay County, was 100% occupied with a waiting list as of May 2003 (52 units with capacity of 62 beds). Based on the opening date of May 2000, the facility reached 90% (beds) stabilization at a rate of about **5 units per month**. Private pay rates are set at the Medicaid rates.
- Heritage Woods SLF (93 beds) in Ottawa, LaSalle County, had an opening date of November 2000. The facility reached 90% (beds) stabilization at a rate of about **5 units per month**. The absorption rate would likely have been greater but the facility did not receive public aid certification until 6 months after opening. Private pay rates are set at the Medicaid rates. This facility also has a 20-unit Alzheimer wing not part of the SLF.
- The SLF in Park Forest has 91 total beds, opened in April 2002, and was 80% occupied as of February 2003. This equates to an absorption rate of **7 beds per month**.
- The SLF in Calumet City has 115 total beds, opened in July 2002, and was 50% occupied as of February 2003. This equates to an absorption rate of **8 beds per month**.
- The Aurora SLF (1599 North Farnsworth Avenue, Aurora, Kane County, Illinois 60505) opened 11/12/04 and had an initial absorption rate of **8 beds per month**. The census mix is 77% Medicaid and 23% private pay.

- The Rockford SLF (2114 South Kishwaukee Street, Rockford, Winnebago County, Illinois 61104) opened 7/12/05 and absorbed 43 beds (absorption rate of **10.75 beds per month**).
- Franciscan Court SLF (West Chicago, IL) opened on December 21, 2005 and by January 2007 had absorbed 52 units, which is an absorption rate of about **4.3 units per month**.
- The Churchview SLF opened 8/25/04 and is 95.4% occupied (82 of 86 units) with a census mix of 95% Medicaid and 5% private pay. As of June 2005, the SLF had 58 occupied units (67.4% occupancy; 90% Medicaid) which is an absorption rate of **5.8 units per month**.
- The Pioneer Gardens SLF (120 units, 3800 South King Drive, Chicago, IL, 773-420-4100). The Pioneer Gardens SLF opened 4/26/06 and is 86.7% occupied (104 of 120 units) with a census mix of 21% Medicaid and 79% private pay, which is an absorption rate of **8 units per month**.
- Phase I of the Eagle Ridge of Decatur SLF (76 units) opened on June 23, 2003 and was 100% occupied (67% Medicaid) by July 15, 2003 due to a solid 3-month pre-marketing campaign. This is a high absorption rate of **61 units per month** – or 19 units per month when including the pre-marketing time.
- Phase II (37 units) opened August 10, 2007 and reached 98.4% occupancy the next month. This is an absorption rate of **36.4 units per month**. However, this includes a pre-marketing program at the existing SLF and the near 100% occupancy at Eagle Ridge I.
- The Alden Gardens of Bloomingdale SLF (86 units), located in the western suburbs of Chicago, opened February 1, 2010 and was 90% occupied in three months. This is an indicated absorption of **25.8 units per month**.

➤ The data indicate absorption rates from 2.4 to 27.5 beds per month.

We also have absorption statistics for two recently constructed rural Illinois private pay ALFs. Both of these are in areas where there was strong demand and few if any private pay AL options in their respective PMAs. The information was provided by the developers.

- The Villas of Herrin ALF (Herrin, IL) is a 50-unit ALF that opened 10/1/2012 and achieved stabilized occupancy of 45 units in 13 months. This is an indicated absorption of **3.5 units per month**.
- The Villas of Chatham ALF (Chatham, IL) is a 50-unit ALF that opened 1/1/2013 and achieved stabilized occupancy of 45 units in 11 months. This is an indicated absorption of **4.1 units per month**.

Overall the best indicators are considered to be the recently constructed private pay ALFs. The SLFs tend to have faster rates as they are able to accept Medicaid. We estimated an absorption of 4 units per month for the subject. This is a conservative amount given the strong demand in the PMA.

➤ **Absorption Estimate:** Based on our Demand Analysis we project that the 95% occupancy (57 units) projection is attainable with an absorption of 4 units per month, resulting in a 14-month absorption time frame after completion of construction.

➤ **Market Study Conclusion:** Under the moderate scenario, we see positive demand for the next five years, despite the new supply entering the PMA in 2016 and 2017, with an opportunity for the subject AL development in 2017. In our opinion the subject should announce in 2016, break ground in late 2016 and open in 2017. In this way, it is highly likely that the subject will cut off any additional developers. The proposed 60-unit ALF and the projected occupancy are appropriate for and supportable by the Primary Market Area.

**Demand - Memory Care/Assisted Living****Method #1 – Subject's PMA Capture Rate**

The minimum annual income requirement for MC assisted living is \$73,000, at our client's targeted \$5,500 all-inclusive rate. The PMA demographics indicate that households age 75+ earning \$73,000+ are increasing 12.6% per year, which indicates growing demand for ALZ units.

Private Pay ALZ - Total HH Age 75+ with incomes \$73,000 +					
Household Income Households Age 75+	2015 Estimate		2020 Projection		Annual Change 2015-2020
	# HH	% of Total	# HH	% of Total	
HH <\$15,000-\$72,999	4,571	81%	5,139	75%	2.5%
<b>HH \$73,000 +</b>	<b>1,046</b>	<b>19%</b>	<b>1,706</b>	<b>25%</b>	<b>12.6%</b>
Total HH in the PMA	5,617	100%	6,845	100%	4.4%
Source: STDB	HHs \$73,000 +		% Change 2015-2020:		63.1%

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The ALZ PMA occupancy is 89.7% with a 73% private pay mix. However, removing the Oak Crest ALZ which has an inferior physical plant and reputation, the occupancy would be 100% with a wait list. The following shows the demand in the subject PMA in terms of occupied beds and the number of people on wait lists, indicating that some people have to leave the PMA in order to get ALZ care. In this case, the wait list is only at one facility and there are open beds at another facility. We also recognize that Oak Crest is the only facility in the PMA that does not have a 100% occupancy, because it is older, has an inferior location and a mediocre reputation. It has always performed poorly. Therefore, the subject PMA is undersupplied.

PMA Private Pay Demand - ALZ	
Occupied Private Pay MC Beds	70
+ Wait Lists	13
Current Demand	83

In order to estimate the demand for private pay ALZ beds over the next five years, we calculate the actual capture rate in the PMA. The current demand of 83 beds is 7.93% of the income qualified (\$73,000+) age 75+ households in 2015 ( $83 \div 1,046 = 7.93\%$ ). The income and age qualified households are projected to increase to 1,706 in 2020. So using the same capture rate of 7.93% equates to a demand for 135 beds in 2020 ( $7.93\% \times 1,706 = 135$ ). The indicated incremental demand is for 52 additional ALZ beds in the PMA ( $135 - 83 = 52$ ). The demand per year is 10.5 beds.

PMA Aged 75+ HHs Income \$73,000 +	
2015 HH Aged 75+, \$73,000 +	1,046
+ Total Current Demand	83
= PMA Capture Rate	7.93%
<b>Future Demand</b>	
2020 HH Aged 75+, \$73,000 +	1,706
x PMA Capture Rate	7.93%
= 2020 Demand	135
<b>Net Incremental Demand in 2020</b>	<b>52</b>
<b>÷ 5 years = Demand per year</b>	<b>10.5</b>

NOTE: In this case, the 2015 current demand is not accurate because it only reflects the full occupancy of the market, but not the actual demand. The market is currently undersupplied, which therefore infers a low capture rate. We therefore place little emphasis on this method.

**Method #2 – Capture Rate Comparables**

The following is a list of properties we have recently analyzed and the capture rates in their respective markets. For this method, the capture rates represent the number of occupied units in the market divided by the income-qualified, age 75+ households in that market. For example, if a market has 1,000 income and age qualified households and there are 100 occupied units in the market, then the capture rate is 10%. Then that capture rate is applied to the future number of income and age 75+ qualified households. The capture rates below reflect only private pay units in the market - Medicaid or charity occupied units are not included.

We based the capture rates for each PMA on both age and income as follows:

1. Estimated the minimum income required for ALZ AL in the PMA.
2. Estimated the total income and age qualified households in each PMA based on the minimum income required.
3. Calculate the occupancy (# units).
4. Divided the current occupied units by the income qualified households for each PMA to arrive at an age and income qualified capture rate.

<b>Memory Care (ALZ) Private Pay Capture Rate Comps - Age and Income Qualified</b>						
Data #	PMA	Private Pay Capture Rate		# ALZs in PMA	PMA Occupancy	# Available Beds in the PMA
		Age 75+ & Income Qual	Date of Survey			
1	St. Charles/Geneva <sup>(1)</sup>	54.6%	2/9/2015	7	81%	228
2	Joliet, IL	30.1%	6/16/2014	3	81%	146
3	Cedar Rapids, IA <sup>(2)</sup>	2.6%	9/30/2014	8	95%	168
4	Madison, WI	25.1%	1/9/2013	5	90%	154
5	Canton, MI	11.7%	10/11/2012	4	94%	138
6	Glenview, IL <sup>(3)</sup>	6.1%	8/8/2014	5	73%	159
7	North Olmsted, OH	16.1%	5/20/2015	7	88%	284
8	Aurora, IL	11.4%	5/8/2015	4	78%	134
<b>Average</b>		<b>19.7%</b>				
<b>Average w/o 1, 3 &amp; 6</b>		<b>18.9%</b>				

1 Unusually high capture rate, considered an outlier

2 New product entered the market and it's a large/dense market area that is undersupplied

3 New product just entered the market at time of survey CRate includes reservations at new facilities but market not stabilized

We note that in the Method #1 section above, we calculated the subject PMA has a private pay capture rate of 7.93% which is below the range of the best comparables above, because the PMA is undersupplied. As a comparison, Data # 3, was not used, since its capture rate was too low due to an undersupplied market. Data 1, 2, 6 and 8 are in suburban Chicago in densely populated areas. Data 3 and 4 are in secondary metro areas and Data 5 is in a suburb of Detroit.

The average of the best comparables (average w/o 1, 3 & 6) in the capture rate comparables table above is 18.9%. So, we use this capture rate to estimate the demand for private pay ALZ AL units currently and over the next five years. There are 1,046 age and income qualified households as of 2015 and we multiply this number by 18.9% to arrive at a current demand of 197.6 units (18.9% X 1,046 = 197.6). This current demand of 197.6 units less 70 currently occupied private pay units in the PMA, results in a current unmet demand of 127.6 units in the PMA. We use the same capture rate of 18.9% five years out in 2020.

<b>PMA Private Pay Demand - ALZ</b>	
<b>PMA Aged 75+ HHs Income \$73,000 +</b>	
2015 HH Aged 75+, \$73,000 +	1,046
÷ Capture Rate Based on Comps	18.9%
Age 75+ Memory Care Demand in 2015	197.6
Less: Current Occupied Private Pay ALZ Units	70.0
<b>= Current Unmet Demand # Units</b>	<b>127.6</b>
<b>Future Demand</b>	
2020 HH Aged 75+, \$73,000 +	1,706
X Aged 75+ Capture Rate in PMA	18.9%
Projected 2020 PMA Demand	322.3
<b>Net Incremental Demand in 2020</b>	<b>125</b>
<b>÷ 5 years = Demand per year</b>	<b>24.9</b>

## Conclusions:

- 2015 unmet demand: 127.6 units.
- Net incremental demand in 2020: 125 (or 24.9 units incremental demand per year)
- New ALF AZ Supply: 82.3 units in 2016 and 84.8 units in 2017

Next we compare the projected future supply with the projected future demand to arrive at remaining demand per year. Remaining Demand is the total incremental demand indicated by the PMA capture rate less the new inventory. If the incremental demand per year is lower than the number of new beds coming into the supply then there will be negative demand. The incremental demand 24.9 units per year. The proposed (under construction) supply in the PMA is the following:

<b>2016 Pipeline</b>	<b>AL</b>	<b>ALZ</b>
Westbrook	59	12
Vines (net) losing 39 beds to ALZ adding 12 to AL	-27	39
Senior Lifestyles	55	32
<b>Total 2016 Pipeline</b>	<b>87.7</b>	<b>82.3</b>
<b>2017 Pipeline</b>	<b>AL</b>	<b>ALZ</b>
Artis Senior Living	0	65
Bright Oaks of Elgin	45	20
<b>Total 2017 Pipeline</b>	<b>44.8</b>	<b>84.8</b>

We estimated a 95% occupancy for the comparables to allow for frictional vacancy (move-ins/move-outs).

In addition, there is no known support to estimate which proportion of the unmet demand can be recaptured once the new supply opens in the PMA. While it would be unrealistic to assume than 100% of the current unmet demand can be recaptured, it is also doubtful that none of the current unmet demand could be recaptured. Therefore, we have run a sensitivity analysis, using three probabilities of recapture: 25% - 50% and 75%.

The following table shows the net demand for ALZ units over the next five years.

**Conservative Scenario**

<b>Private Pay ALZ Incremental Demand and New Supply Analysis based on Capture Rate Comps</b>						
Year	2015	2016	2017	2018	2019	2020
Stabilized occupancy of new supply (95% occupancy)	0	-78.2	-80.6	0.0	0.0	0.0
Annual Demand (unmet demand in 2015 - 25% capture)	31.9	24.9	24.9	24.9	24.9	24.9
<b>Remaining Demand</b>	<b>31.9</b>	<b>-21.3</b>	<b>-76.9</b>	<b>-52.0</b>	<b>-27.1</b>	<b>-2.1</b>

2016 = Estimated completion new ALFs at 95% occupancy

Assumes PMA captures 100% of all waiting lists and no affect on existing comps.

\* used probability of 25% of capture and re-capture in unmet demand

**Moderate Scenario**

<b>Private Pay ALZ Incremental Demand and New Supply Analysis based on Capture Rate Comps</b>						
Year	2015	2016	2017	2018	2019	2020
Stabilized occupancy of new supply	0	-78.2	-80.6	0.0	0.0	0.0
Annual Demand (unmet demand in 2015 - 50% capture)	63.8	24.9	24.9	24.9	24.9	24.9
<b>Remaining Demand</b>	<b>63.8</b>	<b>10.6</b>	<b>-45.0</b>	<b>-20.1</b>	<b>4.8</b>	<b>29.8</b>

2016 = Estimated completion new ALFs at 95% occupancy

Assumes PMA captures 100% of all waiting lists and no affect on existing comps.

\* used probability of 50% of capture and re-capture in unmet demand

**Aggressive Scenario**

<b>Private Pay ALZ Incremental Demand and New Supply Analysis based on Capture Rate Comps</b>						
Year	2015	2016	2017	2018	2019	2020
Stabilized occupancy of new supply	0	-78.2	-80.6	0.0	0.0	0.0
Annual Demand (unmet demand in 2015 - 75% capture)	95.7	24.9	24.9	24.9	24.9	24.9
<b>Remaining Demand</b>	<b>95.7</b>	<b>42.5</b>	<b>-13.2</b>	<b>11.8</b>	<b>36.7</b>	<b>61.7</b>

2016 = Estimated completion new ALFs at 95% occupancy

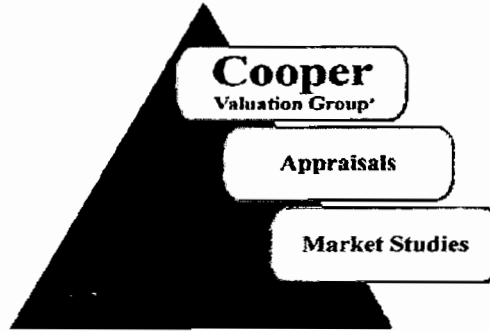
Assumes PMA captures 100% of all waiting lists and no affect on existing comps.

\* used probability of 75% of capture and re-capture in unmet demand

Under the moderate scenario, there is an unmet demand of 63.8 units in 2015 (50% of the 127.6 units). In 2016, we forecast 78.2 occupied beds for the new supply, and an incremental demand for 24.9 units. The remaining demand at the end of 2016 is an excess of 10.6 unoccupied units calculated as follows:  $63.8 - 78.2 + 24.9 = 10.6$ . The 10.6 units at the end of 2016 is then added to the 2017 annual demand as follows: 10.6 units remaining demand in 2016 + 24.9 units annual demand for 2017 – 80.6 new supply units (stabilized occupancy) = -45.0 units remaining demand in 2017. This calculation is repeated for the following three years. The result is a total remaining demand of -20.1 units in 2018, 4.8 beds in 2019 and 29.8 beds in 2020. Overall, the new supply will absorb all the future demand, so there is no room for another ALZ.

- **Market Study Conclusion:** We see negative demand in 2017 and 2018 due to the new supply entering the PMA in 2016 and 2017. We see limited development potential for ALZ (memory care AL).

**MICHAEL L. COOPER, MAI**



**Professional Experience**

Cooper Valuation Group, President: January 2010 to present  
Appraisal Research Counselors, VP-Senior Care Division: May 1993 - January 2010

**Professional Affiliations**

Received MAI designation in March 2012

**Education**

Bachelor of Business Administration Degree in Real Estate and Urban Land Economics and Finance from the University of Wisconsin-Madison, December 1991

**State Certifications**

Illinois, Wisconsin, Indiana, Michigan, Missouri, Ohio

The **Cooper Valuation Group** is a commercial real estate appraisal and market analysis firm specializing in healthcare and senior housing properties. Our valued clients include HUD Lenders, banks, financial institutions, private firms, developers, owners/operators, and buyers/sellers. Our clients are active in Illinois, Wisconsin, Indiana, Ohio, Missouri, and Michigan.

Michael L. Cooper, MAI is the founder and President of the Cooper Valuation Group, which he started in 2010. Mr. Cooper's core competencies include numerous assignments involving age-restricted housing, independent living, assisted living, nursing facilities, as well as CCRCs. His experience includes a broad range of operations ranging from private pay to Medicaid/Medicare facilities for projects operating successfully as well as work out deals. He is familiar with **HUD's Lean Program** for insuring mortgages for Section 232's (nursing and assisted living facilities).

**Attended HUD Lean Training**

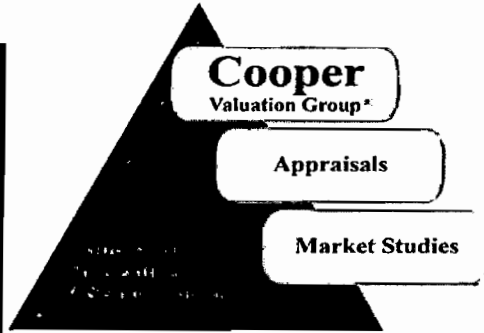
- Seattle – December 2008
- Chicago – January 2010
- Chicago – September 2011
- Philadelphia – March 2013

Significant experience with long-term and short-term care facilities including Market Studies and Appraisal Reports for:

- Skilled Nursing Facilities (geriatric and pediatric)
- Intermediate Care Facilities (including MI and DD facilities)
- Assisted Living Facilities (geriatric, dementia)
- Supportive Living Facilities (geriatric, disabled, dementia)
- Independent Living Facilities
- Age-Restricted Senior Housing
- Continuum of Care Retirement Communities (CCRCs)
- Alzheimer / Dementia Facilities



**ELISHEVA BELLER, MAI**



**PROFESSIONAL EXPERIENCE:**

Appraiser – Cooper Valuation Group, Vice President, Hinsdale, IL 2010-Present  
Appraiser - Appraisal Research Counselors, Chicago, IL 2007-2010  
Property Manager - Oak Properties L.P., Westmont, IL 2005-Present  
Appraiser - Appraisal Research Counselors, Chicago, IL 1999-2005  
Appraiser - William A. McCann and Associates, Inc., Chicago, IL 1997-1999  
Appraiser - Theodore R. Kowalski and Associates, Ltd., Chicago, IL 1995-1997

**EDUCATION:**

Bachelor of Arts Degree, Communication, University of Illinois at Chicago, 1990  
Master of Arts Degree, Communication, University of Illinois at Chicago, 1994

**PROFESSIONAL AFFILIATIONS**

Appraisal Institute - MAI as of September 2012.

**Attended HUD Lean Training:**

- Chicago – January 2010
- Chicago – September 2011

**CERTIFICATIONS:**

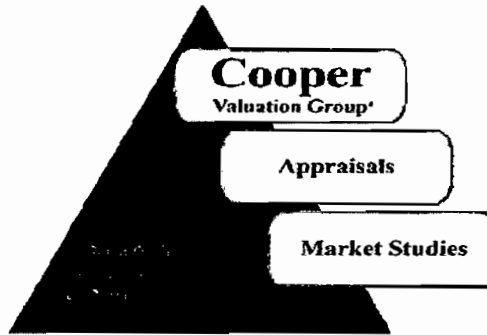
State of Illinois Certified General Appraiser  
State of Indiana Certified General Appraiser  
State of Michigan Certified General Appraiser  
State of Missouri Certified General Appraiser  
State of Wisconsin Certified General Appraiser

**APPRAISAL EXPERIENCE:**

Ms. Beller's experience includes market value appraisals of varied property types for acquisition, condemnation, mortgage, estate, ad valorem tax, litigation, and other purposes. From September 1995 to the present Ms. Beller has been involved in the valuation of real estate. Her experience includes the valuation of a wide variety of property types including residential, commercial, industrial, and special purpose properties. She is also experienced in the valuation of leasehold and leased fee interests. Appraisal assignments have been performed throughout the States of Wisconsin, Illinois, Missouri and Indiana. Significant Experience with senior care facilities including Market Studies and Appraisals for:

- Skilled Nursing Facilities (geriatric)
- Assisted Living Facilities
- Supportive Living Facilities
- Independent Living Facilities
- Continuum of Care Retirement Communities
- Alzheimer/Dementia Facilities

## ANNE GOMPEL



### **Professional Experience**

Cooper Valuation Group, Appraiser: November 2014 to present  
Appraisal Research Counselors, Senior Appraiser: May 2008 – November 2014  
Blazejack & Company – May 2003 – May 2008  
Horwath Consulting France – September 2000 – January 2003

### **Professional Affiliations**

Candidate for Designation, Appraisal Institute

### **Education**

MBA in International Hospitality Management from Institut de Management Hotelier International CORNELL University - ESSEC, Paris, France - 2000

### **State Certifications**

Illinois

The **Cooper Valuation Group** is a commercial real estate appraisal and market analysis firm specializing in healthcare and senior housing properties. Our valued clients include HUD Lenders, banks, financial institutions, private firms, developers, owners/operators, and buyers/sellers. Our clients are active in Illinois, Wisconsin, Indiana, Ohio, Missouri, and Michigan.

Anne Gompel core competencies include numerous assignments involving hotels and senior housing real estate, including independent living, assisted living, nursing facilities, as well as CCRCs.

Significant experience with long-term and short-term care facilities including Market Studies and Appraisal Reports for:

- Skilled Nursing Facilities (geriatric and pediatric)
- Intermediate Care Facilities (including MI and DD facilities)
- Assisted Living Facilities (geriatric, dementia)
- Supportive Living Facilities (geriatric, disabled, dementia)
- Independent Living Facilities
- Age-Restricted Senior Housing
- Continuum of Care Retirement Communities (CCRCs)
- Alzheimer / Dementia Facilities



# Age 50+ Profile

SNF PMA  
Area: 97.36 square miles

Prepared by Esri  
Latitude: 41.99831564  
Longitude: -88.3265907

Demographic Summary	Census 2010	2015	2020	2015-2020	2015-2020
				Change	Annual Rate
Total Population	156,235	160,413	164,155	3,742	0.46%
Population 50+	40,379	46,234	50,239	4,005	1.68%
Median Age	34.8	35.6	36.8	1.2	0.67%
Households	50,970	52,331	53,662	1,331	0.50%
% Householders 55+	32.8%	37.0%	40.2%	3.2	1.67%
Owner/Renter Ratio	4.1	3.7	3.6	-0.1	-0.55%
Median Home Value	-	\$245,388	\$274,188	\$28,800	2.24%
Average Home Value	-	\$284,715	\$324,052	\$39,337	2.62%
Median Household Income	-	\$79,005	\$88,833	\$9,828	2.37%
Median Household Income for Householder	-	\$66,999	\$78,811	\$11,812	3.30%

## Population by Age and Sex

Male Population	Census 2010		2015		2020	
	Number	% of 50+	Number	% of 50+	Number	% of 50+
Total (50+)	19,178	100.0%	22,116	100.0%	24,103	100.0%
50-54	5,485	28.6%	5,788	26.2%	5,484	22.8%
55-59	4,510	23.5%	5,129	23.2%	5,259	21.8%
60-64	3,607	18.8%	3,937	17.8%	4,409	18.3%
65-69	2,174	11.3%	3,141	14.2%	3,392	14.1%
70-74	1,397	7.3%	1,855	8.4%	2,653	11.0%
75-79	917	4.8%	1,088	4.9%	1,487	6.2%
80-84	602	3.1%	638	2.9%	797	3.3%
85+	486	2.5%	540	2.4%	622	2.6%

Female	Census 2010		2015		2020	
	Number	% of 50+	Number	% of 50+	Number	% of 50+
Total (50+)	21,203	100.0%	24,118	100.0%	26,135	100.0%
50-54	5,408	25.5%	5,790	24.0%	5,345	20.5%
55-59	4,804	22.7%	5,082	21.1%	5,236	20.0%
60-64	3,660	17.3%	4,338	18.0%	4,500	17.2%
65-69	2,488	11.7%	3,339	13.8%	3,893	14.9%
70-74	1,581	7.5%	2,141	8.9%	2,971	11.4%
75-79	1,192	5.6%	1,341	5.6%	1,857	7.1%
80-84	973	4.6%	930	3.9%	1,100	4.2%
85+	1,097	5.2%	1,157	4.8%	1,233	4.7%

Total	Census 2010		2015		2020	
	Number	% of Total	Number	% of Total	Number	% of Total
Total (50+)	40,379	25.8%	46,234	28.8%	50,239	30.6%
50-54	10,893	7.0%	11,578	7.2%	10,830	6.6%
55-59	9,313	6.0%	10,211	6.4%	10,495	6.4%
60-64	7,267	4.7%	8,275	5.2%	8,909	5.4%
65-69	4,662	3.0%	6,480	4.0%	7,285	4.4%
70-74	2,978	1.9%	3,996	2.5%	5,624	3.4%
75-79	2,108	1.3%	2,429	1.5%	3,344	2.0%
80-84	1,575	1.0%	1,568	1.0%	1,897	1.2%
85+	1,583	1.0%	1,697	1.1%	1,855	1.1%
65+	12,906	8.3%	16,170	10.1%	20,005	12.2%
75+	5,266	3.4%	5,694	3.5%	7,096	4.3%

Data Note - A "-" indicates that the variable was not collected in the 2010 Census.

Source: U.S. Census Bureau, Census 2010 Summary File 1 Esri forecasts for 2015 and 2020



# Demographic and Income Profile

SNF PMA

Area: 97.36 square miles

Prepared by Esri

Latitude: 41.99831564

Longitude: -

Summary	Census 2010	2015	2020
Population	156,235	160,413	164,155
Households	50,970	52,331	53,662
Families	39,153	39,924	40,748
Average Household Size	3.03	3.04	3.03
Owner Occupied Housing Units	41,002	41,156	42,046
Renter Occupied Housing Units	9,968	11,175	11,616
Median Age	34.8	35.6	36.8
<b>Trends: 2015 - 2020 Annual</b>	<b>Area</b>	<b>State</b>	<b>National</b>
Population	0.46%	0.21%	0.75%
Households	0.50%	0.26%	0.77%
Families	0.41%	0.14%	0.69%
Owner HHS	0.43%	0.18%	0.70%
Median Household Income	2.37%	2.80%	2.66%

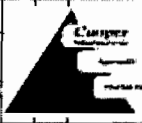
Households by Income	2015		2020	
	Number	Percent	Number	Percent
<\$15,000	3,301	6.3%	2,941	5.5%
\$15,000 - \$24,999	3,090	5.9%	2,236	4.2%
\$25,000 - \$34,999	3,606	6.9%	2,925	5.5%
\$35,000 - \$49,999	5,174	9.9%	4,746	8.8%
\$50,000 - \$74,999	9,357	17.9%	8,450	15.7%
\$75,000 - \$99,999	7,919	15.1%	8,828	16.5%
\$100,000 - \$149,999	11,009	21.0%	12,659	23.6%
\$150,000 - \$199,999	4,691	9.0%	5,930	11.1%
\$200,000+	4,180	8.0%	4,943	9.2%
Median Household Income	\$79,005		\$88,833	
Average Household Income	\$98,853		\$111,431	
Per Capita Income	\$32,415		\$36,597	

Population by Age	Census 2010		2015		2020	
	Number	Percent	Number	Percent	Number	Percent
0 - 4	12,477	8.0%	11,977	7.5%	11,878	7.2%
5 - 9	12,631	8.1%	12,811	8.0%	12,046	7.3%
10 - 14	12,384	7.9%	12,751	7.9%	13,454	8.2%
15 - 19	11,100	7.1%	10,903	6.8%	11,296	6.9%
20 - 24	8,449	5.4%	9,608	6.0%	8,548	5.2%
25 - 34	21,452	13.7%	20,707	12.9%	20,553	12.5%
35 - 44	24,977	16.0%	23,708	14.8%	24,297	14.8%
45 - 54	23,280	14.9%	23,292	14.5%	22,675	13.8%
55 - 64	16,580	10.6%	18,486	11.5%	19,404	11.8%
65 - 74	7,640	4.9%	10,476	6.5%	12,909	7.9%
75 - 84	3,683	2.4%	3,997	2.5%	5,241	3.2%
85+	1,583	1.0%	1,697	1.1%	1,855	1.1%

Race and Ethnicity	Census 2010		2015		2020	
	Number	Percent	Number	Percent	Number	Percent
White Alone	112,869	72.2%	113,620	70.8%	113,543	69.2%
Black Alone	7,885	5.0%	7,885	4.9%	7,866	4.8%
American Indian Alone	1,372	0.9%	1,407	0.9%	1,435	0.9%
Asian Alone	13,521	8.7%	15,187	9.5%	17,154	10.4%
Pacific Islander Alone	39	0.0%	42	0.0%	46	0.0%
Some Other Race Alone	15,937	10.2%	17,210	10.7%	18,639	11.4%
Two or More Races	4,613	3.0%	5,062	3.2%	5,471	3.3%
Hispanic Origin (Any Race)	43,603	27.9%	46,937	29.3%	50,943	31.0%

Data Note: Income is expressed in current dollars.

Source: U.S. Census Bureau, Census 2010 Summary File 1. Esri forecasts for 2015 and 2020.



# Age 50+ Profile

South Elgin AL PMA to schick  
Area: 185.03 square miles

Prepared by Esri  
Latitude: 42.01562939  
Longitude:

Demographic Summary	Census 2010			2015	2020	2015-2020	2015-2020
	Number	% of 50+	Number	% of 50+	Number	Change	Annual
Total Population	269,360		276,825		285,785	8,960	0.64%
Population 50+	69,047		78,617		85,398	6,781	1.67%
Median Age	34.4		35.3		36.4	1.1	0.62%
Households	88,118		90,525		93,603	3,078	0.67%
% Householders 55+	32.4%		36.6%		39.3%	2.7	1.43%
Owner/Renter Ratio	4.1		3.7		3.7	0.0	0.00%
Median Home Value	-		\$237,295		\$261,281	\$23,986	1.94%
Average Home Value	-		\$270,796		\$307,903	\$37,107	2.60%
Median Household Income	-		\$76,661		\$85,643	\$8,982	2.24%
Median Household Income for Householder 55+	-		\$65,925		\$77,119	\$11,194	3.19%

## Population by Age and Sex

	Census 2010		2015		2020	
	Number	% of 50+	Number	% of 50+	Number	% of 50+
<b>Male Population</b>						
Total (50+)	32,517	100.0%	37,267	100.0%	40,650	100.0%
50-54	9,330	28.7%	9,648	25.9%	9,225	22.7%
55-59	7,592	23.3%	8,612	23.1%	8,731	21.5%
60-64	6,060	18.6%	6,660	17.9%	7,476	18.4%
65-69	3,749	11.5%	5,279	14.2%	5,746	14.1%
70-74	2,356	7.2%	3,177	8.5%	4,452	11.0%
75-79	1,586	4.9%	1,856	5.0%	2,569	6.3%
80-84	1,045	3.2%	1,115	3.0%	1,364	3.4%
85+	799	2.5%	920	2.5%	1,087	2.7%
<b>Female Population</b>						
Total (50+)	36,531	100.0%	41,348	100.0%	44,748	100.0%
50-54	9,353	25.6%	9,756	23.6%	8,974	20.1%
55-59	8,281	22.7%	8,800	21.3%	8,916	19.9%
60-64	6,291	17.2%	7,457	18.0%	7,812	17.5%
65-69	4,277	11.7%	5,726	13.8%	6,725	15.0%
70-74	2,697	7.4%	3,705	9.0%	5,097	11.4%
75-79	2,088	5.7%	2,292	5.5%	3,219	7.2%
80-84	1,687	4.6%	1,642	4.0%	1,883	4.2%
85+	1,857	5.1%	1,970	4.8%	2,122	4.7%
<b>Total Population</b>						
Total (50+)	69,047	25.6%	78,617	28.4%	85,398	29.9%
50-54	18,683	6.9%	19,404	7.0%	18,199	6.4%
55-59	15,873	5.9%	17,412	6.3%	17,647	6.2%
60-64	12,350	4.6%	14,117	5.1%	15,288	5.3%
65-69	8,026	3.0%	11,005	4.0%	12,470	4.4%
70-74	5,054	1.9%	6,882	2.5%	9,549	3.3%
75-79	3,673	1.4%	4,149	1.5%	5,788	2.0%
80-84	2,732	1.0%	2,757	1.0%	3,248	1.1%
85+	2,656	1.0%	2,891	1.0%	3,209	1.1%
65+	22,141	8.2%	27,684	10.0%	34,264	12.0%
75+	9,061	3.4%	9,797	3.5%	12,245	4.3%

Data Note - A "-" indicates that the variable was not collected in the 2010 Census.

Source: U.S. Census Bureau, Census 2010 Summary File 1 Esri forecasts for 2015 and 2020.



## Age 50+ Profile

South Elgin AL PMA to schick  
Area: 185.03 square miles

Prepared by Esri  
Latitude: 42.01562939  
Longitude: -

### 2015 Households by Income and Age of Householder 55+

	55-64	Percent	65-74	Percent	75+	Percent	Total #
Total	17,298	100%	10,230	100%	5,617	100%	33,145 #
<\$15,000	976	5.6%	672	6.6%	631	11.2%	2,279 #
\$15,000-	1,004	5.8%	764	7.5%	758	13.5%	2,526 #
\$25,000-	1,036	6.0%	929	9.1%	932	16.6%	2,897 #
\$35,000-	1,480	8.6%	1,553	15.2%	1,145	20.4%	4,178 #
\$50,000-	2,910	16.8%	2,401	23.5%	1,201	21.4%	6,512 #
\$75,000-	2,796	16.2%	1,540	15.1%	452	8.0%	4,788 #
\$100,000-	3,906	22.6%	1,379	13.5%	353	6.3%	5,638 #
\$150,000-	1,688	9.8%	423	4.1%	78	1.4%	2,189 #
\$200,000+	1,502	8.7%	569	5.6%	67	1.2%	2,138 #
Median HH Income	\$84,249		\$59,748		\$40,009		\$65,925
Average HH	\$103,541		\$80,485		\$51,669		\$87,634

### 2020 Households by Income and Age of Householder 55+

	55-64	Percent	65-74	Percent	75+	Percent	Total #
Total	17,648	100%	12,313	100%	6,846	100%	36,807 #
<\$15,000	776	4.4%	696	5.7%	719	10.5%	2,191 #
\$15,000-	606	3.4%	662	5.4%	701	10.2%	1,969 #
\$25,000-	740	4.2%	861	7.0%	939	13.7%	2,540 #
\$35,000-	1,281	7.3%	1,644	13.4%	1,394	20.4%	4,319 #
\$50,000-	2,584	14.6%	2,613	21.2%	1,506	22.0%	6,703 #
\$75,000-	3,083	17.5%	2,182	17.7%	721	10.5%	5,986 #
\$100,000-	4,463	25.3%	2,059	16.7%	601	8.8%	7,123 #
\$150,000-	2,231	12.6%	733	6.0%	148	2.2%	3,112 #
\$200,000+	1,885	10.7%	866	7.0%	116	1.7%	2,867 #
Median HH Income	\$97,391		\$70,764		\$45,363		\$77,119
Average HH	\$120,037		\$94,163		\$60,442		\$100,289

**Data Note:** Income is reported for July 1, 2015 and represents annual income for the preceding year, expressed in current (2014) dollars, including an adjustment for inflation. Income is reported for July 1, 2020 and represents annual income for the preceding year, expressed in current (2019) dollars, including an adjustment for inflation.

**Source:** U.S. Census Bureau, Census 2010 Summary File 1 Esri forecasts for 2015 and 2020.



## Age 50+ Profile

South Elgin AL PMA to schick  
 Area: 185.03 square miles

Prepared by Esri  
 Latitude: 42.01562939  
 Longitude: -

### 2015 Population 50+ by Race

	Number	Percent	% Pop
Total	78,618		28.4%
White Alone	63,327	80.6%	32.7%
Black Alone	2,708	3.4%	20.9%
American Indian Alone	321	0.4%	13.1%
Asian Alone	7,714	9.8%	27.4%
Pacific Islander Alone	25	0.0%	27.8%
Some Other Race Alone	3,509	4.5%	11.3%
Two or More Races	1,014	1.3%	11.7%
Hispanic Origin (Any Race)	10,901	13.9%	12.8%

### Census 2010 Households and Age of Householder

	Number	Percent	% Total HHS
Total	28,554	100.0%	32.4%
Family Households	19,178	67.2%	21.8%
Householder Age 55-64	11,563	40.5%	13.1%
Householder Age 65-74	5,090	17.8%	5.8%
Householder Age 75-84	2,016	7.1%	2.3%
Householder Age 85+	509	1.8%	0.6%
Nonfamily Households	9,376	32.8%	10.6%
Householder Age 55-64	4,126	14.4%	4.7%
Householder Age 65-74	2,492	8.7%	2.8%
Householder Age 75-84	1,832	6.4%	2.1%
Householder Age 85+	926	3.2%	1.1%

### Census 2010 Occupied Housing Units by Age of Householder

	Number	Percent	% Total HHS
Total	28,555	100.0%	32.4%
Owner Occupied Housing Units	24,869	87.1%	28.2%
Householder Age 55-64	13,875	48.6%	15.7%
Householder Age 65-74	6,691	23.4%	7.6%
Householder Age 75-84	3,240	11.3%	3.7%
Householder Age 85+	1,063	3.7%	1.2%
Renter Occupied Housing Units	3,686	12.9%	4.2%
Householder Age 55-64	1,814	6.4%	2.1%
Householder Age 65-74	891	3.1%	1.0%
Householder Age 75-84	609	2.1%	0.7%
Householder Age 85+	372	1.3%	0.4%

**Data Note:** A family is defined as a householder and one or more other people living in the same household who are related to the householder by birth, marriage, or adoption. Nonfamily households consist of people living alone and households that do not contain any members who are related to the householder. The base for "% Pop" is specific to the row. A Nonrelative is not related to the householder by birth, marriage, or adoption.

Source: U.S. Census Bureau, Census 2010 Summary File 1 Esri forecasts for 2015 and 2020.