



Project Report

**Market Analysis for a Proposed Assisted
Living Facility at the Northport VA Medical
Center**



Prepared for
**Management Technology Consulting
Council, Inc.**
Huntsville, Alabama

Submitted by

**Economics Research Associates, an AECOM
company (ERA)**

January 2010

ERA Project No. 18412

303 East Wacker Drive, Suite 600
Chicago, IL 60601

312.373.7558 Fax 312.373.6800 www.aecom.com/economics

Table of Contents

Executive Summary	i
Industry Overview	i
Northport Market Analysis.....	ii
Current Assisted Living Market Conditions	ii
Assisted Living Demand Projections.....	iii
I. Introduction	1
II. Assisted Living	2
Assisted Living Residents	4
Paying for Assisted Living.....	5
State of the Industry.....	8
III. Market Analysis	12
Population	12
Age Shifts	13
Households.....	15
Income	16
Migration	18
IV. Long Island Veteran Population	22
Labor Force and Education.....	24
Income	25
Poverty and Disability Status	26
V. Assessing Demand	28
Current Market Conditions	28
Veteran Use of Assisted Living	32
Potential Demand for Assisted Living	33
VI. Operational Considerations	37
Rent Scenarios	37
Staffing.....	38
Potential Traffic.....	39
VII. Site Considerations	41
Local Zoning	41
New York State Regulations	43
VIII. Conclusions	45
Appendix	46
List of Acronyms	46
Sources of Data and Information	46

Index of Tables

Table 1 – Largest Assisted Living Providers	9
Table 2 – Population Growth.....	13
Table 3 – Median Age	13
Table 4 – Health Coefficients by Age Groups	15
Table 5 – Total Households and Household Size	15
Table 6 – Median Household Income.....	17
Table 7 – Median Net Worth, 2008	18
Table 8 – Median Home Value.....	18
Table 9 – Long Island Veterans who Served by Date of Service, 2008	24
Table 10 – Employment for Veterans versus Non-Veterans, 2008	25
Table 11 – Poverty Status for Veterans by Age	26
Table 12 – Veteran Income and Disability Status by Age, 2008	27
Table 13 – Assisted Living Facilities in New York MSA	29
Table 14 – Assisted Living Facilities on Long Island, Third Quarter 2009.....	30
Table 15 – Selected Assisted Living Facilities on Long Island	31
Table 16 – Group Quarters Population, 2008	32
Table 17 – Current Demand for Assisted Living by Long Island Veterans	33
Table 18 – Long Island Elderly Population and ADL Needs.....	34
Table 19 – Potential Demand for Assisted Living on Long Island	35
Table 20 – Projected Rent Revenues	37
Table 21 – Average FTEs by Department.....	38
Table 22 – Average Daily Staff Levels by Property Type	39
Table 23 – Distance from Resident Previous Home and Closest Relative.....	40
Table 24 – Development Scenario under R-HS Designation	42

Index of Figures

Figure 1 – Average Monthly Base Costs for Assisted Living by Number of Services Included	7
Figure 2 – Population Growth in Nassau and Suffolk Counties.....	12
Figure 3 – Percent of Nassau and Suffolk County’s Population by Age, 2000-2013.....	14
Figure 4 – Households by Type	16
Figure 5 – Long Island Household Income Distribution.....	17
Figure 6 – Net Household Losses/Gains from Suffolk County due to Migration.....	19
Figure 7 – Average Adjusted Gross Income	20
Figure 8 – Top Source Markets to Suffolk County.....	20
Figure 9 – Top Destination Markets from Suffolk County	21
Figure 10 – Nassau and Suffolk County Veteran Population	22
Figure 11 – Long Island Veteran Population Projections, 2000-2030	23
Figure 12 – 2008 Median Income for Veterans	26
Figure 13 – NIC Map of New York Metro Area.....	28
Figure 14 – Average Monthly Rent for Assisted Living Units in New York MSA, 2009.....	30
Figure 15 – Frequency of Visitors	40
Figure 16 – Map of Northport VAMC.....	41

General & Limiting Conditions

Every reasonable effort has been made to ensure that the data contained in this report are accurate as of the date of this study; however, factors exist that are outside the control of AECOM and that may affect the estimates and/or projections noted herein. This study is based on estimates, assumptions and other information developed by AECOM from its independent research effort, general knowledge of the industry, and information provided by and consultations with the client and the client's representatives. No responsibility is assumed for inaccuracies in reporting by the client, the client's agent and representatives, or any other data source used in preparing or presenting this study.

This report is based on information that was current as of January 2010 and AECOM has not undertaken any update of its research effort since such date. Because future events and circumstances, many of which are not known as of the date of this study, may affect the estimates contained therein, no warranty or representation is made by AECOM that any of the projected values or results contained in this study will actually be achieved.

Possession of this study does not carry with it the right of publication thereof or to use the name of "AECOM" or "Economics Research Associates" in any manner without first obtaining the prior written consent of AECOM. No abstracting, excerpting or summarization of this study may be made without first obtaining the prior written consent of AECOM. Further, AECOM has served solely in the capacity of consultant and has not rendered any expert opinions. This report is not to be used in conjunction with any public or private offering of securities, debt, equity, or other similar purpose where it may be relied upon to any degree by any person other than the client, nor is any third party entitled to rely upon this report, without first obtaining the prior written consent of AECOM. This study may not be used for purposes other than that for which it is prepared or for which prior written consent has first been obtained from AECOM. Any changes made to the study, or any use of the study not specifically prescribed under agreement between the parties or otherwise expressly approved by AECOM, shall be at the sole risk of the party making such changes or adopting such use.

This study is qualified in its entirety by, and should be considered in light of, these limitations, conditions and considerations.

Executive Summary



Economics Research Associates (ERA), now part of AECOM, was retained by Management Technology Consulting Council, Inc. (MTCC) to examine the market for an assisted living facility to be located on the Northport Veterans Affairs Medical Center (VAMC) campus in New York. Under the Enhanced-Use Lease (EUL) authority, the U.S. Department of Veterans Affairs (VA) seeks to lease

underutilized land at the Northport VAMC campus to a private developer to construct, operate and maintain an assisted living facility primarily for Veterans.

Industry Overview

This market analysis provides an overview of the assisted living industry and identifies the current categories of existing assisted living facilities which continue to evolve reflecting a growing national market and increasing appreciation of residents' diverse needs. Assisted living in the United States developed as a residential alternative to nursing home care and is considered the fastest growing long-term care option for seniors because of its emphasis on resident choice, dignity, independence and privacy. Currently, there are an estimated 1 million residents living in approximately 36,000 facilities throughout the U.S. With the Baby Boomers nearing retirement and the continued increase in life expectancy, industry analysts project resident capacity will double by 2030.

Assisted living facilities are a combination of senior housing, personalized support services and easy access to health care for seniors who need help with bathing, dressing, taking medications and other activities of daily living. The level of service, unit features and amenities included generally determine monthly fees which vary widely. According to MetLife, the average assisted living base rate for a one-bedroom apartment with some services in the New York metropolitan area was \$4,602 per month in 2009 (compared to a national average of \$3,131). With three-quarters of residents indicating they or their families pay for their stay, typically individuals with higher incomes or net worth are better able to afford assisted living care.

Northport Market Analysis

The Northport VA Medical Center serves Veterans from Nassau and Suffolk counties, commonly referred to as Long Island. AECOM's market analysis includes a discussion of core demographic trends in these two counties. Key considerations as they relate to the proposed development can be summarized as follows:

- **Population** – The two county market area has expanded from approximately 1 million residents in 1950 to nearly 2.8 million in 2008. The area has a wide-mix of residents by age with a modest decline in children and a general increase in population among those over the age of 55, the targeted demographic group for those who might consider assisted living. By 2013, nearly 72,000 residents of Long Island will be over the age of 85. As the population ages, the percentage of persons needing assistance with activities of daily living increases.
- **Income and Net Worth** – A prime consideration for assisted living is the financial situation of prospective residents. Median household income is significantly higher on Long Island than metro, state and national levels and is projected to increase even further by 2013. More than half of the Long Island households will have an income greater than \$100,000 by 2013. Net worth, which more accurately reflects household wealth than income, was nearly three times that of the larger New York metropolitan area in 2008 at nearly \$350,000 and median home values were over \$400,000.
- **Veterans Population** – The primary market for the proposed assisted living facility is Veterans. In 2008, there were more than 165,000 Veterans living on Long Island, more than half of which were over the age of 65. While the overall Veteran population is expected to decline, the share of Veterans over the age of 65 is expected to grow. Data suggest that these aging Veterans may have more disability issues than the general population. In terms of income, Veterans in the target area had a median income of approximately \$48,800 in Nassau County and \$45,900 in Suffolk County during 2008.

Current Assisted Living Market Conditions

To determine the near-term Veterans market for the proposed project we assessed existing comparable programs in the region. The New York metro area has an estimated 188 assisted living facilities with an average of 95 beds per project. While the national economic downturn and the difficulty in obtaining financing has slowed recent expansion activity, the existing rent levels (\$3,900 to \$5,599 per month) have reportedly held steady.

Data provided by the National Investment Center for the Seniors Housing and Care Industry (NIC) on assisted living facilities in Nassau and Suffolk counties indicates that there are 4,653 total units in the

market as of the third quarter of 2009. The average occupancy rate was 93 percent, indicating that 4,325 units were occupied. The average rent was \$4,317, up 2.6 percent from the previous four quarters. The local market is dominated by several large national chains including Arbors Assisted Living, Atria, Bristal and Sunrise Senior Living.

According to the U.S. Census Bureau, nationally, 13 percent of residents in nursing/skilled nursing facilities are Veterans. Applying this relationship, AECOM estimates that approximately 580 Veterans are residents at Long Island assisted living facilities. Therefore, of the 165,400 Veterans living on Long Island, 0.35 percent reside in assisted living facilities.

Assisted Living Demand Projections

As the over 65 population on Long Island continues to increase (up by 25,600 in 2013) so will the need for assisted living accommodations. The available national data and trends indicate that Long Island's demand for assisted living units will increase to approximately 6,000 units by 2013 assuming a consistent 93% occupancy rate. This analysis represents an estimated near-term need for 1,030 to 1,350 additional assisted living units on Long Island. This estimate is conservative since the population increase in the over 85 age group will further increase assisted living demand. Veterans are projected to need 140 to 180 of those additional units.

AECOM concludes that there is enough demand on Long Island to support an assisted living facility primarily for Veterans on the Northport VA Medical Center campus. In addition to providing Veterans an opportunity to live with other Veterans, potential links to existing related facility services on the Northport VAMC campus will be a strong asset for attracting Veterans to the project. How these and other related development opportunities are worked out between the selected developer and Northport VA decision makers can only serve to further enhance the project's attractiveness to the Long Island Veteran population.

I. Introduction



The Northport Veterans Affairs Medical Center (VAMC) campus consists of approximately 260 acres. The targeted EUL site consists of two parcels (Parcel A and Parcel B on the map) for a total of 20.67 acres located on the northeast portion of the property that extends from the main gate to the rear gate of the facility. Under the EUL agreement, the U.S. Department of Veterans Affairs (VA) would lease the site to a selected qualified lessee for a term of up to 75 years. The lessee would develop, operate and maintain the VA property.

The proposed use of the property is to provide appropriate assisted living housing for eligible Veterans on a priority basis and eligible non-Veterans. In exchange for the EUL, the VA will seek rent and/or in-kind consideration from the lessee such as priority placement for Veterans. The project would significantly improve Veterans' quality of life by providing those in need with assisted living housing and better access to VA health care and other support services. The proposed development could also meet related needs of the larger Northport Veterans program as well as reduce or share some operating costs at the VA property, though this was not a component of this study.

AECOM analyzed demographic and economic trends, interviewed assisted living centers and spoke with local officials to assess the current and potential market for an assisted living facility at the Northport VA Medical Center.

II. Assisted Living

Assisted living developed as a residential alternative to nursing home care and is considered the fastest growing long-term care option for seniors because of its emphasis on resident choice, dignity, independence and privacy. Assisted living communities are non-medical, residential settings that provide services for those who are not able to live independently but who do not need the round-the-clock level of care found in nursing homes. Some facilities also provide care for those who require supervision due to a cognitive impairment related to disorders such as Alzheimer's.

These facilities are typically very secure, and offer sign-in and sign-out privileges. The staff is usually on call 24 hours a day, and there are aides to watch for memory impaired residents. As more care is needed, services can be added without requiring the resident to move which allows for aging in place. According to the Assisted Living Federation of America (ALFA), a professional association exclusively dedicated to companies operating professionally managed assisted living communities for seniors, an assisted living residence is defined as a special combination of senior housing, personalized support services and easy access to health care for seniors who need help with bathing, dressing, taking medications and other activities of daily living (ADLs). There are six basic categories of ADLs:

- Hygiene (bathing, grooming, shaving and oral care)
- Continence
- Dressing
- Eating (the ability to feed oneself)
- Toileting (the ability to use a restroom)
- Transferring (actions such as going from a seated to standing position and getting in and out of bed)

In an assisted living facility, the amount of help one needs with ADLs determines the resident's needed level of care. Typically, the cost of care for each individual is based on the level of care he or she requires and is assessed upon entrance by a social worker or nurse. Some may need assistance with meal preparation, household chores and ADLs. Services often provided at assisted living facilities include:

- | | |
|----------------------------------|-----------------------------|
| ▪ Care management and monitoring | ▪ Medication management |
| ▪ Exercise and wellness programs | ▪ Security |
| ▪ Help with ADLs | ▪ Transportation |
| ▪ Housekeeping and laundry | ▪ Two or more meals per day |

Some facilities provide social and recreation activities such as clubs and activity nights as well as expeditions to events, malls, museums, restaurants and movies. Some assisted living facilities

(ALFs) have additional amenities on site such as a chapel, café and/or a beauty parlor. Personal care in assisted living typically includes:

- Access to health and medical services such as physical therapy and hospice
- Assistance with eating, bathing, dressing, toileting and walking
- Care for residents with cognitive impairments
- Emergency call systems for each resident's apartment
- Medication management
- Staff available to respond to both scheduled and unscheduled needs

While ALFs are residential in character, there is no standard blueprint since consumer needs and preferences vary so greatly. ALFs can range from a high-rise building constructed as an ALF to a converted Victorian home, to large multi-acre campuses. ALFs can be free-standing or housed with other options such as independent living, continuing care retirement communities (CCRC) or part of a skilled nursing care facility. An ALF complex will typically be built with 25 to 110 units, varying in size from one room to a full apartment. Larger ALFs may have a group dining area and common areas for social and recreational activities. Following are general classifications of ALFs:

- Apartments are the traditional structure of ALFs. They can be studio, one-, or two bedroom apartments. They offer services and centralized meals, which sometimes replace the need for individual kitchen facilities.
- Special care, dementia or Alzheimer's care ALFs are for a more frail population than traditional ALFs. They are more likely to be semi-private, less likely to have any kitchen facilities, less likely to have locks on doors and more likely to restrict their residents from leaving freely than traditional ALFs. The higher the level of care, the more institutionalized the surroundings become.
- Group homes for the elderly or adult foster care residences can be housed in a single family home structure and may call themselves ALFs.
- Larger care facilities may be dorm-style (i.e. more than 2 persons per room), lower income and more institutionalized. In some states, these are licensed as ALFs.

In summary, there is no universal definition of what assisted living is comprised of, what services are provided or how the facility is structured. In order to distinguish assisted living from other forms of residential care, the assisted living industry stresses the philosophy of assisted living which, as detailed by National Center for Assisted Living (NCAL), an industry association, includes the following tenets:

- Minimize the resident's need to move;
- Accommodate the individual resident's changing needs and preferences;
- Maximize the resident's dignity, autonomy, privacy, independence, choice and safety; and

- Encourage family and community involvement.

A major part of this assisted living philosophy is allowing residents to “age in place” as their needs evolve and grow and to deliver needed services in a home-like setting. The philosophy of assisted living also involves shared risk and responsibility. Residents agree to forfeit the continual clinical supervision found in a nursing facility in return for greater privacy and maximum independence. Residents may then be responsible for accomplishing some basic personal chores and household management tasks and to some extent caring for their own well being.

Oversight of assisted living communities is primarily in the hands of state governments rather than under federal regulation. The varying laws and regulations affecting assisted living settings have created a mix of terminology, settings and available services for consumers. While most states use the term “assisted living”, other common terms include:

- Adult congregate living care
- Adult foster care
- Adult homes
- Adult living facility
- Board and care
- Community-based retirement facility
- Domiciliary care
- Enhanced care
- Personal care
- Residential care
- Retirement residence
- Service-enriched housing
- Sheltered housing
- Supported care

Assisted living facilities must comply with the Americans with Disabilities Act, the Fair Housing Act as well as local fire and safety regulations. State regulations generally address the mandatory services an assisted living facility must provide. Most assisted living facility providers and their staffs must take special training and follow specific fire and safety codes. Some states require a nurse on duty or on call at all times. There are often additional standards for facilities with residents with Alzheimer’s diseases or other forms of dementia. In New York, an assisted living program means an entity which is established and operated for the purpose of providing long-term residential care, room, board, housekeeping, personal care, supervision, and providing or arranging for home health services to five or more eligible adults unrelated to the operator.

Assisted Living Residents

Modeled after European facilities, assisted living residences began to appear in the United States in the mid-1980s, and their number greatly expanded during the 1990s. By the mid-1990s, assisted living had become the most rapidly growing form of residential long-term supportive services in the United States. However, since there is no universal definition of assisted living, there is some

difficulty measuring the size of the industry. What isn't disputed is the considerable growth the industry has undergone. In 1999, the U.S. Department of Health and Human Services conducted a national survey in attempt to measure the size and characteristics of the industry. In 1998, they estimated that there were 11,459 assisted living facilities with 611,300 beds and 521,500 residents. According to the National Center for Assisted Living (NCAL), an industry association, there were an estimated 975,000 residents living in approximately 36,000 assisted living facilities in the U.S. during 2007. That represents 0.3 percent of the total population or 2.6 percent of the population over the age of 65. The growth of assisted living has provided a new option for long-term services that is much more desirable to consumers than a nursing home. According to AARP's *Beyond 50 2003: A Report to the Nation on Independent Living and Disability*, the majority of people age 50 and older prefer to receive any needed assistance at home, either from family and friends or from an agency. When individuals need or want services away from home, assisted living is strongly preferred over a nursing home.

More than 60 percent of assisted living residents locate from within 10 miles of their previous residence. Approximately half of residents move to within 10 miles of the community where they currently live or where their children live. According to NCAL, the typical resident was a widowed woman in her mid-80s. More than one-tenth of assisted living residents (12%) received Medicaid assistance. The average stay in an assisted living facility was about 27 months. Approximately one-third eventually move into a nursing home, 30 percent die while residing at the assisted living facility and 36 percent leave to move back home or to another location. Among those who moved, the majority indicated they needed more care than the facility was able to provide. Although slightly less than half of residents (44%) have some cognitive impairment, less than one quarter (24%) have a diagnosis of Alzheimer's disease or other dementia compared to 42 percent of nursing home residents.

It should be noted that some assisted living facilities also house young, disabled persons. Nationally, approximately 2 percent of assisted living residents fall into this category. While most facilities are for the elderly, there are some that specialize in meeting the needs of this younger population.

Paying for Assisted Living

Assisted living facilities are owned and operated by both for-profit and non-profit organizations and can range in cost from \$800 to \$4,000 a month or more, depending upon location, residence and services needed. Although assisted living facilities offer a less-expensive, residential approach to delivering many of the same services available in skilled nursing facilities, whether prospective

residents can afford the costs of these programs is contingent upon such factors as scope of services provided, apartment size and pricing model.

Each assisted living facility sets its own rate for rent and services. According to AECOM research, fees may be inclusive or there may be additional charges for special services. There are two basic pricing models for assisted living facilities:

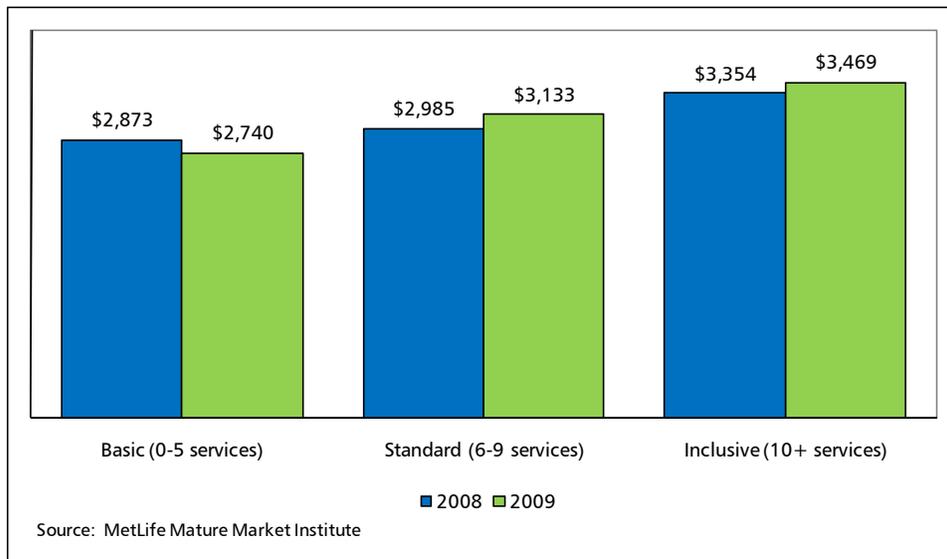
- All-inclusive: Under this scheme, rent and any additional services are included in a set monthly fee. The basic rate may cover all services or there may be additional charges for special services.
- A-la-Carte: Residents are charged a flat rate for a certain set of basic services, and then charged an additional fee for extra services. With this pricing model, residents pay only for those services they receive.

In addition to monthly rent and service charges, some facilities may charge a security deposit or non-refundable entrance fee. Another common fee is a charge for late payments. Under each pricing scheme above, providers regularly review service and care plans to ensure residents' needs are being met. Most assisted living residences charge on a month-to-month lease arrangement.

Beginning in 2002, the MetLife Mature Market Institute began collecting national market survey data on nursing home, assisted living, and home care costs annually. Monthly private-pay base rates, which are defined as room and board and typically include at least two meals per day, housekeeping, and personal care assistance, were obtained for one-bedroom apartments or private rooms with private baths in assisted living communities. According to MetLife, the national average assisted living base rate increased by 3.3 percent from \$3,031 per month (\$36,372 annually) in 2008 to \$3,131 monthly or \$37,752 annually in 2009. The median rate was \$2,960. In the New York metropolitan area, the average base rate price for assisted living was \$4,602 in 2009.

The following table shows how the average monthly base pay varies by the number of services included. According to MetLife, the majority of residents (64%) use 6 to 9 services, with an average monthly base cost of \$3,133. This increased 5 percent since 2008. For those residents needing less care, the cost of basic services (0-5 services), fell 4.6 percent from 2008. Only 14 percent of residents in assisted living paid the basic rate. Of course the more services needed, the higher the cost. For those patients using 10 or more services at an assisted living facility (22% of residents), the average monthly cost was \$3,469 per month, a 3.4 percent increase from 2009.

Figure 1 – Average Monthly Base Costs for Assisted Living by Number of Services Included



According to the *2009 Overview of Assisted Living*, a collaborative effort of multiple industry organizations that surveyed approximately 500 assisted living communities, three-quarters of assisted living residents say they or their families pay for their stay which is down from 85 percent in 2006. Sources of income include investment portfolios, personal savings accounts, revenue from selling their homes and assistance from their children or families. Typically only individuals with a fairly large disposable income are able to afford assisted living facilities. More residents are relying on support from long-term care insurance (6.1 percent versus 3 percent in 2006) and there has been a small increase in Medicaid participation. Additional programs, including government assistance, may offset some of the costs for persons eligible include:

- Medicare: Medicare typically does not cover payment for daily care at an assisted living facility. In some instances, however, it will cover the costs of skilled nursing facility services that help a resident recover from an acute illness or injury.
- Medicaid: In assisted living, Medicaid, which is financed by both federal and state governments, will pay for personal care services provided by the facility. Examples of such services include bathing, dressing, eating, cooking, or cleaning. In most instances, however, the program will not cover the costs of room and board at assisted living facilities. To make assisted living more affordable for low-income individuals, many states are enacting changes to the portion of Medicaid which can be applied to assisted living facilities. Until recently, only individuals living in nursing homes were typically provided Medicaid assistance. In New York, Medicaid covers the following services, some of which are offered in assisted living programs: home care, therapies, nursing, medical equipment and adult day health care. Personal care is covered by the SSI state

supplement payment (see next bullet). To participate in the state's Medicaid program, providers must be a certified adult care facility by the State of New York and hold a license as a home care services agency.

- Supplemental Security Income (SSI): Many states provide supplements to SSI, a federal assistance program for the elderly and disabled, to cover room and board and sometimes personal care. However, these supplemental payments are often insufficient to cover the cost of room and board at assisted living centers.
- Long-term care insurance: Long term care is a type of insurance plan that can help pay for assisted living. Long-term care insurance policies usually pay a certain sum of money to the facility for a certain period of time. Generally, such policies will cover long-term care in a nursing home, assisted living facility, or within the home.
- Aid & Attendance Benefits: Through the Veteran's Administration, this program provides eligible Veterans and dependents benefits if they 1) are eligible for a VA pension; 2) meet service requirements; 3) meet certain disability requirements; and 4) fulfill income and asset limitations (net worth cannot exceed \$80,000). Aid and Attendance is intended to help applicants with the cost of home care or assisted living. It is a non-service connected disability benefit, meaning the disability does not have to be a result of service. In December 2007, the maximum annual pension rate for a single Veteran with no dependents (either spouse or child) was \$11,181. With Aid & Attendance, it was \$18,654 per year.

Many moderate or low-income older persons who cannot afford assisted living either live at home without needed services or to go to a residential supportive services setting that provides a lower level of services and privacy. Residents who pay privately and then run out of money may have to move to a nursing home, where Medicaid is an entitlement, if they cannot obtain Medicaid coverage for assisted living.

During the current economic downturn, many seniors are finding that they must postpone the transition into assisted living communities because of losses in the value of their portfolios and homes. While financing options, including estate planning and reverse mortgages, are available to many homeowners wishing to move into assisted living facilities, the current credit crunch has made it difficult for seniors to obtain the amount of financing they need. This may be one cause of the temporary decline in growth of ALF construction.

State of the Industry

In 2007, the National Center for Assisted Living (NCAL) estimated that 975,000 residents were living in approximately 36,000 assisted living facilities throughout the U.S. By 2030, industry analysts

project resident capacity at these facilities to double. The majority of assisted living facilities are located in the U.S. southeast, which corresponds with the movement of retirees to the U.S. Sunbelt.

The assisted living industry continues to be dominated by a handful of large players. Each year the Assisted Living Federation of America (ALFA) compiles a list of the largest assisted living providers in the U.S. The 2009 top five assisted living providers by resident capacity are summarized in the table below. Sunrise Senior Living is the largest provider, at an estimated capacity of 32,560. Emeritus Senior Living and Brookdale Senior Living are second and third, respectively. Three of top five providers between 2008 and 2009 experienced resident capacity growth, with growth greatest for Brookdale Senior Living and Atria Senior Living Group at 20.1 percent. Other growth companies during this period included Senior Services of America, BMA Management and Bonaventure Senior Living, formerly known as Mt. West Retirement Corp.

Table 1 – Largest Assisted Living Providers

Company	2009 Resident Capacity	% Change 2008-09	Properties 2009	For-Profit/ Non-Profit
Sunrise Senior Living	32,560	0.0%	448	For-profit, Public
Emeritus Senior Living	30,330	8.0%	299	For-profit, Public
Brookdale Senior Living	25,325	20.1%	431	For-profit, Public
Sunwest Management, Inc.	16,036	0.0%	277	For-profit, Private
Atria Senior Living Group	14,451	20.1%	119	For-profit, Private

Source: ALFA 2009 Largest Providers

There is reportedly extensive competition within the industry. The top five providers in the country make up less than 12 percent of the market. High profit margins were typical as this industry developed. However, it has become easier to enter the market as typical barriers to entry such as licensing and regulation have become more standardized. While the largest providers have been able to take advantage of economies of scale, non-profit operators have lower cost structures. For example, non-profits can include the ability to finance capital expenditures on a tax-exempt basis and receive charitable contributions that are unavailable to for-profit corporations.

However, despite the current recession, total industry revenues are projected to grow between 2008 and 2009, reaching an estimated \$36.8 billion in 2009, an increase of 1 percent over the previous year. According to industry analysts, the assisted living industry has weathered the U.S. market decline more effectively than other sectors in part due to the growth of the aging population. Another factor is the critical value assisted living facilities provide to seniors and their families. That is not to say, however, that assisted living facilities have not been impacted by the current recession. Three conditions in particular are reportedly having an impact upon demand for assisted living facilities and their services:

- Declining retirement income: A drop in U.S. housing values coupled with a decline in the U.S. stock market has impacted the retirement income of U.S. seniors, forcing many prospective assisted living clients to postpone their moves. According to the AARP (formerly known as the American Association of Retired Persons), nearly 25% of Baby Boomers plan to postpone their retirement as a result of declines in retirement portfolios. Housing market weakness has impacted individual companies more so than others. For instance, Brookdale's exposure in the "independent living" market has made it particularly vulnerable since prospective clients are typically forced to sell their homes. Therefore they cannot afford to wait for a real estate recovery. Instead, prospective tenants are reportedly waiting and hoping for the real estate market to improve before moving into such communities.
- Tighter credit markets: Constriction in the U.S. credit market has caused a temporary decline in assisted living facility construction. As an example, Sunrise Senior Living suspended fifty-four development projects nationwide. Additionally, Capital Senior Living Corporation has suspended all new development. The credit crunch has also made it difficult for seniors to obtain the financing they need for assisted living care.
- Other outlets for care: According to industry analysts, declines in the U.S. job market have meant an increase in family member availability for the care of seniors who would otherwise be clients of assisted living facilities. This trend in conjunction with declining retirement income has forced occupancy downwards by 2% between 2008 and 2009 at assisted living facilities.

Despite the state of the U.S. market, demographic trends are overall positive for continued industry growth. With the more than 70 million Baby Boomers in the U.S. planning to retire and the continued increase in life expectancy, many individuals who retire at 65 will have to decide where to spend the remaining twenty or more years. The U.S. Census Bureau estimates that the number of individuals between the ages of 65 and 84 will increase by 38.8% between 2010 and 2020. This growth will ultimately generate demand for assisted living facilities. The nature of this demand, however, will be shaped by three factors:

- A demand for upscale communities: According to industry analysts, the Baby Boomer generation seeks assisted living facilities that are geared towards active and social lifestyles. To meet this demand, many senior living communities are emphasizing specialized facilities like pet-friendly or golf communities and offering upscale amenities such as dining rooms, commercial kitchens, beauty salons, indoor swimming pools, bistros, and spas among others.
- A demand for affordable assisted living: Affordable assisted living is a potential growth sector. For one, affordable assisted living facilities have access to financing sources like tax credits and nontaxable bond issues that are not available to traditional providers. Secondly, as the cost of assisted living increases annually, Americans are increasingly pursuing lower-cost retirement

communities abroad in locations like Mexico. This has meant higher vacancies in some of the more discretionary segments of the business, such as independent-living residences. In response, providers such as Sunrise have been offering more shared units as an option to its more expensive private residences.

- Deferred move assisted living: Assisted living companies have the current opportunity to buy land at cheap prices to position themselves for improvement in the market when Boomers and other retirees who put their retirement on hold will be transitioning to assisted living communities.

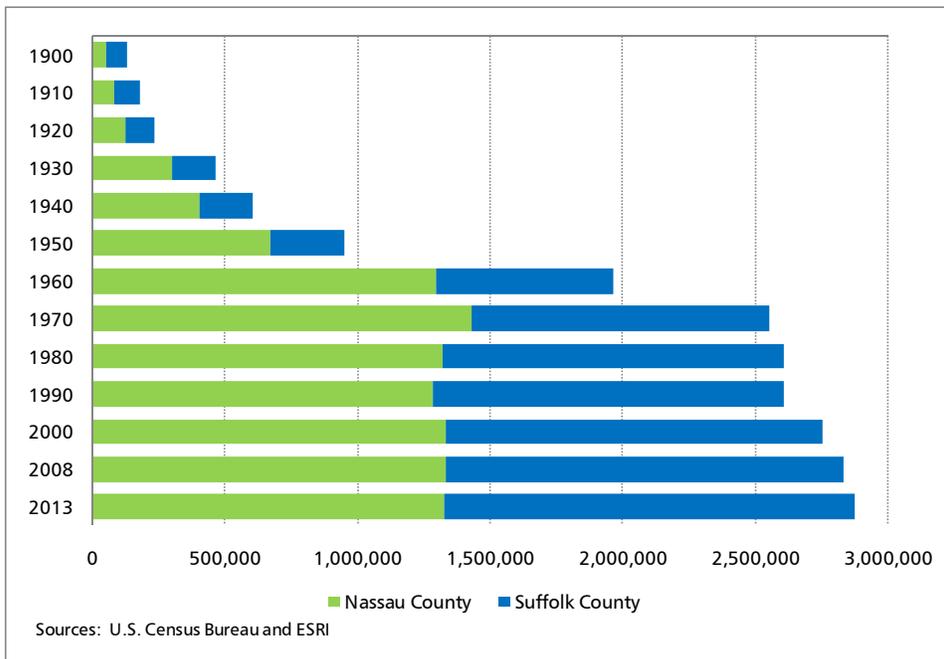
III. Market Analysis

The Northport VA Medical Center serves Veterans from Nassau and Suffolk counties, commonly referred to as Long Island. AECOM's market analysis includes a discussion of core demographic trends in these two counties which influence current and future demand for assisted living. This demographic assessment places the proposed development in a broader context to understand trends occurring in Nassau and Suffolk counties, the New York metropolitan area and the State of New York. Throughout this document, a compound annual growth rate (CAGR) has been used to measure the annualized growth-on-growth of individual metrics.

Population

Nassau and Suffolk counties are on Long Island. As shown in the chart below, their population experienced dramatic growth post-World War II as families moved from New York into surrounding communities. In recent years, there has been a smaller population boom reflecting the continued push of residents to move into suburban and ex-urban areas.

Figure 2 – Population Growth in Nassau and Suffolk Counties



The table below highlights historical, current and projected population for local, state and national levels. In 2008, population in Suffolk County, where the Northport VAMC is located, was nearly 1.5 million people. The population is growing in Suffolk County at a faster rate than the larger metropolitan area and the State. Though not reflected in the data below, many communities

throughout Long Island receive a substantial population influx during the summer months with vacationing New Yorkers taking advantage of the beaches.

Table 2 – Population Growth

Jurisdiction	Population			CAGR	
	2000	2008	2013	2000-08	2008-13
Nassau County	1,334,544	1,334,459	1,329,803	0.0%	-0.1%
Suffolk County	1,419,369	1,498,410	1,543,329	0.7%	0.6%
Total	2,753,913	2,832,869	2,873,132	0.4%	0.3%
New York Metro Area	18,976,457	19,554,879	19,865,996	0.4%	0.3%
New York	18,976,457	19,554,879	19,865,996	0.4%	0.3%
U.S.	281,421,906	309,299,265	328,770,749	1.2%	1.2%

Source: ESRI

Since population will ultimately drive demand for assisted living, it is critical to understand the detailed demographics of who lives in the area to determine how best to meet their needs.

Age Shifts

Shifts in population characteristics including age and family structure inform the nature of local housing and business demand. The median age of Long Island residents is 38.6 in Suffolk County, slightly younger than 40.3 in Nassau County. However, the Long Island population is older than the larger metropolitan area by 3 years.

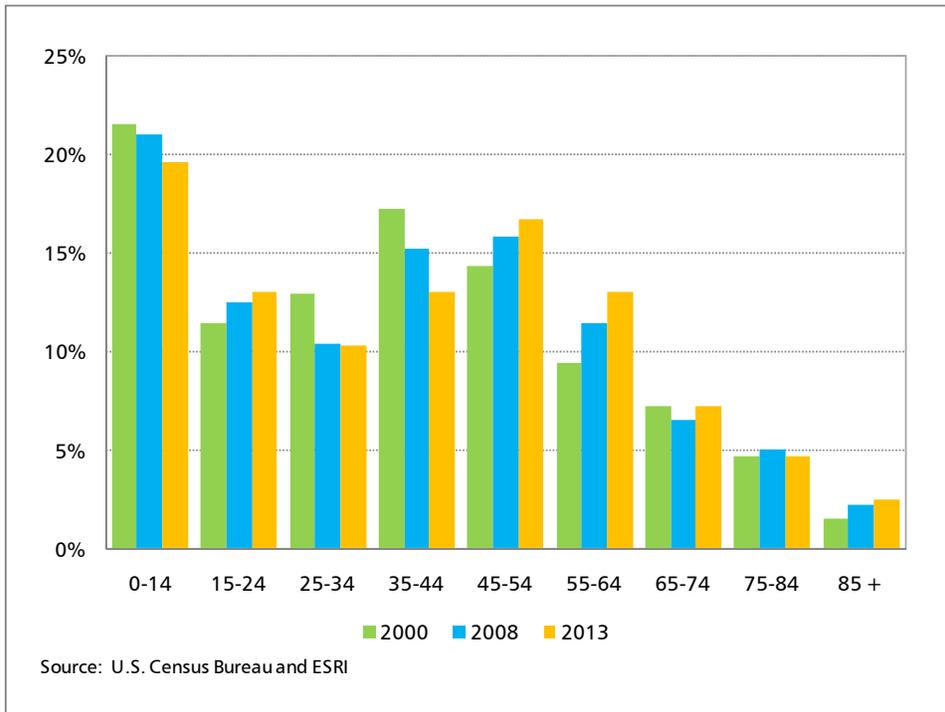
Table 3 – Median Age

Jurisdiction	Median Age			CAGR	
	2000	2008	2013	2000-08	2008-13
Nassau County	38.5	40.3	41.8	0.6%	0.7%
Suffolk County	36.5	38.6	40.1	0.7%	0.8%
Total	37.4	39.4	40.9	0.7%	0.8%
New York Metro Area	35.0	36.2	37.2	0.4%	0.5%
New York	35.9	37.4	38.4	0.5%	0.5%
U.S.	35.3	36.8	37.7	0.5%	0.5%

Source: ESRI

The chart below shows the how the age distribution of Nassau and Suffolk County's population is changing. Reflecting lower birth rates in the U.S., there will be fewer children ages 0-14 living in Nassau and Suffolk counties by 2013. The age segments with the sharpest declines are 25-34 year olds and 35-44 year olds. There will be growth among middle age groups (45-54 and 55-64) and the population aged 85 and older.

Figure 3 – Percent of Nassau and Suffolk County’s Population by Age, 2000-2013



The targeted demographic groups for those who might consider assisted living are those groups that are showing growth in Long Island, population 55 and older. In 2008, the 65 and older segment represented 13.7 percent of the population and is expected to increase to 14.4 percent by 2013. This represents an additional 25,628 people over the age of 65 living on Long Island by 2013, an average annual growth rate of 1.3 percent. Although a smaller share of the overall population, the age group with people ages 85 and older is expected to grow at an average annual rate of 2.9 percent per year from 2008 through 2013. Nearly 72,000 Long Island residents will be over the age of 85 by 2013.

As the population ages, the percentage of persons needing assistance with activities of daily living (ADLs) increases. This includes assistance with hygiene, dressing, eating, etc. The table below presents health coefficients which estimate the number of people by age category that require little or no care (up to two ADLs), moderate care (three ADLs) or severe disabilities care (four or more ADLs) as used by the National Investment Conference for the Senior Living and Long Term Care Industries (NIC). For example, approximately 90 percent of persons ages 65 to 74 require little or no assistance with daily activities. On the other hand, nearly 29 percent of those older than 85 need assistance with four or more ADLs.

Table 4 – Health Coefficients by Age Groups

Level of Need	ADLs	65-74	75-84	85+
Little or no	0-2	89.9%	79.2%	49.8%
Moderate	3	5.8%	11.0%	21.3%
Severe	4+	4.4%	9.9%	28.9%

Source: NIC

People with moderate to severe needs are the targeted populations for assisted living facilities. As shown above, more than half of the population 85 and older has moderate to severe needs compared to 10 percent of those ages 65 to 74 and 21 percent of those 75 to 84 years old.

Households

It is useful to examine household growth as an indicator for local housing demand since characteristics of current households including size, income level and type will shape the nature of future residential demand. Mirroring population trends, the number of households is falling slightly in Nassau County and increasing in Suffolk County. By 2013, there will be an additional 15,743 households in Suffolk County. The average household size is similar between the two counties at nearly 3 which is higher than the surrounding metro area, New York and the U.S. This is indicative of traditional suburbanization patterns with more families living in suburban areas.

Table 5 – Total Households and Household Size

Jurisdiction	Households			Avg. Household Size		
	2000	2008	2013	2000	2008	2013
Nassau County	447,387	446,578	445,000	2.93	2.93	2.93
Suffolk County	469,299	493,870	509,613	2.96	2.97	2.97
Total	916,686	940,448	954,613	2.95	2.95	2.95
New York Metro Area	3,767,345	3,867,397	3,936,120	2.67	2.69	2.69
New York	7,056,860	7,270,269	7,397,196	2.61	2.61	2.60
U.S.	105,480,101	116,384,754	123,932,585	2.59	2.59	2.59

Source: ESRI

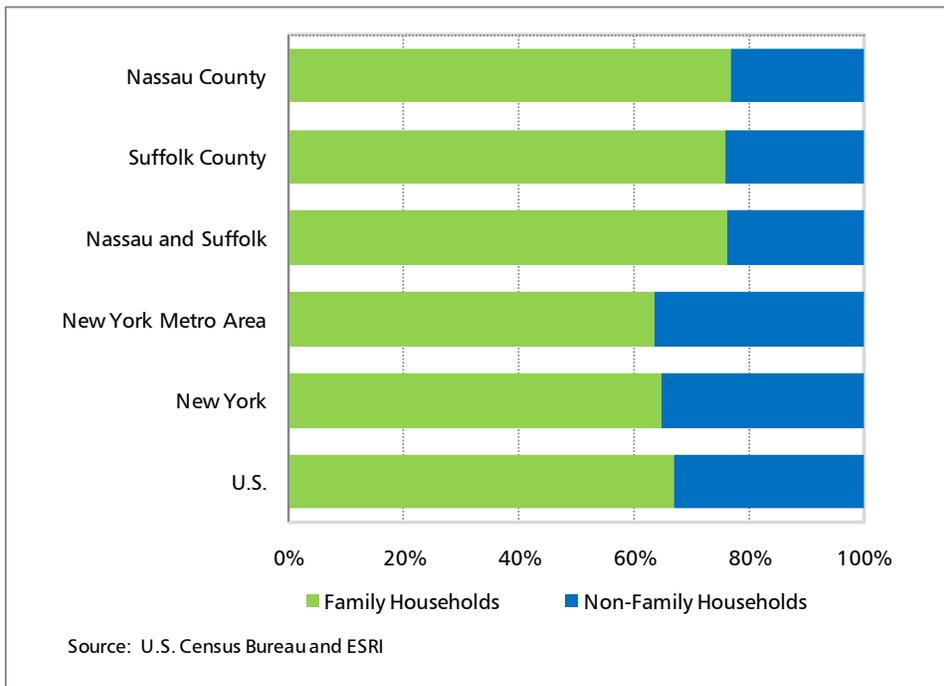
The figure below explores the changing structure of households in Long Island. Living arrangements (family versus non-family) and tendencies for households to have children will influence the nature of local housing demand including size, amenities, as well as any need for supportive housing. U.S. Census definitions for family and non-family households are summarized below:

- Family household – a group of two or more people (one of whom is the householder) related by birth, marriage, or adoption, and any unrelated people (unrelated subfamily members and/or secondary individuals) who may be residing there.

- Nonfamily household – a householder living alone (a one-person household) or where the householder shares the home exclusively with people to whom he/she is not related.

Family households are declining across the U.S. In 2008, more than two-thirds of U.S. households are family households which is projected to drop slightly by 2013. In both Nassau and Suffolk counties, family households make up three-quarters of all households.

Figure 4 – Households by Type



In 2000, 28 percent of households in Nassau and Suffolk counties included a person aged 65 and older. This is slightly higher than the national average of 23 percent. As this segment of the population continues to grow, the need for assisted living will also increase.

Income

Income growth drives resident buying power for housing and Long Island has long been known for its affluence. In addition, since most residents pay for assisted living out-of-pocket, it is important to understand projected income growth. The following table outlines median household income at county and metropolitan area levels. This region has been recognized for its high household income which is significantly higher than the larger metro area, state and country. In addition, household income is increasing annually at a faster rate. In Suffolk County, the median household income was \$86,495 in 2008 and is projected to grow at an average annual rate of 4 percent per year through

2013. For comparison, the median household income of the larger metropolitan area was \$60,656 and expected to increase 3.5 percent per year through 2013.

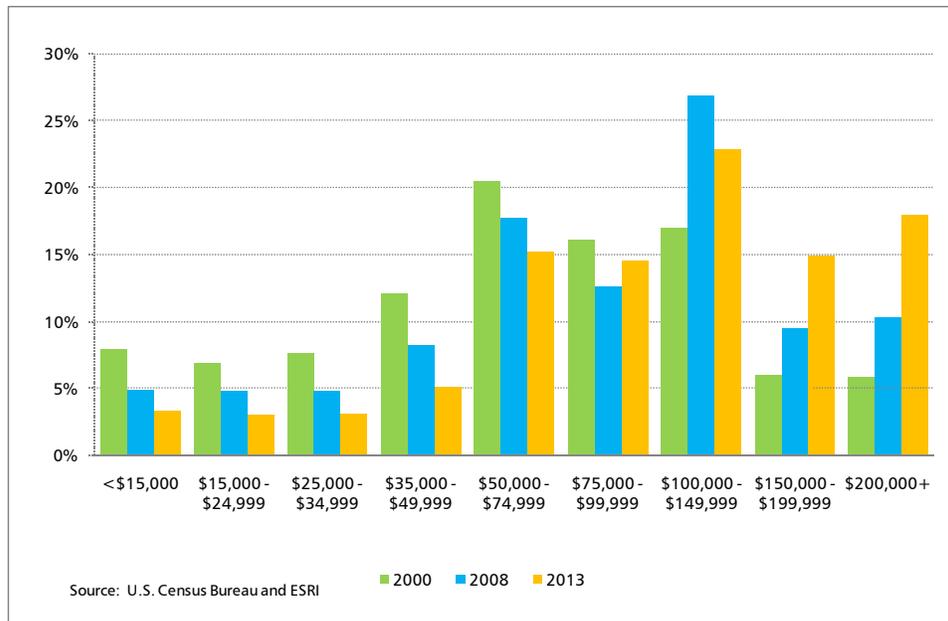
Table 6 – Median Household Income

	2000	2008	2013	CAGR	
				2000-08	2008-13
Nassau County	\$71,876	\$100,150	\$116,821	4.2%	3.1%
Suffolk County	\$64,885	\$86,495	\$105,434	3.7%	4.0%
Total	\$67,928	\$92,122	\$110,022	3.9%	3.6%
New York Metro Area	\$44,093	\$60,656	\$72,172	4.1%	3.5%
New York	\$43,582	\$58,692	\$68,886	3.8%	3.3%
U.S.	\$42,164	\$54,749	\$64,042	3.3%	3.2%

Source: ESRI

The figure below compares the distribution of income among households on Long Island. In 2008, the largest share of households (26.9%) earned between \$100,000 and \$149,000. In 2000, 28.8 percent of all households earned more than \$100,000 annually. By 2008, this had increased to nearly half (46.7%). In 2013, 55.8 percent of Long Island households will have an income greater than \$100,000 reflecting significant wealth accumulation.

Figure 5 – Long Island Household Income Distribution



Household income provides an incomplete picture of overall economic well-being. Since many people pay for assisted living with investments, savings and possibly the sale of their home, it is important to consider residents net worth as well when assessing the market. Income is comprised of the funds a person or household receives from a job, transfer program or other source whereas net

worth is the sum of the market value of assets owned by every member of the household minus liabilities. For individuals and households with a householder 65 years and older, wealth is an important source of post-retirement income and consumption; simply examining their income in isolation would give an incomplete picture of their economic well-being. As measured by the U.S. Census Bureau, net worth includes interest earning assets, checking accounts, investments, home equity, rental property, real estate, vehicles, businesses, savings bonds, retirement accounts and unsecured liabilities. In 2008, the median net worth of Long Island households was \$346,740, nearly three times that of the larger New York metro area.

Table 7 – Median Net Worth, 2008

	2008
Nassau County	\$398,173
Suffolk County	\$310,902
Total	\$346,740
New York Metro Area	\$115,565
New York	\$123,973
U.S.	\$105,772

Source: ESRI

Often residents of assisted living sell their home prior to moving. As shown below, the median home values on Long Island are high. Reflecting the accelerated real estate market of the early 2000s, median home value increased an average of 8.3 percent per year from 2000 to 2008. This is projected to slow considerably through 2013. In 2008, the median home value in Long Island was more than \$402,000, slightly less than the median for the larger metro area, but more than twice the national average.

Table 8 – Median Home Value

	2000	2008	2013	CAGR	
				2000-08	2008-13
Nassau County	\$240,243	\$464,619	\$478,190	8.6%	0.6%
Suffolk County	\$183,520	\$355,509	\$363,157	8.6%	0.4%
Total	\$212,557	\$402,555	\$413,160	8.3%	0.5%
New York Metro Area	\$217,224	\$416,638	\$431,286	8.5%	0.7%
New York	\$147,598	\$280,775	\$290,652	8.4%	0.7%
U.S.	\$111,833	\$182,960	\$192,192	6.3%	1.0%

Source: ESRI

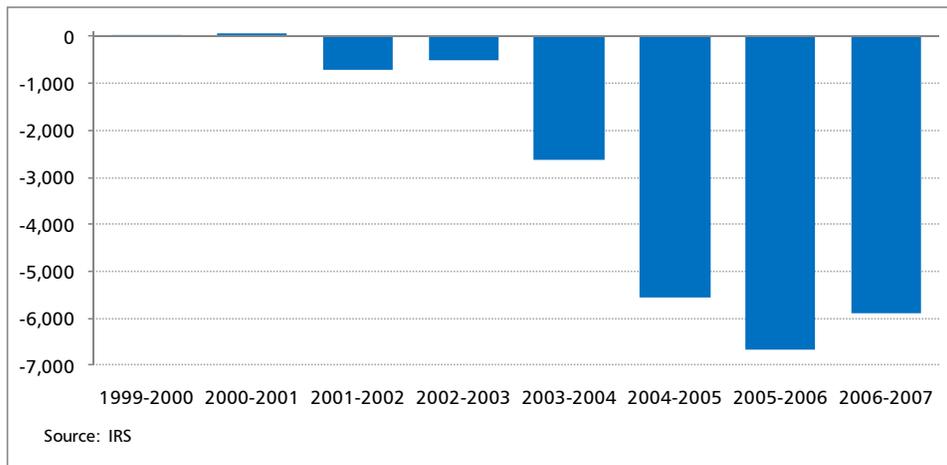
Migration

AECOM analyzed county-to-county migration data from the Internal Revenue Service (IRS) to understand patterns of household flows into and out of Suffolk County according to source and

destination markets. Gathered from tax returns, the information reveals characteristics of households that are moving to, as well as leaving, Suffolk County. AECOM analyzed migration data from 1999 to 2007 to assess net household losses or gains resulting from these annualized household flows to better understand how these shifts may affect housing demand. “Migrant” households are classified by the IRS as households that file a return from one county one year, and another county the following year. “Non-migrants” are households that relocate, but remain in the same county.

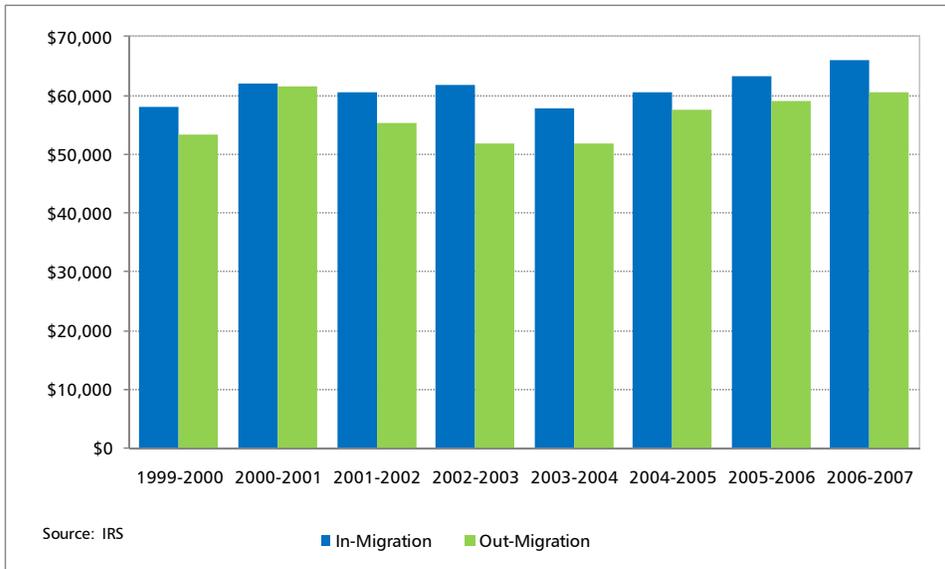
The figure below looks at the net annual household losses or gains in Suffolk County resulting from migration between 1999 and 2007. During this period, the county lost an estimated 21,908 households due to migration. In 2005 through 2006 alone, Suffolk County lost an estimated 6,672 households – the following year, this figure declined somewhat to a loss of 5,898.

Figure 6 – Net Household Losses/Gains from Suffolk County due to Migration



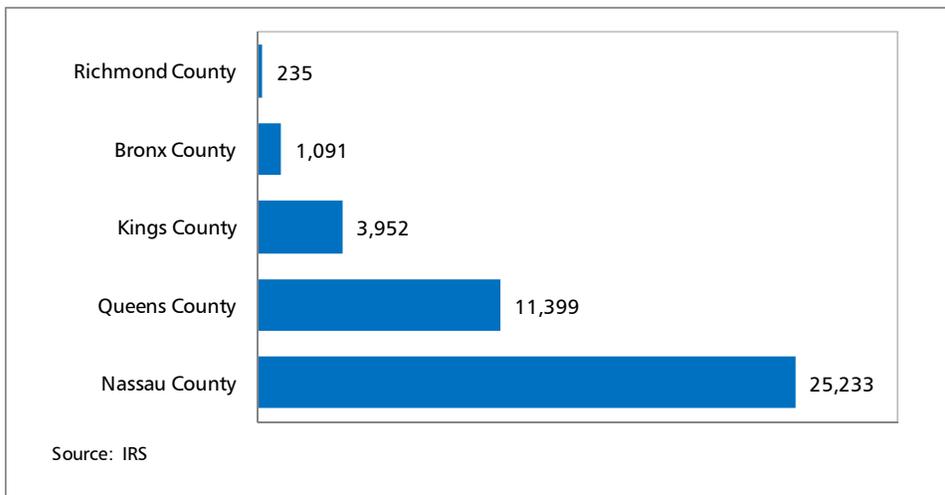
The following figure compares the average adjusted gross income for in-migrating versus out-migrating households in Suffolk County. Two key trends are noted. First, households moving into Suffolk County have consistently been of higher income than those leaving the county. During the period highlighted below, average adjusted gross income of in-migrating households averaged 8.8 percent higher than that of out-migrating households. Second, growth in the average adjusted gross income of households moving into and out of Suffolk County has been fairly consistent. Between 1999 and 2007, the average adjusted gross income for in-migrating and out-migrating households grew by an annualized rate of 1.8 percent and 1.9 percent respectively.

Figure 7 – Average Adjusted Gross Income



The following charts summarize the top source and destination markets between 1997 and 2007 for households leaving and entering Suffolk County. It is important to note that during the period between 1999 and 2007, Suffolk County experienced a net positive migration of 36,069 households from counties within New York State. Of these counties, Nassau County was the top inflow source market at a net flow of 25,233. This was followed by counties located in or around New York City, a finding which suggests a possible movement of younger households from the City to Suffolk County.

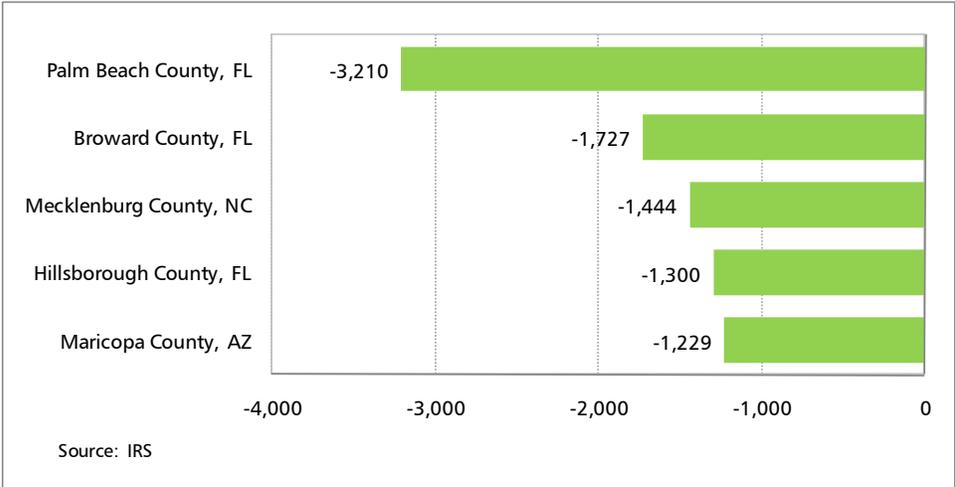
Figure 8 – Top Source Markets to Suffolk County



Just as top source markets for household flows into Suffolk County can be identified, so can top destination markets for households leaving the county (below). It is important to note that between

1999 and 2007, Suffolk County experienced a net loss of 60,146 households to other states. The majority of these losses occurred in traditional retirement destinations. For example, Suffolk County lost 3,210 households to Palm Beach County and another 1,727 to Broward County, Florida. Maricopa County, location of Phoenix, was another top destination market at a loss of 1,229 households.

Figure 9 – Top Destination Markets from Suffolk County

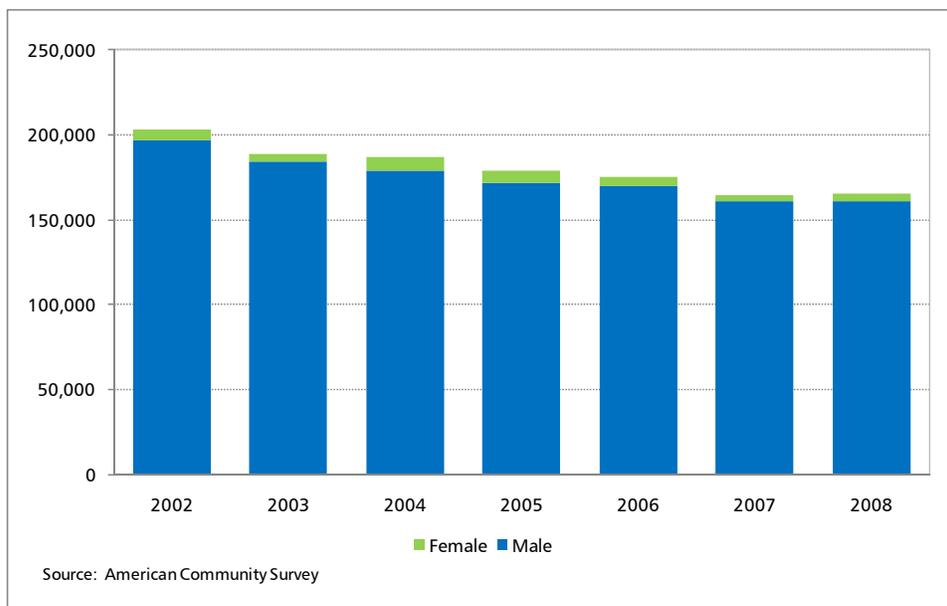


IV. Long Island Veteran Population

The following section looks at characteristics of the Veteran population in Nassau and Suffolk counties. Data comes from the U.S. Census Bureau’s American Community Survey, which includes information about military service, specifically, people who have served in the Armed Forces, Reserves or National Guard. The U.S. Census defines Veterans as people who are at least eighteen years old, have served in the U.S. military, but are not currently on active duty. People who have served in the Reserves or National Guard are classified as Veterans if they have been called to active duty, not including training.

The figure below plots the Veteran population of Nassau and Suffolk Counties by sex. As of 2008, there were 165,404 Veterans living in the two counties – Veterans accounted for approximately 7.5 percent of the two-county population that was eighteen years or older. As may be expected, the majority of Veterans in the two counties (97%) were male, a ratio that has held fairly stable over the period highlighted below. Between 2002 and 2008, the number of Veterans in the two counties declined by 37,267, or by an annualized rate of 3.3 percent.

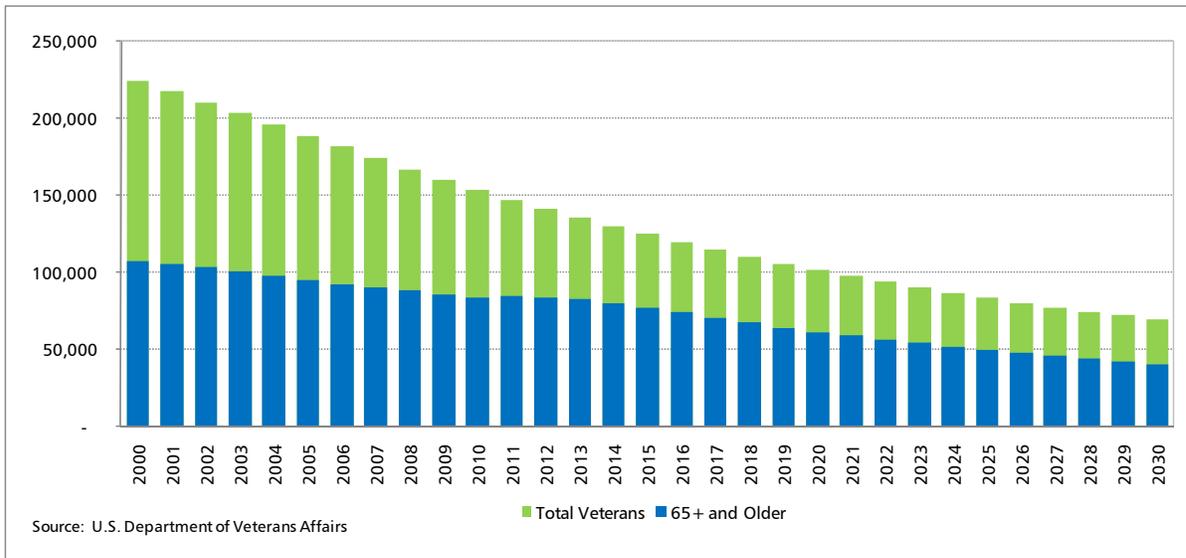
Figure 10 – Nassau and Suffolk County Veteran Population



Long Island Veterans make up 22.8 percent of the population over 65 just slightly lower than the national average of 23.3 percent. However, the Veteran population on Long Island is considerably older than the national average. On Long Island, Veterans aged 65 and older make up 55.2 percent of the Veteran population compared to a national average of 40.4 percent.

According to the Department of Veterans Affairs, there were 159,701 Veterans living in Nassau and Suffolk counties during fiscal year 2009. While the overall Veteran population is projected to decline, the share of that population over the age of 65 will steadily increase, peaking at nearly 62 percent in 2015 as shown below.

Figure 11 – Long Island Veteran Population Projections, 2000-2030



As Veterans get older, their disability level increases at more pronounced levels than the general population. Using 2000 Census data, the U.S. Census Bureau found that almost 3 out of every 10 Veterans (29.1 percent) were disabled with slightly higher ratios for Korean War Veterans (33.6 percent) and World War II Veterans (45.2 percent). Younger vets had lower disability rates, as expected. However, with the recent Gulf Wars, there are more Veterans coming home with a wide range of disabilities, and this statistic may change. As shown earlier, the majority of vets living on Long Island are from the Vietnam, Korean and World War II eras.

The following table summarizes the share of Long Island Veterans by date of service. The data reveals that in the two counties, Vietnam era Vets accounted for the largest share at 32 percent, or just over 53,000. World War II Vets were the second largest category at 17.1 percent – this finding is relevant because of their age. In their 2008 report, “VA Benefits and Health Care Utilization”, the U.S. Department of Veterans Affairs estimates that 900 World War II Veterans die every day in the U.S.

Table 9 – Long Island Veterans who Served by Date of Service, 2008

Date of Service	Percent of Veterans
Gulf War (9/2001 or later), no Gulf War (8/1990 to 8/2001), no Vietnam Era	2.9%
Gulf War (9/2001 or later) and Gulf War (8/1990 to 8/2001), no Vietnam Era	0.8%
Gulf War (9/2001 or later), and Gulf War (8/1990 to 8/2001), and Vietnam Era	0.1%
Gulf War (8/1990 to 8/2001), no Vietnam Era	4.4%
Gulf War (8/1990 to 8/2001) and Vietnam Era	0.4%
Vietnam Era, no Korean War, no World War II	32.1%
Vietnam Era and Korean War, no World War II	0.1%
Vietnam Era and Korean War and World War II	0.2%
Korean War, no Vietnam Era, no World War II	15.5%
Korean War and World War II, no Vietnam Era	0.6%
World War II, no Korean War, no Vietnam Era	17.1%
Between Gulf War and Vietnam Era only	9.3%
Between Vietnam Era and Korean War only	15.5%
Between Korean War and World War II only	1.0%
Pre-World War II only	0.2%

Source: American Community Survey, 2008

The targeted population for an assisted living facility at the Northport VA Medical Center is World War II, Korean and Vietnam Veterans.

Labor Force and Education

The following table summarizes labor force characteristics for Veterans versus non-Veterans in the two counties. In 2008, Suffolk and Nassau County Veterans between the ages of eighteen and sixty-four had a 74.8 percent labor force participation rate, meaning that 74.8 percent of Veterans were employed, or available and actively seeking employment. Non-Veterans in the two counties had a slightly higher labor force participation rate at 79.3 percent. Unemployment rates were also slightly different between the two groups, modestly higher for Veterans at 4.7 percent as compared to non-Veterans (4.4%), which may reflect differences in their education levels.

Table 10 – Employment for Veterans versus Non-Veterans, 2008

	Veterans	Non-Veterans
In Labor Force	55,408	1,360,557
Employed	52,787	1,300,026
Unemployed	2,621	60,531
Not in Labor Force	18,700	354,169
Total	74,108	1,714,726
Labor Force Participation	74.8%	79.3%
Unemployment Rate	4.7%	4.4%

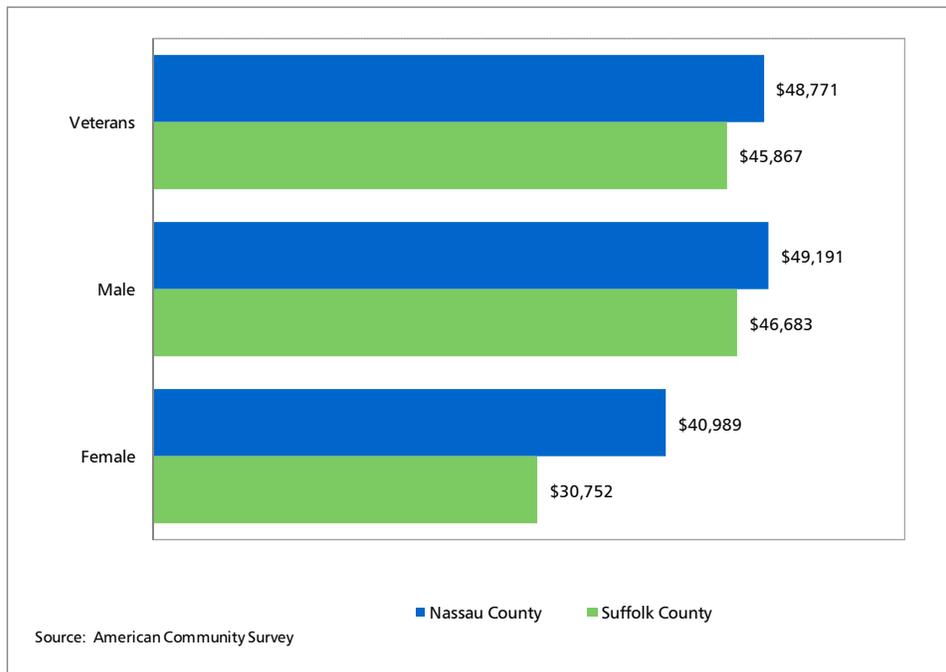
Source: American Community Survey

Suffolk and Nassau Counties Veterans generally have less education than their non-Veteran counterparts. In the two counties in 2008, only 33.1 percent of Veterans had a high school diploma or GED, as compared with 27 percent of non-Veterans. While a slightly higher percentage of Veterans have some college or an associate’s degree, just 30.5 percent of Veterans have a college degree, as opposed to 37.2 percent of non-Veterans.

Income

The figure below looks at median income for Veterans in Suffolk and Nassau Counties. As of 2008, the median annual income for Veterans in Nassau and Suffolk Counties was \$48,771 and \$45,867. Since 2005, median income in both counties grew by annualized rates of 4.9 percent and 2.5 percent respectively. From the data below, median income for female Veterans in the two counties tended to be \$9,000 to \$16,000 lower than their male counterparts. Interestingly, however, the median income of female Veterans in the area was considerably higher than for female non-Veterans in both counties. According to several studies, this may be attributed to the fact that female Veterans are more likely to work full time than their non-Veteran counterparts.

Figure 12 – 2008 Median Income for Veterans



Poverty and Disability Status

The tables below summarize poverty status for Veterans by age in the two counties, and their corresponding disability status. In 2008, 3.5 percent or 6,140 Veterans in the two counties had incomes below the poverty level – these Veterans were more likely to be over the age of sixty-five than below. Since 2002, the number of Veterans with incomes below the poverty level has fallen at rates that have exceeded declines in the number of total Veterans, suggesting a smaller and smaller share of two-county Veterans are living below the poverty level.

Table 11 – Poverty Status for Veterans by Age

Income Status	2008		CAGR '02-'08	
	18 to 64	65 Years+	18 to 64	65 Years+
Income below poverty level	2,832	3,308	-5.3%	-5.7%
Income at or above poverty level	78,273	88,049	-3.6%	-0.8%
Total Veterans	81,105	91,357	-3.7%	-0.9%

Source: American Community Survey

Regardless of age, the table below illustrates that Veterans living below the poverty level are more likely to be disabled than those living above the poverty level. For instance, of Veterans aged eighteen to sixty-four, 32.3 percent of Veterans living below the poverty level had a disability, as compared to just 12.2% of Veterans living above the poverty level. Similarly, 50.5 percent of

Veterans over the age of sixty-five living below the poverty level were disabled, as compared to just 31.6 percent of those living above. This data suggests that Veterans most in need of care from an assisted living facility may be least-likely able to afford it.

Table 12 – Veteran Income and Disability Status by Age, 2008

	18 to 64	65 Years+
Income below poverty level		
With a disability	32.3%	50.5%
No disability	67.7%	49.5%
Income at or above poverty level		
With a disability	12.2%	31.6%
No disability	87.8%	68.4%

Source: American Community Survey

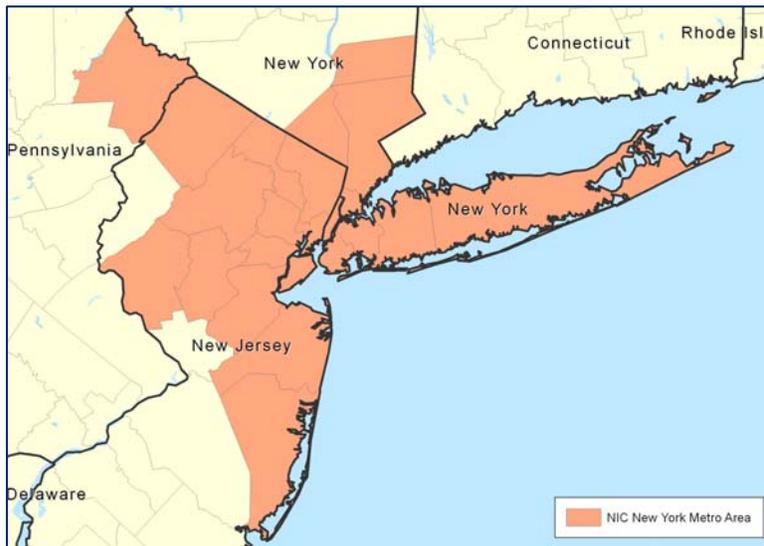
V. Assessing Demand

The U.S. Department of Veterans Affairs (VA) is proposing to establish an Enhanced Use Lease (EUL) for assisted living housing at the Northport Veterans Affairs Medical Center (VAMC). The lessee would develop, operate and maintain the VA property for up to 75 years. In exchange for the EUL, the VA will seek rent and/or in-kind consideration from the lessee such as priority placement for Veterans. In this section, AECOM defines the market demand for the proposed facility.

Current Market Conditions

The National Investment Center for the Seniors Housing and Care Industry (NIC) provides a quarterly census of senior housing and nursing care properties within the 100 largest metropolitan statistical areas (MSAs) in the U.S. The data reported by NIC MAP includes more than 1,600,000 units/beds in properties that generally have at least 25 units/beds and are market rate. AECOM analyzed data from the New York metropolitan area which is shown in the map below.

Figure 13 – NIC Map of New York Metro Area



Throughout the NY metro area, NIC estimates that there are 188 facilities providing assisted living as the majority of their services in the third quarter of 2009. These facilities had 17,862 units, the majority of which, 16,549 units, were for assisted living. There has been a slight decline in the number of facilities providing assisted living in the New York metro area. In 2006, there were 193 companies with 18,043 units. The stabilized occupancy rate was nearly 94 percent (93.6%), slightly

higher than the average for the top 31 metro areas in the United States of 89 percent. Occupancy has grown slightly since 2006, in part reflecting the decreasing supply.

Table 13 – Assisted Living Facilities in New York MSA

Period	Existing Inventory		Occupancy		Under Construction		YOY Rent Growth*
	Prop.	Units	All	Stable	Prop.	Units	
2006	193	18,043	92.7%	93.1%	1	107	4.3%
2007	195	18,283	93.4%	93.4%	2	255	3.9%
1Q2008	188	17,599	92.5%	92.5%	2	255	3.1%
2Q2008	188	17,612	92.9%	92.9%	2	255	3.2%
3Q2008	187	17,533	92.7%	92.7%	1	180	3.1%
4Q2008	187	17,556	92.1%	92.1%	0	0	2.4%
1Q2009	187	17,651	91.9%	91.9%	0	0	3.3%
2Q2009	188	17,945	92.6%	92.6%	0	0	2.7%
3Q2009	188	17,862	93.3%	93.6%	1	12	3.1%

* For properties with data four quarters previously.

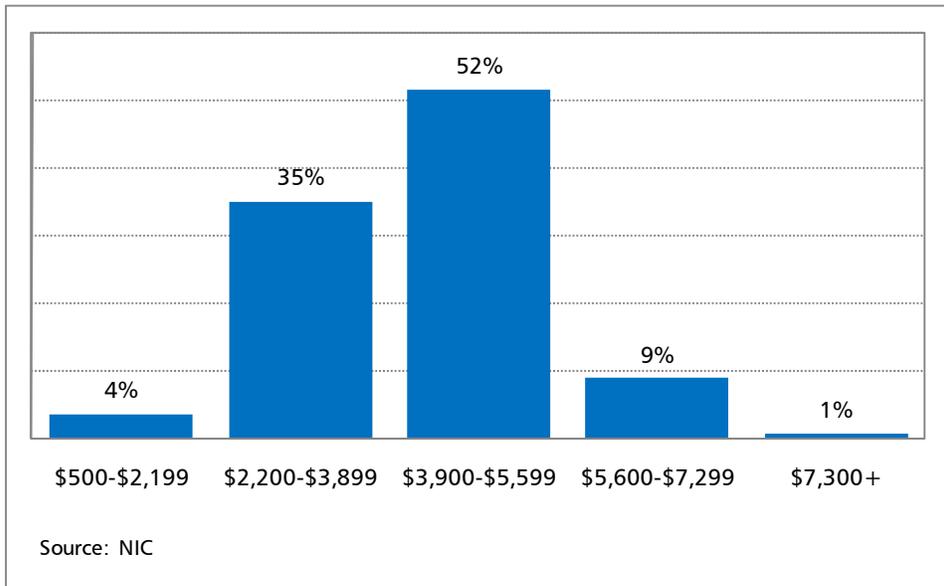
Source: NIC

The average size of an assisted living facility is 95 units which is up slightly from 93.5 in 2006 and much higher than the average of other metro areas of 76.9 units. The number of occupied units in the metro area has fluctuated slightly over the years ranging from a low of 16,169 in the 4th quarter of 2008 to a high of 17,076 in 2007 with an average of 16,485. In the 3rd quarter of 2009, there were 16,665 occupied units in assisted living facilities in the New York metro area.

Reflecting the national economic downturn and the difficulty in acquiring financing for new construction, there have been few properties added to the inventory since 2006. In fact, since the 3rd quarter of 2008, only one facility has been added with 12 units in the 3rd quarter of 2009. Facilities built in the previous quarters were significantly larger, averaging 131 units. Inventory growth among assisted living facilities in the largest 31 metro areas tracked by NIC was much higher.

The majority of assisted living units in the New York metro area had rents averaging \$3,900 to \$5,599 per month according to NIC. The area's average was \$4,184 for the third quarter of 2009, 19 percent higher than the average \$3,518 for the 31 largest metro areas. This is not surprising as the standard of living and housing costs are much higher in New York than the rest of the country. Rent for memory care/dementia units are higher.

Figure 14 – Average Monthly Rent for Assisted Living Units in New York MSA, 2009



Specific NIC data for Nassau and Suffolk counties shows that there has been no recent construction on Long Island. There are 4,653 assisted living units with an average occupancy of 93 percent. The average rent was \$4,317, slightly higher than the metro area average. The penetration rate of 75+ householders is 4.4 percent in Long Island, much higher than the 2.5 percent for the greater New York metro area. This set of households, which makes up 11.4 percent of Long Island households, is also projected to grow 0.5 percent annually for the next five years, slightly higher than the rest of the metro area.

Table 14 – Assisted Living Facilities on Long Island, Third Quarter 2009

	Inventory	Stabilized Occupancy	Average Rent	YoY Rent Growth	Construction vs. Inv.	Penetration Rate*
Nassau	2,366	93.0%	\$4,220	3.0%	0.0%	4.0%
Suffolk	2,287	92.9%	\$4,418	2.2%	0.0%	4.7%
Long Island	4,653	93.0%	\$4,317	2.6%	0.0%	4.4%
NY Metro	17,862	93.6%	\$4,184	3.1%	0.3%	2.5%

Source: NIC Map, Third Quarter 2009

The following table presents some basic information on a sample of assisted living facilities in Nassau and Suffolk Counties based on readily available data. What is apparent is the dominance of several chains in the market – Arbors Assisted Living, Atria, Bristol and Sunrise Senior Living. The average size of a Sunrise Senior Living development is 105 units. Capacity in the following table includes assisted living units as well as independent living and Alzheimer’s care units.

Table 15 – Selected Assisted Living Facilities on Long Island

Facility	City	Capacity	Starting Rents
Amber Court Assisted Living of Westbury	Westbury	230	n/a
Arbors Assisted Living at Bohemia	Bohemia	200	n/a
Arbors Assisted Living at Hauppauge	Hauppauge	200	n/a
Arbors Assisted Living at Islandia	Islandia	200	n/a
Arbors Assisted Living at Westbury	Jericho	200	n/a
Atria Bay Shore	Bay Shore	116	\$3,196
Atria East Northport	East Northport	200	\$2,900
Atria Glen Cove	Glen Cove	n/a	\$4,100
Atria Great Neck	Great Neck	142	\$4,700
Atria Huntington	Huntington Station	198	\$2,350
Atria Kew Gardens	Kew Gardens	n/a	n/a
Atria Lynbrook	Lynbrook	200	\$3,850
Atria Plainview	Plainview	99	\$4,100
Atria South Setauket	Centerreach	n/a	n/a
Atria Tanglewood	Lynbrook	130	\$2,975
Birchwood Suites Assisted Living Community	East Northport	101	n/a
Brandywine Senior Living	Melville	191	n/a
Bristal Assisted Living at East Meadow	East Meadow	151	n/a
Bristal Assisted Living at Lynbrook	Lynbrook	200	n/a
Bristal Assisted Living at Massapequa	Massapequa	170	n/a
Bristal Assisted Living at North Hills	North Hills	130	n/a
Bristal Assisted Living at Westbury	Westbury	136	n/a
Dominican Village Enriched Housing Program	Amityville	66	n/a
Fountains of Rivervue	Tuckahoe	141	\$4,200
Gurwin Jewish - Fay J. Lindner Residences	Commack	200	\$5,000
Maple Pointe at Rockville Centre Assisted Living	Rockville Centre	83	\$2,850
McPeak's Assisted Living	Patchogue	51	n/a
Oyster Bay Manor Assisted Living	Oyster Bay	136	n/a
Regency at Glen Cove	Glen Cove	105	n/a
Somerset Gardens	Plainview	160	\$2,670
Sunrise of Dix Hills	Dix Hills	n/a	\$5,670
Sunrise of East Meadow	East Meadow	n/a	\$3,450
Sunrise of Glen Cove	Glen Cove	n/a	\$3,450
Sunrise of Holbrook	Holbrook	n/a	\$5,370
Sunrise of North Lynbrook	Lynbrook	n/a	\$3,450
Sunrise of Plainview	Plainview	n/a	\$3,450
Sunrise of Smithtown	Smithtown	n/a	\$5,550
Sunrise of West Babylon	West Babylon	n/a	\$5,550

n/a = Not available

As a sign of a further consolidating and evolving industry, it should be noted that Sunrise Senior Living, Inc., one of the largest assisted living providers in the United States, sold 21 facilities in 11 states to BLC Acquisitions, Inc., an affiliate of Brookdale Senior Living, Inc. in November 2009. Although none of these properties is located on Long Island, it is an interesting development in the industry since Sunrise maintains several properties on Long Island. Sunrise currently has 382 properties in the U.S., Canada, Germany and the United Kingdom with a combined capacity of 40,175 units.

Veteran Use of Assisted Living

To determine what share of the current Long Island Veteran population resides at assisted living facilities, AECOM used national data on those living in group quarters collected by the American Community Survey since local data was not readily available. The limited research on assisted living stems in part from the newness of this industry relative to the nursing home industry as well as the lack of a formal definition of the industry.

Beginning in 2006, the U.S. Census Bureau began collecting demographic data on the population living in group quarters as part of its American Community Survey. The group quarters population includes all people not living in households. Two general categories of people in group quarters are recognized:

- the institutionalized population which includes people under formally authorized, supervised care or custody in institutions at the time of enumeration (such as correctional institutions, nursing homes, and juvenile institutions) and
- the non-institutionalized population which includes all people who live in group quarters other than institutions (such as college dormitories, military quarters, and group homes).

Data is provided for those living in adult correctional facilities, nursing/skilled nursing facilities and college/university housing. Demographic data for residents of nursing/skilled nursing facilities will be used as a proxy for residents in assisted living facilities. Data was reported only at the national level.

In 2008, 2.7 percent of the U.S. population, 8.2 million people, lived in group quarters, the largest segment of which was college/university housing. There were 1.8 million people living in nursing/skilled nursing facilities, representing 0.6 percent of the U.S. population. This share has remained unchanged since 2006. The median age of residents in nursing facilities was 83.2 with nearly 85 percent of the population ages 65 and older. According to the U.S. Census, there were nearly 30 million Veterans, or 9.8 percent of the total U.S. population (ages 18+), in 2008. Of the 1.8 million people living in nursing facilities, 13.4 percent are Veterans, approximately 247,300 Veterans. Less than one percent (0.8%) of all Veterans live in nursing/skilled nursing facilities, slightly higher than the general population (0.6%).

Table 16 – Group Quarters Population, 2008

	Total	65+	Veteran
U.S. Population	304,059,728	38,812,253	29,797,853
Group Quarters	8,246,838	1,912,976	626,760
Nursing/Skilled Nursing Facilities	1,845,567	1,568,499	247,306

Source: American Community Survey

Using this data in conjunction with the assisted living data from the National Investment Center for the Seniors Housing and Care Industry (NIC) and the Long Island Veteran population data from the American Community Survey and projections from the Department of Veterans Affairs, we are able to estimate current and potential demand for assisted living facilities by Veterans on Long Island.

As of the third quarter of 2009, there was capacity for 4,653 people at assisted living facilities on Long Island, of which 93 percent of the units were occupied (4,325 units). If 13.4 percent of the residents were Veterans, similar to the national average in nursing/skilled nursing homes, then there are an estimated 580 Veterans currently residing in assisted living. With 165,404 Vets living in Nassau and Suffolk counties, this means that 0.35 percent of the Veteran population lives in such facilities, slightly lower than the national average. According to the National Center for Assisted Living (NCAL), there were approximately 1 million residents at assisted living facilities throughout the country during 2008, representing 0.44 percent of the national population (ages 18+).

Table 17 – Current Demand for Assisted Living by Long Island Veterans

Assisted Living Capacity, 2009	
Total capacity	4,653
Occupancy rate	93%
Occupied units	4,325
National share of Vets living in nursing/skilled nursing facilities	13.4%
Estimated Veterans in Long Island assisted living facilities	580
Total Long Island Veteran population, 2008	165,404
Share of Long Island Veterans in assisted living	0.35%

Sources: American Community Survey; NIC

Potential Demand for Assisted Living

To determine potential demand for assisted living on Long Island, AECOM assembled data presented above on population trends, age, activities of daily living (ADL) needs and the current and near-term market. As reviewed earlier, the population ages 65 and older on Long Island is expected to increase by approximately 25,600 persons by 2013. Using data from the National Investment Center (NIC) on the daily living needs by age group, AECOM estimated the share of the population ages 65 and older with moderate and severe needs as shown below. Recall that moderate care means a person needs help with 3 activities of daily living and severe is 4 or more, as determined by NIC. In 2013, the Long Island population older than 65 is projected to be 413,731 persons. Of those, 5.8 percent of those aged 65 to 74, nearly 12,000 people, will need assistance with 3 ADLs (moderate need) and 4.4 percent (9,100 people) will need help with 4 ADLs.

Table 18 – Long Island Elderly Population and ADL Needs

	Share	2000	2008	2013
65 and older	100%	369,024	388,103	413,731
Moderate Need (3 ADLs)				
65-74	5.8%	11,500	10,680	11,998
75-84	11.0%	14,238	15,581	14,854
85+	21.3%	8,799	13,275	15,299
Total		34,537	39,536	42,152
Severe Need (4+ ADLs)				
65-74	4.4%	8,724	8,102	9,102
75-84	9.9%	12,814	14,023	13,369
85+	28.9%	11,938	18,011	20,758
Total		33,477	40,136	43,229

Sources: U.S. Census Bureau; ESRI; NIC

More than 20 percent of persons living on Long Island over the age of 65 will reportedly have moderate or severe needs, approximately 85,400 residents. To determine what share may use assisted living facilities, AECOM looked at the relationship between current use and the 65+ population with moderate and severe needs, the most likely to use assisted living. AECOM measured a range of potential demand using the moderate and severe need populations as low and high assisted living market respectively.

Recall that in 2009, there were 4,325 occupied assisted living units on Long Island according to the NIC. This represents 12.5 percent of the elderly population with moderate needs or 12.9 percent with severe needs. Holding this relationship constant and applying it to population projections for 2013, AECOM determined that demand for assisted living will range from 5,680 to 6,000 total assisted living units in Nassau and Suffolk counties, assuming a continued 93 percent occupancy. Therefore, there will be a need for an additional 1,030 to 1,350 units on Long Island by 2013 as shown in the following table. It should be noted that as the lifespan of seniors continues to expand, it is reasonable to assume the growing 85 and older population will further increase assisted living demand.

Table 19 – Potential Demand for Assisted Living on Long Island

	Moderate Needs (Low Scenario)	Severe Needs (High Scenario)
Total assisted living units	4,650	
Occupancy rate	93%	
Occupied units	4,325	
Population (65 and older), 2008	39,536	40,136
Share in assisted living	12.5%	12.9%
Population (65 and older), 2013	42,152	43,229
Estimated occupied units	5,280	5,580
Estimated total assisted living units	5,680	6,000
Assisted living units	1,030	1,350
Potential Veteran demand (13%)	140	180

Sources: NIC, ESRI, U.S. Census Bureau; American Community Survey

Veterans make up approximately 13 percent of residents at nursing care facilities as measured by the American Community Survey. Using this ratio, AECOM estimates an additional need of 140 to 180 assisted living units for Veterans by 2013.

AECOM concludes that there is enough demand to support an assisted living facility, targeted primarily for Veterans on the Northport VA Medical Center campus. These estimates are conservative since they do not account for movement among current residents. Based on interviews with VA employees, local officials and local assisted living managers, AECOM concludes that building a facility primarily for Veterans will attract additional demand since such a facility should appeal to Veterans who enjoy the camaraderie of living among other Veterans. In addition, the location adjacent to the VA Hospital will make seeking and getting care much easier for eligible Veteran residents. Eligible Veteran residents will also be able to partake of other activities and services on the campus such as recreation facilities, the golf course, a gift store, restaurant and access to public transportation which takes riders directly to the Village of Northport.

There are several other factors that will ultimately affect demand for an assisted living facility on the Northport VA Medical Center campus. Although the Veteran population is expected to decline, those living on Long Island will be older and have more need for assisted living and nursing care. However, the cost of assisted living, an average of \$4,317 per month on Long Island currently, may be cost prohibitive for a portion of area Veterans. Data from the American Community Survey indicated that the median household income for Suffolk County Veterans was \$45,867 in 2008, slightly higher than the overall county median of \$35,953, though still not enough to pay the estimated \$52,000 per year

for assisted living at current rates. Related data on median net worth for Veterans was not available. However, AECOM has concluded that the above average savings and home values of Long Island residents includes Veterans indicating that some may have sufficient financial resources to afford assisted living. In addition, since more than half of assisted living residents move from within 10 miles of the community of where they or their children live, in all likelihood Veterans may receive financial support from their children living on Long Island. The Department of Veterans Affairs currently has limited financial support for such care whereas there are programs in place to help Veterans pay for care in nursing homes as well as receive care at home which may have more appeal to moderate income Veterans.

VI. Operational Considerations

There are many factors that will affect the operations of an assisted living facility. These include, but are not limited to:

- Development costs
- Subsidies or incentives for development
- Private or non-profit developer
- Size of the operator (for economies of scale)
- Market size (# of competitors)
- Size and design of the facility (i.e., # of units)
- Services provided (including dementia care)
- Amenities included
- Type of residents (Veterans or non-Veterans)
- Occupancy levels and base rent
- Payment structure (tiered or all inclusive)
- Revenue sources (private pay or subsidies)

Total operating expenses generally increase as the levels of hospitality, personal services and medical care increase. According to a 2008 study prepared for the Real Estate Research Institute, the net operating income of assisted living facilities is projected to grow at an average annual rate of 8 percent.

Rent Scenarios

In the following table, AECOM presents two development scenarios for an assisted living facility on the Northport VA Medical Center campus. This facility would be run by an independent lessee as part of an Enhanced Use Lease (EUL) agreement with the U.S. Department of Veterans Affairs. AECOM presents a range of average rents for a 150-unit and 175-unit facility at 93 percent occupancy. According to NIC, the average rent for assisted living on Long Island in the third quarter of 2009 was \$4,317 which is highlighted in the table below.

Table 20 – Projected Rent Revenues

Average Monthly Rate	150 units			175 units		
	Total Revenue	Per month	Per day	Total Revenue	Per month	Per day
\$3,500	\$488,300	\$40,700	\$1,300	\$569,600	\$47,500	\$1,600
\$3,750	\$523,100	\$43,600	\$1,400	\$610,300	\$50,900	\$1,700
\$4,000	\$558,000	\$46,500	\$1,500	\$651,000	\$54,300	\$1,800
\$4,500	\$627,800	\$52,300	\$1,700	\$732,400	\$61,000	\$2,000
\$4,750	\$662,600	\$55,200	\$1,800	\$773,100	\$64,400	\$2,100
\$5,000	\$697,500	\$58,100	\$1,900	\$813,800	\$67,800	\$2,200

Note: Assumes 93% occupancy

Source: NIC; AECOM

Land and development costs have a considerable impact on the monthly costs at an assisted living facility since those costs are passed on to the residents. Since the VA will provide the land at no cost to the developer, it is possible that the average monthly costs to Veterans will be lower than current

market rates. In addition, the property may not be subject to local property taxes, also potentially lowering costs to residents. The facility may also be able to capitalize on services already provided on the Northport VAMC campus, thus further reducing operating costs. Any other incentives provided by the VA to the developer will only further push average monthly costs to residents down.

Staffing

The average number of full-time equivalent (FTE) employees at an assisted living community is presented below. An FTE is defined as a 2,080-hour block of time for which wages are paid in a year (i.e., 40 hours per week multiplied by 52 weeks). For example, two part-time housekeepers each working 20 hours per week equal one FTE. According to the *2009 Overview of Assisted Living*, a collaborative research project of AAHSA, ASHA, ALFA, NCAL and NIC (see Appendix for full list of organization names) where 500 assisted living facilities were surveyed, there is an average of 21.5 FTEs in all departments at freestanding assisted living facilities and 41.4 at those with dementia care residents. The breakout by department is shown below. The largest number of FTEs was direct care staff with an average of 9.9 FTEs at assisted living facilities and 22.8 at centers also providing dementia care services.

Table 21 – Average FTEs by Department

Department	Freestanding Assisted Living	Assisted Living/ Dementia Care
Administrative	2.3	3.2
Dietary	4.4	7.2
Housekeeping	2.3	2.8
Maintenance	1.2	1.3
Marketing	1.2	1.3
Direct Care Staff	9.9	22.8
RN	1.1	1.4
LPN/LVN	2.3	2.6
Activities	1.2	2.1
Social Workers	0.8	0.8
Therapists	1.9	2
Other	2.5	1.4
Total/Wt. Avg.*	21.5	41.4

* Totals don't add due to multiple responses and weighting.

Source: *2009 Overview of Assisted Living*

A more common method of examining staffing is by normalizing for property size, that is by calculating FTEs per 100 residents. Free standing assisted living centers, like that proposed for the Northport VAMC, had an average of 57.8 FTEs per 100 residents. Assisted living facilities with dementia care averaged 79.1 FTEs per 100 residents, a much higher staff to resident ratio due to the type of care and services provided. Interviews with local assisted living operators on Long Island

indicate that this staffing ratio is much lower, perhaps 1 employee per 3 residents. Therefore, with 150 units the proposed assisted living facility would require a potential staff of 50 employees or 58 for 175 units.

The majority (95%) of surveyed facilities have awake personal or direct care staff available 24 hours per day. The average general manager has more than five years of management responsibility in his or her facility, and almost nine years of service as an Executive Director or Administrator in the industry. Two-thirds have college degrees or beyond; more than five percent are registered nurses (RNs). Nearly every facility (97%) conducts a criminal background check on every employee prior to hire.

Potential Traffic

On a typical work day, there are 15 full-time staff (defined as a salaried employee working 32 or more hours per week) working in assisted living facilities and 5 or 6 part-time staff as shown below. This is slightly lower at freestanding assisted living centers (15 total daily employees), and higher at those facilities providing dementia care. Due to the nature of work at the center, and 24 hour staffing required, these employees would be arriving across shifts throughout the day rather than at one specific time of day.

Table 22 – Average Daily Staff Levels by Property Type

Property Type	Full-Time	Part-Time	Total
Freestanding Assisted Living	10.8	4.2	15.0
Assisted Living/Dementia Care	23.6	8.1	31.7
Assisted Living/Independent Living	13.6	5.4	19.0
Assisted Living/Nursing Facility	12.4	4.3	16.7
Continuing Care Retirement Community	14.0	4.5	18.5
Weighted Average	15.2	5.6	20.0

Source: *2009 Overview of Assisted Living*

Residents at assisted living facilities typically come from the community or have relatives living nearby. According to the *2009 Overview of Assisted Living*, on average, assisted living residents relocate from within 10 miles of their previous permanent residence more than 60 percent of the time. In addition, the majority of residents, 61 percent, are living within 10 miles of a relative, as shown below.

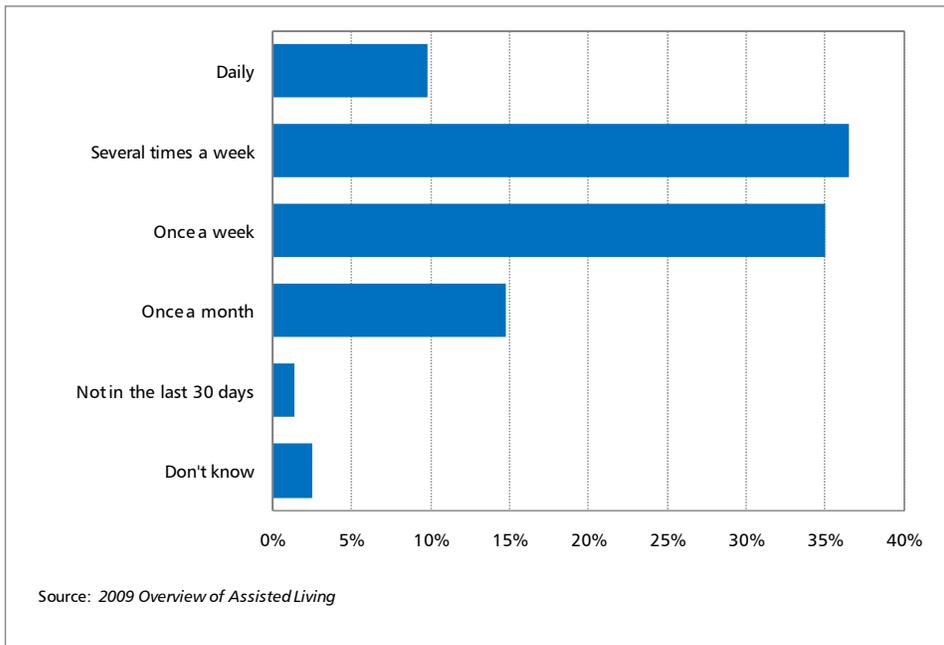
Table 23 – Distance from Resident Previous Home and Closest Relative

Distance from ALF	Resident Relocation	Relative Proximity
Less than 5 miles	39.0%	34.2%
5 to 10 miles	23.0%	26.5%
11 to 25 miles	17.0%	17.6%
26 to 50 miles	6.7%	7.4%
Greater than 50 miles	14.2%	14.3%

Source: 2009 Overview of Assisted Living

Since residents come from the community or have family in the area, residents of an assisted living facility on the Northport VAMC will have visitors. Nationally, on average, 84 percent of residents receive one or more visitors from outside the property at least once a week.

Figure 15 – Frequency of Visitors

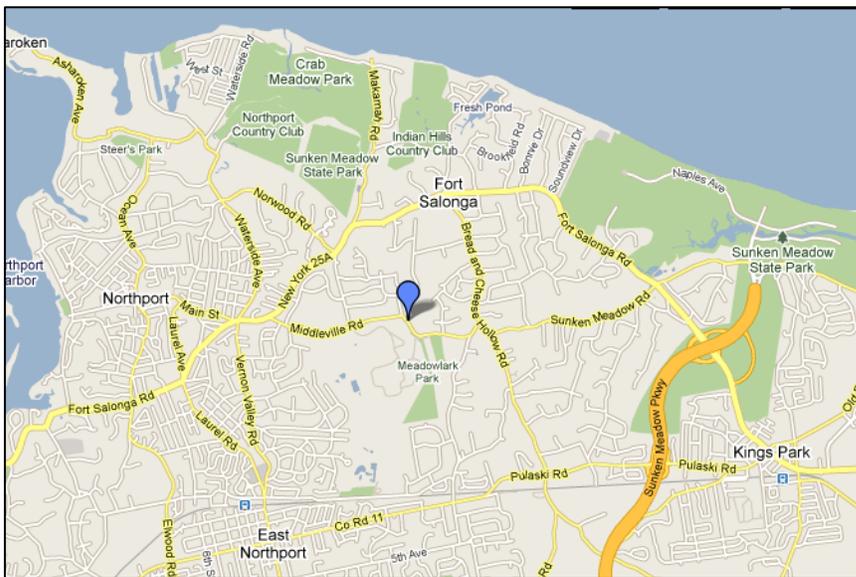


AECOM concludes that the daily traffic impact on the Northport VAMC would be minimal with the addition of an assisted living facility.

VII. Site Considerations

The Northport VAMC, located at 79 Middleville Road in East Northport, NY, is part of the New York/New Jersey Veterans Integrated Service Network #3 and is affiliated with the State University of New York Medical School at Stony Brook. The Northport VAMC provides medical, surgical, psychiatric, rehabilitative and nursing care to Long Island Veterans. The VAMC campus is bordered on the north by Middleville Road, on the southeast by Meadowlark Park and by wooded areas to the west and south.

Figure 16 – Map of Northport VAMC



Local Zoning

The Village of Northport, New York is located within the Town of Huntington and Suffolk County. Suffolk County appears less developed than Nassau County despite substantial growth in the high technology and light manufacturing sectors since 1990. The overall low density reflects the rural nature of the area as well as upper income residential developments and the second home market. Zoning regulations on residential development in Huntington also help maintain low density.

Currently the two parcels being considered for development are federal property and therefore not subject to local jurisdiction and zoning regulations. Although the Northport VAMC campus is exempt from the zoning ordinances of the Town of Huntington, the following table presents the development scenario if the operation of an assisted living facility on the Northport VAMC campus by a private developer under a long-term lease arrangement with the VA falls outside the exemption normally applied to federally owned/controlled property. Currently zoned R-80 (one residence per 2 acres) to

build an assisted living facility on the site, the developer would have to apply for a change in zoning to R-HS (residential health services), the current designation for such facilities in the Town of Huntington. According to the height, area and bulk regulations for the R-HS, the maximum percent of the lot covered by building is 25 percent. Therefore the building footprint would be restricted to a maximum of 225,096 square feet. With a maximum height of 2 stories, the combined parcels have 450,192 potential square feet of developable space. The 20.67 combined acres could have a maximum of 409 units if subject to local zoning and the zoning change were approved. The following table presents three development scenarios – development of each individual parcel as well as the combined parcels. AECOM considered a single- and two-story building under each scenario also. Typically assisted living facilities use 35 to 40 percent of the space for common areas, support services and offices.

Table 24 – Development Scenario under R-HS Designation

	Parcel A	Parcel B	Parcels A & B
Acres	10.20	10.47	20.67
Square feet	444,312	456,073	900,385
Area per dwelling unit = 2,220 square feet			
Total Units	202	207	409
Maximum building footprint = 25% of lot			
Maximum footprint (ft ²)	111,078	114,018	225,096
Single Story Development			
Total building size (ft ²)	111,078	114,018	225,096
Common area (35-40%)	41,700	42,800	84,400
Residential living area	69,400	71,200	140,700
Average unit size with			
100 total units	690	710	1,410
150 total units	460	470	940
175 total units	400	410	800
200 total units	350	360	700
300 total units	NA	NA	470
Two Story Development			
Total building size (ft ²)	222,156	228,037	450,192
Common area (35-40%)	83,300	85,500	168,800
Residential living area	138,900	142,500	281,400
Average unit size with			
100 total units	1,390	1,430	2,810
150 total units	930	950	1,880
175 total units	790	810	1,610
200 total units	690	710	1,410
300 total units	NA	NA	940

NA = not applicable

For example, if developed alone, Parcel B could have a maximum of 207 units with a maximum building footprint of 114,018 square feet. If a two-story development was placed on Parcel B, there would be approximately 85,500 square feet of common space and 142,500 square feet for residences. With 150 units, the average size would be 950 square feet per unit under this possible scenario.

New York State Regulations

If subject to local jurisdiction, the site may also be subject to New York State regulations. While there are federal laws that impact assisted living, oversight and regulations of these facilities generally occurs at the state level. The following section looks at New York State regulations for assisted living facilities and is for general information purposes only. Relevance of individual statutes and requirements to the proposed assisted living project will need to be verified with the appropriate State authorities.

Definition and Scope of Services

States define assisted living programs in different ways. In the State of New York, assisted living is defined as an entity that provides or arranges for housing, on-site monitoring, and personal care and/or home care services, either directly or indirectly, in a homelike setting for five or more adults unrelated to the assisted living provider. Assisted living program operators are responsible for providing resident care services which must include, at minimum, room, board, housekeeping, supervision, personal care and home health services. According to State regulations, an assisted living program must also provide the following to its residents:

- daily food service;
- 24-hour on-site monitoring;
- case management services; and
- Individualized service plans for each resident.

Under State regulations, any facility that meets the definition of an assisted living program must obtain either one of two certificates, an Adult Home or Enriched Housing Program, from the Department of Health. These certificates determine the level of care and type of accommodation that must be provided to residents. Under both licenses, facilities may contract with a home health agency or a long-term home health care program. Additional licenses must be obtained to care for residents with dementia.

Adult Home

Assisted living programs certified as adult homes provide long term residential care, room, board, housekeeping, personal care and supervision to a minimum of five adults. These facilities generally serve younger populations, although the majority of residents are considerably older than 18. Adult homes can accommodate large numbers of residents in one building, up to a maximum of 200. Adult homes may provide either single or double-occupancy rooms. A minimum of one toilet and one lavatory must be provided for every six residents, and one tub/shower for every ten residents. Adult homes must provide, at minimum, three meals per day to residents.

Enriched Housing Program

An enriched housing program functions to provide long-term residential care to five or more adults. As compared to adult homes which serve younger populations, enriched housing programs are directed towards persons 65 years or older. In terms of accommodations, enriched housing programs must provide single-occupancy units, unless residents want to share. Most enriched housing programs are located in individual apartment-like settings where units have kitchens and private bathrooms. An enriched housing operator is required to provide at minimum, one mid-day or evening meal that meets one-third of the recommended dietary allowances by the Food and Nutrition Board. Additionally, enriched housing program staff must ensure there is sufficient food available in each apartment for each resident's other meals and snacks.

Staffing

Regardless of certification, all adult care facilities in the State of New York must provide sufficient care as required by its residents. Among these requirements include:

- Sufficient nursing staff which at minimum includes a licensed nurse on duty five days per week, for eight of sixteen hours per day;
- A registered nurse on call available for consultation twenty-four hours per day, seven days per week;
- A program coordinator at least twenty-one years of age with a master's degree in social work and at minimum, one years' experience.
- Staff providing personal care that have completed a PCA or home health aide training course as approved by the state Department of Health; and
- Administrators not holding a current New York license as a nursing home administrator must complete a minimum of sixty hours of continuing education every two years.

VIII. Conclusions

AECOM concludes that there is enough demand in the Long Island market to support an assisted living facility primarily for Veterans on the Northport VA Medical Center campus. As the over 65 population on Long Island continues to increase (up by 25,600 in 2013) so will the need for assisted living accommodations. The available national data and trends indicate that Long Island's demand for assisted living units will increase to approximately 6,000 units by 2013 assuming a consistent 93% occupancy rate. This analysis represents an estimated near-term need for 1,030 to 1,350 additional assisted living units on Long Island. This estimate is conservative since the population increase in the over 85 age group will further increase assisted living demand. Veterans are projected to need 140 to 180 of those additional units. This figure does not account for the possible movement of Veterans currently residing at assisted living facilities on Long Island choosing to move to a similar facility on the Northport VAMC campus.

In addition to providing Veterans an opportunity to live with other Veterans, potential links to existing related facility services on the Northport VAMC campus will be a strong asset for attracting Veterans to the project. How these and other related development opportunities are worked out between the selected developer and Northport VA decision makers can only serve to further enhance the project's attractiveness to the Long Island Veteran population.

Appendix

List of Acronyms

AARP	American Association of Retired Persons
AAHSA	American Association of Homes and Services for the Aging
ASHA	American Seniors Housing Association
ADLs	Activities of daily living
ALF	Assisted living facility
ALFA	Assisted Living Federation of America
CAGR	Compound annual growth rate
CCRC	Continuing care retirement communities
ERA	Economics Research Associates, an AECOM company
ESRI	Environmental Systems Research Institute, Inc.,
EUL	Enhanced Use Lease
FTE	Full-time equivalent
IRS	Internal Revenue Service
MSA	Metropolitan Statistical Area
MTCC	Management Technology Consulting Council, Inc.
NCAL	National Center for Assisted Living
NIC	National Investment Conference for the Senior Living and Long Term Care Industries
R-80	One house per 2 acres
R-HS	Residential health services
RN	Registered nurse
SSI	Supplemental Security Income
VA	U.S. Department of Veterans Affairs
VAMC	Veterans Affairs Medical Center

Sources of Data and Information

American Association of Homes and Services for the Aging
American Association of Retired Persons
The Arbors Assisted Living
Assisted Living Directory
Assisted Living Federation of America
Atria Senior Living Group, Inc.

Berger and Associates
Birchwood Suites LLC
The Bristol Assisted Living
Catholic Charities USA
Disabled American Veterans
Environmental Systems Research Institute, Inc.,
Gilbert Guide
Internal Revenue Service
MetLife Mature Market Institute
National Center for Assisted Living
National Investment Conference for the Senior Living and Long Term Care Industries
National Real Estate Investor
New Life Styles
New York State Department of Health
New York State Division of Veteran's Affairs
New York State Office for the Aging
Northport Veterans Affairs Medical Center
Real Estate Research Institute
Suffolk County, New York
Sunrise Senior Living, Inc.
Town of Huntington, New York
U.S. Census Bureau
U.S. Department of Health and Human Services
U.S. Department of Housing and Urban Development
U.S. Department of Veterans Affairs
Village of Northport, New York