ElderCHOICE Program Guide

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Introduction

MassHousing is requesting proposals for assisted living developments to be financed under the Commonwealth’s ElderCHOICE program. ElderCHOICE is designed to encourage the development of appropriate housing alternatives for frail elders requiring assistance with daily living activities. The “assisted living” concept offers a supportive residential environment which maximizes the ability of elders to live independently and reduces the need for costly institutionalization. Through this new program, MassHousing will provide construction and permanent financing for the development of assisted living communities. ElderCHOICE has been developed in conjunction with the Department of Housing and Community Development, the Executive Office of Elder Affairs, and the Executive Office of Health and Human Services.

The purpose of this program is to explain both program goals and how proposals will be evaluated. Qualified projects will be awarded Official Action Status (OAS) designation and invited to submit applications for construction and permanent debt financing. Proposals will be evaluated and scored in order to determine threshold acceptability for purposes of granting OAS. Projects that fail to meet threshold requirements may be revised and resubmitted for consideration by the Agency. OAS designation will be determined on the basis of scores which reflect the quality and completeness of the proposal in five evaluation areas:

1. Development Team Qualifications
2. Marketability & Need
3. Service Program & Concept
4. Architectural Design & Site
5. Integration of Program Components

Proposals are currently being accepted on a rolling admissions basis. Evaluations will be concluded within 60 days of the submission of a complete application. Once a satisfactory review is finished, OAS approval will be voted at the next meeting of the Agency Board of Directors. While preliminary financial feasibility will be assessed at the OAS stage, full loan underwriting will occur when a loan commitment application is accepted for review by the Agency. Combined OAS/loan commitment applications will be considered depending on the completeness of the application package.

Program Concept

Assisted living developments financed through ElderCHOICE will include a supportive service program designed to provide assistance with activities of daily living (ADLs) and other routine non-medical assistance. Service programs will be designed on a case management model and will reflect the individual and unscheduled needs of frail elders.
residents. Please see the attached Program Guidelines for detailed requirements. At a minimum, service programs will include the following:

- Assistance with personal care (bathing, continence, dressing, ambulating, toileting, eating, and transfers)
- Housekeeping and maintenance, laundry service, medical monitoring, and transportation
- Up to 3 meals per day
- 24-hour emergency response
- Service coordination and case management

Assisted living developments financed by the Agency will make these services available to frail elders in a residential setting which maximizes their privacy, independence, and control over their care.

**Affordability**

MassHousing was created with the mandate to expand housing opportunities for individuals and families of varied economic means. In keeping with that mission, the Agency requires that at least 20% of the units in a development must be available to low-income residents whose income may not exceed 50% of area median income.

Proposals may target low-income occupancy to persons qualifying for the Medicaid Group Adult Foster Care Program (GAFC) administered by the Division of Medical Assistance. The GAFC program provides a reimbursement to qualified service providers of $33.70 per day for costs associated with providing personal care services to Medicaid-eligible seniors. Service providers for proposals that will use GAFC reimbursements must demonstrate a thorough understanding of the program as well as eligibility to be designated as a Medicaid-approved provider. For information on the GAFC program call the Division of Medical Assistance at (617) 348-5571.

In addition to GAFC, equity raised through the syndication of the **Low-Income Housing Tax Credits** may be used to support low-income occupancy in ElderCHOICE developments. The Executive Office of Communities and Development (DHCD) has delegated to MassHousing the ability to award 4% Low-Income Housing Tax Credits used in conjunction with tax-exempt bond financing. Such tax credits are awarded by MassHousing when a loan commitment is approved by the Agency Board.

**Evaluation Priorities**

Proposals will be assessed based on the extent to which they fulfill program objectives within five evaluation areas, including:

1. Development Team Qualifications
2. Marketability & Need
3. Service Program & Concept
4. Architectural Design & Site
5. Integration of Program Components

Each of the five program areas will be weighted equally in the evaluation process. However, within each category some characteristics will be weighted more heavily. Rather than emphasizing minimum criteria, the evaluations will stress a high degree of quality, completeness, and consistency in the entire proposal. Priority factors are described below as well as in the Program Guidelines and List of Evaluation Areas.

**A. Development Team Qualifications**

The development team, including developer/owner, manager/service provider, architect, and general contractor, must provide evidence of relevant experience in the development and operation of housing of similar scale and complexity. Members of the team will be evaluated on the basis of demonstrated success in development, operations and service provision, and design or construction of housing with services for the frail elderly. Prior experience in the field of assisted living is most germane, however, experience in similar development types such as nursing or rest homes, housing for the frail elderly with supportive services, or residential hotels, will be considered depending on the level of comparability to the proposed assisted living development.

The prior performance of the sponsor’s similar developments will be considered with respect to such factors as: service plan, occupancy and turnover, financial performance, real property maintenance, resident satisfaction, and success in coordinating and networking within the local community.
The team must demonstrate significant expertise in the delivery and coordination of services proposed for the development. Due to the importance of services in the successful operation of an assisted living community, the experience and capability of the proposed service provider will be extensively examined and will influence the overall acceptability of the proposal. Proposals will not be accepted without a designated service provider. Proposals that include GAFC reimbursement must demonstrate that the service provider is knowledgeable about Medicaid requirements and is eligible for approval as a GAFC provider by the Division of Medical Assistance. Past performance in affirmative action by all team members will be reviewed as will the financial capacity and credit history of both the mortgagor and the general contractor.

B. Marketability and Need
The Agency will assess the marketability and need for the proposed assisted living development in the particular locality. As part of the proposal, sponsors must submit an independent market feasibility analysis for the proposed assisted living community, including at a minimum:

- description of project concept and service program
- the target market including specific level of frailty and service needs
- local demographics including age and income characteristics
- proposed rent and service fees and level of affordability
- evidence of local support for the assisted living proposal
- market information describing current and planned competitive and comparable developments in the market area

Project proposals should reflect a detailed analysis of these market factors, however, the Agency will rely on its own demographic analysis in the determination of market feasibility which may entail the use of third-party consultants. In addition to market demand, the Agency will evaluate the planned marketing strategy and the appropriateness of the site, the building, and the service program. Proposals will be evaluated based on the extent to which service programs appropriately respond to the documented needs of the target market group.

C. Service Program
All proposals should include a statement of mission or objectives as part of the service program description and operating plan outline. What is the sponsor intending to accomplish in the development of this assisted living community? A clear statement of operating philosophy defines the framework on which each component of the development - from food service concept to personal care policies and procedures - is based. From this general statement of purpose, each proposal must articulate how the project will actually be implemented: what services and shelter will be provided, how service will be organized and delivered, how much it will cost to provide such shelter and service, who the prospective residents will be, and why they will be willing to pay the proposed rent and service charges.

Every assisted living development will provide a minimum array of services (see Program Concept) which must be tailored to each resident's specific needs and modified over time through the development of an individualized care plan. In the operating plan submitted with the application, sponsors must demonstrate the ability to accommodate the increasing or changing needs of the very frail in a manner that facilitates the resident’s dignity, privacy, and ability to choose care or services. Resident participation in the development of the individualized care plan, for example, is one manifestation of these characteristics and is integral to the concept of assisted living.

Applicants are encouraged to structure rent and services in a "standard" package including basic assistance available for a flat monthly charge. Residents should also have the ability to purchase "enhanced" or optional services for an additional charge, if needed and not provided under the basic plan. Alternative fee structures will be considered provided minimum services are offered and service charges can be reliably underwritten. Sponsors must demonstrate that prospective residents, given expected frailty levels and income characteristics, will have access to appropriate services as their care needs increase. Sponsors will also be required to detail tenant selection and move-out criteria in relation to the services offered and the expected frailty of the resident population. If an application proposes using the GAFC program, sponsors must demonstrate that the service plan conforms to the requirements of the program.
D. Architectural Design and Site Evaluation
Proposals will be judged on the basis of site design and suitability for assisted living, the size and density of the
development, the unit plan and mix, the overall architectural treatment, marketability of the design, and sensitivity
to community objectives.

Projects may range in size between 30 and 100 units. The physical design should present a residential rather than
institutional environment while providing for a service infrastructure (administrative offices, commercial kitchen,
and dining rooms). Architectural plans should be developed in consultation with the service provider and should be
closely related to the requirements of proposed activity and service programs. The organization of interior spaces
should be domestic in scale and appearance. Finishes and furnishings should evoke a home-like setting and
accommodate the needs and preferences of elderly residents.

In addition to preliminary plans and specifications, the architect will be required to submit an architectural program
narrative which delineates the relationship between the architectural design and the service program. Proposals will
be evaluated on the extent to which the architectural plan maximizes quality of resident life, building efficiency and
efficient delivery of services.

Unit designs must support resident independence and dignity to the maximum extent possible. As such, units must
include a private bathroom, kitchenette, lockable entry door, and individual climate controls. The unit mix must be
supported by documented market demand. Shared occupancy scenarios in which unaffiliated individuals share a unit
are discouraged by the Agency. Rental revenue attributable to shared units will not be considered in loan
underwriting.

E. Integration of Program Components
Following the analysis of each of the major components of the proposal, the Agency will assess the extent to which
the proposal meets the objectives of the program and is successful in integrating these objectives into an effective
project. This analysis will focus on the degree to which the proposal is appropriately responsive to the multi-
disciplinary demands of assisted living for the frail elderly. Evidence of the sponsor’s understanding of the local
target market and effectiveness in designing a suitable service package will be critical. The marketability of the
concept and site location will also be assessed as will the extent to which the architectural plan maximizes resident
quality of life while minimizing operating expenses and development costs. In the analysis of the overall proposal,
the Agency will conduct a preliminary review of financial feasibility in order to determine the likelihood that a
proposal will be able to move forward to the loan commitment stage.

Submissions
Project sponsors must complete the One-Stop Application according to the instructions for Official Action Status
approval and supplementary instructions for ElderCHOICE proposals. Failure to follow the supplementary instructions
will result in an incomplete application and delay processing. Prior to proposal submission, all applicants must attend
a pre-application conference with MassHousing development staff. Please call the Development Department at (617)
854-1359, if you have any questions.
Complete the One Stop application and exhibits as directed in the general and supplementary instructions. Please
submit copies of the completed application (see One-Stop Application Checklist for the number of copies) to:
MassHousing
One Beacon Street
Boston, MA 02108
Attention: Nancy Andersen, Manager of Rental Programs and Development

Applications must be accompanied by a submission fee of $1.00 per $1,000 of estimated loan amount. This fee is
non-refundable and will be credited to the total fees due in the event that the sponsor is invited to submit a loan
commitment application following the OAS review.

Attachments:
1. ElderCHOICE Program and Underwriting Guidelines
2. Supplementary Instructions for ElderCHOICE
3. One Stop Application Form and Instructions
Program Guidelines & Underwriting Requirements

Guidelines

Objective: ElderCHOICE is a program designed to provide construction and permanent financing for assisted living developments serving the frail elderly. It is intended to address the needs of frail elders by creating a supportive living environment which maximizes their ability to live in a residential setting and reduces the need for costly institutionalization. MassHousing’s primary objective will be to finance developments targeting elders needing assistance with activities of daily living (bathing, continence, dressing, ambulating, toileting, eating, and transfers). Each development will be required to reserve a minimum of 20% of the units for low-income occupancy.

Developments may be new construction or renovation.

Project Size: While no formal minimum or maximum size limits will be imposed by the Agency, projects under 30 units may have difficulty delivering needed services cost-effectively. Conversely, projects exceeding 100 units may experience long rent-up periods and substantial initial operating losses, thus reducing the likelihood of project success.

Service Requirements: Assisted living proposals must include a supportive service program which features the direct provision or coordination of the following minimum components:

- Direct assistance with activities of daily living (ADLs) including but not limited to assistance with bathing, continence, dressing, ambulating, toileting, eating, and transfers.
- Assistance with housekeeping and maintenance, laundry service, medical monitoring, and transportation.
- Provision of up to 3 meals per day to residents.
- 24 hour response to emergency needs of the residents.
- Service coordination and case management.

Every assisted living development must provide these minimum services which must be tailored to each resident’s specific needs and desires. Project sponsors are encouraged to structure rent and service charges in a “standard” package of basic assistance available for a flat monthly rate. Residents should also have the ability to purchase enhanced or optional services at additional charge. Services may be provided directly by the owner or through contracts with outside service providers.

Target Group: The minimum age for residency in an ElderCHOICE development is 55 years, unless otherwise required by applicable state or federal programs. Given the program’s orientation to frail elders, it is anticipated that most residents will be significantly older (80+) than the minimum age required.

Low-income Occupancy: At least 20% of the units in a development must be available to low-income persons for a minimum of fifty years. A resident may have an income of no more than 50% of area median income to qualify as low-income.

Rent and Service Charges:

Market Rate Units: Rent and service charges may not exceed 75% of income for the target market and must be supported by local area demographic characteristics.

Low-income / Medicaid-Eligible Units: Rent and service fees charged to Medicaid-eligible residents may not exceed 75% of the maximum eligible income for the program, currently $6,900 per year. In addition, a reimbursement under the Group Adult Foster Care (GAFC) Program to offset the cost of personal care services may be available to qualified providers. This reimbursement is not subject to the 75% of income cap.

Tax Credit Units: The total rent and service charges for non-elective services may not exceed the maximum allowable rents for the Low-Income Housing Tax Credit Program (generally, 30% of 50% of median income).

Supplementary Funding: Given that service costs alone may exceed allowable charges for low-income residents, projects are unlikely to be feasible if sponsors rely exclusively on low-income elders’ private funds. Sponsors are strongly encouraged to secure other sources of funding to offset the cost of providing shelter and services to low-income elders.
Possible sources of funds include federal HOME funds, subordinated debt or grants from the Federal Home Loan Bank, Community Development Block Grant funds, and other public and private sources.

In addition, proposals may target low-income occupancy to individuals who qualify for the Medicaid Group Adult Foster Care (GAFC) Program which provides a reimbursement of $33.70 per day for services. The GAFC Program, administered by the Division of Medical Assistance, has specific participant and provider eligibility requirements.

Sponsors intending to use this program to offset service costs should be familiar with these requirements.

**Design Requirements:** The architectural design should create a residential setting which emphasizes a "home-like" environment while providing for a supportive service infrastructure. Innovative design features that address the unique needs of the frail elderly while enhancing operational efficiency are encouraged. In general, ElderCHOICE developments should provide the features highlighted below:

1. **Home Environment:** The development should appear residential rather than institutional in character. Finishes and furnishings should be sensitively selected to accommodate the needs of elderly residents. The design should reflect prevailing state and federal accessibility requirements as well as the increasing frailty of residents.
2. **Privacy and Independence:** The privacy and independence of residents should be supported by the physical design of the residence. At a minimum, all units should include a lockable entry door, private bathroom, and kitchen or kitchenette (including a range, sink, refrigerator, and food storage).
3. **Energy Efficiency:** Individual climate controls should be provided in each unit.
4. **Nutrition:** Dining facilities capable of serving all residents up to three meals per day should be provided on-site. If off-site food preparation is proposed, space for future installation of an appropriate central kitchen must be available.
5. **Community Space:** Public areas for resident use should be created to serve the daily, informal, and special-purpose activities described in the service plan; the service plan should detail the programmatic uses of community spaces.
6. **Safety:** Compliance with National Fire Prevention Association (NFPA) life safety codes including sprinklers is essential. Consideration should be given to alarm system and monitoring devices for residents affected by sensory and mobility impairments.
7. **Unit Size & Mix:** Unit types may range from studios to two bedroom apartments. Typical unit square footages inclusive of kitchen and bathroom are:
   - Studio: 350 square feet
   - 1 Bedroom: 500 square feet
   - 2 Bedroom: 750 square feet

At the current time, no guidelines are proposed for unit mix ratios. However, since the market for assisted living is evolving, consideration should be given to unit mixes and physical designs which can adapt to changing market conditions as the number of facilities increases (e.g., proposals should avoid designs which include only one unit type). Market support for the proposed unit types and mix must be demonstrated.

**Legislation**

The Executive Office of Elder Affairs has promulgated assisted living regulations as authorized under recently enacted legislation. All ElderCHOICE developments must comply with these regulations.

**Underwriting Terms and Requirements**

The following underwriting requirements are subject to change depending on market conditions and the requirements of applicable financing.

*Maximum Loan Amount* 90% of appraised value. At least 10% of the total development cost, less developer’s fee and overhead allowance, must be contributed by the developer in the form of cash (non-profit developers may use grants). Land value and overhead allowance may be contributed as cash, however, restrictions will apply.
Debt Service Coverage 1.15. Higher debt service coverage may be required in order to achieve 90% loan-to-value ratio.

Term/Amortization Schedule 30-40 year term and amortization schedule for permanent loan.

Construction Period Risk The Agency provides both construction and permanent financing. If MassHousing construction financing is used, prevailing wages must be paid. If MassHousing is providing permanent financing only, a project must achieve sustaining occupancy at pro forma rents prior to permanent loan take-out or must provide acceptable security to guarantee rent-up risk.

Recourse/Non-recourse Non-recourse debt.

Subordinate Debt Subordinate financing is allowed subject to compliance with Agency and credit enhancement requirements. Generally, all junior financing must be fully subordinated to MassHousing’s primary mortgage, without right of foreclosure, and only payable from surplus cash flow.

Forward Rate Commitment Forward rate commitments for permanent loans may be made if acceptable security is provided to cover potential bond redemption costs and negative arbitrage.

First Lien All loans will be secured by a first mortgage on the land and improvements. If property is owned subject to a ground lease, the improvements alone may suffice; however, the ground lease must be subordinated to the first mortgage and must be satisfactory to MassHousing’s general counsel.

Loan Security Construction and operating letters-of-credit or cash escrow equal to 6% of the mortgage amount must be provided to secure the loan. The construction LOC may be rolled over into a 6% operating LOC or escrow. LOCs may be reduced by one-sixth per year once the property achieves break-even operations for two consecutive years. Reductions in the LOC may be accelerated to one-quarter per year if the property generates 1.15 debt service coverage for two consecutive years.

Initial Operating Deficit Escrow MassHousing will determine the initial operating deficit based on the projected absorption period. A reserve to cover this projected deficit will be included in the development budget and must be funded out of equity. For the purpose of preliminary estimates, rental absorption of no more than 3 - 5 units per month should be assumed.

Environmental Review Environmental reviews cover hazardous materials (21E) and conditions such as asbestos, lead paint, radon, noise from airports, railroads, and roadways, and impacts on environmental resources.

Developer’s Fee & Overhead A mortgagor will be allowed a 20% developer’s fee and 5% overhead allowance calculated as a percentage of total development costs, less land acquisition and syndication costs. A fee of up to 10% may be drawn within the first 5 years of operations, provided there is capital available to fund the fee from debt or tax credit proceeds. For example, the 5% overhead allowance may be drawn at construction closing; in addition, construction or lease-up savings up to 5% may be drawn at stabilized occupancy. (If the full 5% overhead fee is drawn, additional cost saving draws will result in an adjustment of the equity basis for purposes of determining the amount of cash flow that can be distributed; see below “Return on Equity”.) The sum of the 20% developer’s fee and cash equity invested in the development creates the equity base used to determine the maximum return on equity or annual cash flow distributions. Refer to sample development proforma attached.

Return on Equity Equity is the sum of owner cash equity, tax credit equity, and the developer’s fee invested in the project, less distributions of cost savings (in excess of the overhead allowance). For most projects, annual distributions of cash flow are limited to 10% of equity. However, projects supported by project-based rental subsidies for more than 20% of the units will be limited to an 8% return on equity. At the owners request the equity amount may be reevaluated every five years based on current appraised value.

Management Fee Management fees will be limited to 4% of effective income, including rental, services, and ancillary income and excluding operating or debt service subsidies. An incentive management fee of up to 2% payable out of surplus cash flow may be allowed.
Development Team Experience and Capability Requirements

**Owner/Developer** The mortgagor must demonstrate sufficient previous experience in the development and management of projects of similar scale and complexity. If the Agency determines that the mortgagor lacks the requisite experience, MassHousing may require the owner to include a qualified development consultant and/or service provider in the development team.

**Mortgagor Financial Capacity** The mortgagor must possess a satisfactory credit history and adequate financial capacity to complete and own the project. Generally, the Agency will require:
- Working capital equal to 6-10% of the loan amount.
- Net worth equal to 15% of the loan amount.
- Good standing on all Agency loans.
- No defaults or problems with other lenders that might prevent the sponsor from completing and operating the proposed project.

**General Contractor** The contractor must demonstrate experience constructing a project of similar size and complexity. In the case of construction financing, the contractor must be able to provide a 100% payment, performance, and lien bond.

**Architect** The architect must be licensed in Massachusetts and have experience designing projects of similar scale and complexity.

**Management Agent** Direct experience of 3-5 years managing assisted living residences, nursing homes, or independent living complexes with supportive services is required. Knowledge of supportive service provision and coordination as well as entitlement service programs, delivery, and payment procedures is essential. If the proposed management agent is not sufficiently experienced, the Agency will consider joint ventures or consulting agreements which adequately complement the management agent’s skills and experience (e.g., a professional housing management company may collaborate with an experienced nursing home operator).

**Service Provider** If an outside service vendor is proposed to deliver basic services, the service provider must have 3-5 years of demonstrated experience serving the needs of the frail elderly and knowledge of supportive service reimbursement programs such as Medicaid GAFC. If the GAFC program is to be used, the service provider must obtain conditional approval as a GAFC provider, prior to loan commitment.

**Marketing Agent** Direct experience in the marketing of elderly housing or housing with supportive services is required.

**Additional Requirements**

**Market Feasibility** Applications must include an independent market feasibility analysis that demonstrates demand for the proposed project. The study will include a description of: the project concept, the target market area and group, its demographic characteristics, and service needs, as well as a detailed analysis of how the proposed facility will meet the needs of the target group. This study will evaluate the proposed project in comparison with current and planned competitive properties through analysis of rents, service programs and costs, unit types and mixes, staffing levels, and operating expenses. The Agency will conduct an extensive due diligence review of the feasibility report and will rely exclusively on its own conclusions in determining whether to approve the application.

**Operating Plan** The mortgagor will be required to submit an operating plan for the proposed development. At a minimum it should include:
- A description of the operating philosophy of the assisted living community
- An explanation of the relationship between the operating plan and architectural plan
- A detailed budget delineating all staff positions, salaries, and an indication of which staff are full or part-time
- Proposed phase-in of operating staff during initial rent-up period
- Job descriptions for each position
- A schedule of staffing patterns for each program area (food services, personal care, housekeeping, etc.)
• Written protocols that address staff/resident ratios, service procedures, emergency procedures, and examples of various service scenarios
• If subsidy or reimbursement programs such as the GAFC program are to be used, an explanation concerning how the facility will meet the program’s requirements
• Proposed resident selection, occupancy criteria, and transfer policies
• Description of proposed or existing formal relationships with local agencies and institutions which will serve the residents

Occupancy Agreement An occupancy agreement describing the rental and service obligations of the sponsor and resident will be required.

Ancillary Income MassHousing will recognize ancillary income equal to 2% of gross rental income if adequately supported by market or other data. Ancillary income may include revenues from beauty shop, sundries store, and staff meals.

Replacement Reserves Reserves will be funded from revenues at $275 per unit per year for real property reserves and 1.0% per year of the initial cost for furniture, fixtures, and equipment for personal property reserves.

Vacancy Rates In general, MassHousing will underwrite market units at 93% and low-income units at 97% of total potential occupancy at stabilized occupancy.

Trending Rates While trending rates may vary by proposal, for preliminary estimates, MassHousing will trend market rents at 3% Unsubsidized low-income rents and GAFC will be trended at 3% and 2% respectively. Most operating expenses will be trended at 4%. Water and sewer expenses will be trended at significantly higher rates (please consult MassHousing Development Department) and taxes will be trended at 2.5%.

Appraisals MassHousing will retain an independent appraiser to confirm land and building values as well as to verify that loans do not exceed 90% of value. The cost of the appraisal is included in the MassHousing processing fee.

Tax Credits DHCD has delegated authority to MassHousing to award 4% Low-Income Housing Tax Credits to projects financed with tax-exempt bonds.

Tax-Exempt Financing Rules In addition to the 20% low-income requirement, proposals must include a minimum rehabilitation cost of at least 15% of the acquisition cost. Non-profit mortgagors are exempt from the minimum rehabilitation requirement. Most development costs are eligible for funding under the mortgage except: initial operating deficit reserves or other working capital, capitalized loan interest for the rentup period, commercial space including commercial kitchens, syndication and some legal costs. Costs expended prior to Official Action Status approval are also ineligible and must be funded from equity or a taxable capital source.

Interest Rate Current underwriting rates for taxable and tax-exempt loans are available.

Credit Enhancement To obtain the lowest possible rates for borrowers, MassHousing often uses bond credit enhancement. Credit enhancement will most likely be provided through the HUD/Housing Finance Agency Risk Sharing Pilot Program. The expected fee for this credit enhancement is 0.375% per year and is included in the rates listed above.

MassHousing Fees

Construction/Permanent
• Loans OAS Application Fee 0.1% of Loan
• Mortgage Application Fee 0.3% of Loan (OAS fee credited to total)
• Construction Inspection Fee 0.5% of Loan
• Financing Fee 2.0% of Loan
• MassHousing Administrative Fee 0.5% of Loan/Year
Permanent Loan Only

- OAS Application Fee 0.1% of Loan
- Mortgage Application Fee 0.25% of Loan (OAS fee credited to total)
- Construction Inspection Fee 0.5% of Loan (if applicable)
- Financing Fee 1.0% of Loan
- MassHousing Administrative Fee 0.5% of Loan/Year

Design Guidelines for Frail Elders

Introduction

The assisted living developments financed through ElderCHOICE provide residential environments designed to support aging frail elders and the delivery of needed services. Impediments to participation, such as declining physical mobility and other sensory and cognitive impairments typical of the frail elderly population, should be considered as the norm for many residents. Assisted living facilities should provide an atmosphere that encourages both community activities and independence.

An essential feature of architectural planning for an assisted living facility includes developing an architectural program in close consultation with the service provider. The location, size and attributes of spaces should be the product of careful analysis. Spaces should be primarily residential in scale and character. The architecture should define public, semi-public and private space. Literature exploring various cultural and corporate models of assisted living should be consulted.

The following guidelines outline design features that have been successful in the MassHousing’s elderly housing portfolio and assisted living facilities in other states. This document will be revised from time to time as more experience in design for frail elders is available.

Site Design

A van parking area and passenger drop off station protected from the weather should be provided. Such an area should be near to and visible from the main entry.

Building entries must be handicapped accessible.

Landscaping in parking areas which screens car headlights from units is desirable.

Parking requirements must comply with local zoning and accommodate use by staff, suppliers, visitors and residents.

A secure outdoor recreation area should be provided. As a rule of thumb, use 25 square feet per person for planning.

Building Design

Compliance with the National Fire Protection Association Life Safety Code including sprinklers is essential.

Building forms and material should be appropriate and integrated into the topography and neighborhood. Because these facilities are residential settings, they are subject to provisions of the Federal Fair Housing Amendments Act and the Massachusetts Architectural Access Board requiring 5% accessible units and fully accessible common spaces.

Because these facilities will employ staff and certain areas may be open to the public, (e.g. Adult Day Care) the facilities may be subject to the Americans With Disabilities Act.

Energy saving materials and equipment that perform above Code requirements are encouraged.

Provide individual controls for heating and cooling systems within each unit.

Elevators are required in all buildings two stories and higher.

Corridor lengths of less that 80 feet between the unit and elevator are highly desirable.
Resting areas, landmarks, handrails, natural light and indirect lighting schemes should be incorporated into the
design of corridors.

Building signage and layout of furnishings should incorporate way-finding features to assist those who may be
confused or disoriented.

Clustered unit entries and areas outside the unit entry that allow personalization are encouraged.

Integrate emergency call, security, telephone and other communication systems to provide 24 hour monitoring.

A reception area located to provide unobtrusive surveillance of the elevator and resident building entrances is
desirable.

Residential treatment of exteriors is highly desirable. Include dormers, balconies and porches.

A note regarding accessible design: Accessible and adaptable design features are standards developed for the
physically challenged. These features are not always useful for the frail elder. Height of toilet seats; type, location
and height of grab bars; type, location and height of shower controls for example, may be different in a unit
specifically designed for a frail elder versus a unit designed for a wheelchair user.

Shared Space Design Issues
Shared spaces are most successful when the residents use these spaces in their daily activities. It is the architect's
role to anticipate where, when and how residents will want to use the facility, thereby locating spaces to the
maximum advantage of the site, view, room proportions, exposure, noise, proximity to other activity spaces, etc.
Shared spaces should be directly related to the service program; superfluous, "unprogrammed" spaces should be
avoided. Square footage requirements for shared spaces range from 8 to 12 square feet per person for each large
activity space and 4 to 7 square feet per person for secondary shared spaces. In general, the square footage
attributable to shared spaces as a percentage of gross square footage should be higher than in elderly housing.

Examples of shared spaces related to the service program may include:
  - Seating areas near daily activity generators such as mail delivery or passenger pick up point for
    programmed shopping trips.
  - Lounge areas related to activities such as the laundry, music room or library.
  - Dedicated spaces like dining rooms may accommodate scheduled activities such as resident council
    meetings.
  - Special purpose activity areas such as medical examination rooms or visiting nurse offices.

Shared spaces should also invite but not require participation. To that end a resident should be able to observe what
is going on in a shared space and choose whether or not to participate in an activity.
Shared dining facilities shall be provided and appropriately scaled in accordance with the mission statement of the
service provider and target market. The particular dining or food service concept will influence the design of the
kitchen and dining areas.

A commercial kitchen shall be provided or a feasible plan to install one if off site food service is anticipated. The
sponsor is strongly encouraged to engage the services of a professional kitchen planner and to coordinate with the
meals service provider for the design of the central kitchen facility.

Provide conveniently located toilet rooms near dining facilities and other activity areas.
Other Space Requirements
The following are other features which should be considered in the planning of assisted living facilities.

Washers and dryers for residents' private use should be provided at a ratio of one washer and dryer per 20 units.

Central laundry facilities shall be provided or a feasible plan to install a central facility at a later date if off-site laundry service is anticipated.

Storage and recharge areas for scooters (individual battery operated vehicles) should be considered depending upon space and market considerations.

Staff lounge/locker areas should be provided.

Staff office spaces should be provided in order to provide consistency, consider using residential furnishings and lighting schemes in office spaces.

A trash room with sufficient areas for storage of recyclable materials should be provided.

Facilities designed for elders afflicted with dementia or Alzheimer’s Disease will be subject to more extensive review.

Special consideration should be paid to the advisability of providing dining spaces in a variety of sizes.

Unit Design Issues
In order to encourage independence, privacy and choice, residents should have the ability and option to use personal furnishings in their units.

Typical units are expected to be within the following ranges: 350 sq. ft for a studio/alcove and 500 sq. ft for a 1 bedroom.

Provide a kitchen or kitchenette. Include a sink, refrigerator, two-burner cook top, microwave oven, and storage. Consider emergency shut-offs for stoves. It is preferable to screen the kitchen from the living space. Cabinets should be mounted at heights appropriate to restricted reach ranges and allow for alternative shelf heights. Pantries in lieu of upper cabinets are highly desirable. Microwave ovens, should be counter top model.

Provide accessible controls for all appliances, environmental controls, door and window hardware in the unit.

Include a "SHUT-IN" prevention system which will alert staff to any resident who is not actually seen by another staff member during the day. A "SHUT-IN" prevention system may be implemented either by hardware or other communications system.

Provide locks on unit entry doors.

Windows with wide waterproof sills that are low enough to provide visibility from seated positions are desirable.

All closets shall have adjustable heights for hanging and shelves. Closets shall include but not be limited to: unit entry, bedroom and linen storage.

Consider pre-wiring all units for emergency alarms and communications systems that are designed for the hearing or sight impaired.

Provide a furnishing layout for all unit types:

Studio/Alcove: Include a twin bed not visible from the unit entry and accessible on three sides, a bureau, a night table, an easy chair, two end tables, two side chairs, a small dining table, a television. Alcove configurations are encouraged.
One Bedroom: Include a small sofa, two end tables, an easy chair, a small dining table and two side chairs, a bureau, twin bed accessible on three sides, and a night table.

Bathroom Design Issues
Bathroom doors should be screened from the entryway.

Provide "adaptable" bathrooms with 32-34" clear out swinging, pocket or barn doors. (For a side hinged door, a 3'0" door leaf is implied or a 2'-10" door with offset hinge is acceptable).

Privacy lock sets shall be designed to permit the opening of the locked door from the outside in an emergency.

Provide 5% fully "accessible" bathrooms. (This percentage may be increased depending upon population characteristics).

The need for an assistant in the bathroom is common. Bathroom configurations large enough for the resident and assistant should be provided in as many units as possible.

Bathrooms may include a shower with built-in seat, grab bars, slip resistant surface, hand held shower head on a flexible hose, and overhead waterproof light, in lieu of tubs.

Where bath tubs are not provided in units, provide one central bath tub per floor; provide a 3’ aisle on three sides of the tub or a tub designed to facilitate the transfer of a frail individual.

Provide bathroom storage that is easily accessible.

Material Standards
Addendum Number 1 outlines MassHousing's material standards required for all construction financed by the Agency. For further information, please call the Design and Technical Department (617) 854-1705.

Supplementary Instructions for the One Stop Application
Complete the One Stop Application as directed in the General Instructions. Please refer to the attached ElderCHOICE exhibit matrix to determine the exhibits required in your submission. The modifications described below are designed to tailor the application to the requirements of the ElderCHOICE Program; you must incorporate them in order to prepare a complete submission.

Complete Sections 1 - 7 with the following modifications:
- **Item 11: Unit Mix**: Information for Medicaid GAFC units should be entered under category "Low Income below 50%." Enter information for moderate income units in the column labeled "Other Income."
- **Item 73: Service Provider**: You must designate a service provider in this section. Development teams without designated service providers will be considered incomplete and will not be accepted for review. If you intend to use GAFC, you will be required to provide evidence that the proposed service provider is eligible for designation as a GAFC provider in Exhibit 24.
- **Item 211: Debt Service Coverage**: The minimum debt service coverage for ElderCHOICE developments is 1.15. Pending the loan commitment analysis, debt coverage requirements may be higher for individual projects.
- **Items 213 - 219: Rent & Services Charges**: Rents listed in the "Contract Rent" column should include rent and service fees paid from the resident’s own funds (or SSI). GAFC reimbursements should be entered as "Other Income" in Item 227.
- **Item 227: Other Income**: Enter reimbursements from Medicaid GAFC as one line item and enter income from ancillary sources as a separate line item. If you claim ancillary income, provide a description of the source of that income as an attachment.
- **Item 228 - 234: Trending**: Please refer to the ElderCHOICE guidelines for trending assumptions.
• **Item 240: Management Fee**: A base management fee equal to 4% of Gross Effective Income (GEI) will be allowed. An incentive fee payable from surplus cash and limited to 2% may be allowed but should not be included in this item.

• **Item 267: Resident Services**: Enter aggregate cost for all resident care services. In Exhibit 14.3, provide detailed departmental budgets indicating costs for food service, personal care, activities, housekeeping, transportation, and other resident care services.

• **Item 275 - 285: Replacement Reserve**: For ElderCHOICE projects, replacement reserves will be at least $275 per unit per year plus 1% of the original budget for FF&E.

**Complete the Exhibits as directed in the Instructions with following modifications:**

• **Ex. 5.1: Support from Local Elder Service Organizations**: Provide at least three letters of support from local organizations serving the elderly community such as the Council on Aging, local hospitals, nursing homes, and home care agencies.

• **Ex. 6.1: Market Data**: Do not complete form provided in the One Stop. Follow instructions for Marketing Information attached.

• **Ex. 6.2: Comparable Properties**: Do not complete form provided in the One Stop. Follow instructions for Marketing Information attached.

• **Ex. 7: Marketing Plan**: Follow instructions for Market Information attached.

• **Ex. 9: Affirmative Action Performance**: Complete Exhibit 9.I.D and Exhibit 9.II.D for the property manager and separately for the service provider, if a different entity.

• **Ex. 14: Special Needs Service Plan**: Disregard form provided in the One Stop application. Instead, please provide:

  - **Ex. 14.1: Operating Plan Outline**: Provide an outline of your operating plan including a statement of your operating philosophy or mission, department descriptions, job descriptions and credentials, operating policies and procedures, administration and oversight, quality assurance practices, and food service concept.

  - **Ex. 14.2: Service Program**: Provide a detailed description of the services that will be available at the property, indicate which services will be included in the basic rent and services charge and which will be available at additional cost, and describe how service delivery will be organized, managed, and provided. The service program description should correspond with the detailed budget provided in Exhibit 14.3. Explain how your mission or operating philosophy will be implemented in the management of resident care and the delivery of services.

  - **Ex. 14.3: Resident Services Budget**: Provide a detailed budget for resident services organized by department or service area. Differentiate between fixed and variable expenses.

  - **Ex. 14.4: Staffing Plan**: Provide an organization chart and list of the staff positions required for property management and service program functions. Include salary levels and full-time equivalents. Differentiate the staffing requirements according to fixed and variable and lease-up versus stabilized occupancy. The staffing expense presented must correspond to the payroll expense presented in Exhibit 14.3.

  - **Ex. 14.5: Tenant Selection and Move-Out Criteria**: Describe the criteria used to select residents and criteria used to determine when a resident should terminate occupancy at the assisted living community. Note: Selection criteria must be consistent for all income levels; thus, you cannot apply one set of standards for GAFC recipients and apply different standards for other residents.

  - **Ex. 16.1: Architectural Program Narrative**: The architect should provide a description of the project design which details the relationship between the needs and preferences of the frail elderly, the service program, and the design of residential units, activity areas, dining, care areas, back-of-house functions. You must justify space allocations in reference to the service program, market, and mission. Provide a percentage breakdown of building square footage by total square footage, net rentable, community/activity space, back-of-house/administrative space, and commercial or other types of space. On the plans, please indicate square footages of all areas. Instructions attached.

  - **Ex. 16.2: Square Footage Information**: Complete the worksheet provided.

  - **Ex. 24: Rental Subsidies**: Provide evidence of eligibility for any rental, operating, or service subsidies proposed. In particular, you must demonstrate eligibility as a GAFC provider if you propose using GAFC to support low income occupancy.
Ex. 25: **Developer’s Profile:** In order to demonstrate experience developing projects of similar scale and complexity, you must provide evidence of prior experience developing at least one project of similar size and type such as: (a) assisted living communities (b) nursing homes (c) hotels or (d) housing for the frail with supportive services.

Ex. 25.5: **Prior Performance:** For all projects of similar scale and complexity, provide project name, address, name and telephone number of the manager and service provider, resident profile, summary of services, occupancy levels, monthly turnover, rental rates and service charges.

Ex. 28: **Management Agent Profile:** Include management structure and legal organization. In order to demonstrate experience managing projects of similar scale and complexity include a description of all properties currently managed, including location, number of units, and bedroom mix, and services available, if any. Indicate whether the management agent will be responsible for service operations. Describe the type and extent of experience in direct service provision, formal oversight and coordination of contracted services, or informal service coordination.

Ex. 34: **Service Provider Profile:** (If the management agent is also the service provider, the following information may be consolidated into a single exhibit; if the service provider is a separate entity, please complete.) Include management structure and legal organization. Include a description of experience providing services to the frail and indicate whether the service provider has provided services in a similar setting of similar scale and complexity. List name, address, manager contact person and phone number, for properties where the service provider is currently delivering services. Describe experience using service subsidy and reimbursement programs. The management agent must complete this section if also acting as the service provider.

**Market Information—Exhibits 6-8**

**Introduction**

The MassHousing’s ElderCHOICE Program is a housing initiative intended to provide a bridge in the continuum of care for elders who require assistance with activities of daily living (ADL’s) but do not require the intensive services of a skilled nursing facility. This service orientation means that assisted living developments must be responsive to the needs and interests of the local community to be successful. Early market research and planning is essential to determine whether market demand is sufficient and to develop a strategy for tapping demand.

All project proposals must include a market feasibility study as well as a complete marketing plan and budget (in place of exhibits 6, 7, and 8 in the "One Stop" application). The market study should be prepared by an independent, third-party company with experience evaluating market feasibility for the senior housing industry and as well as demonstrated expertise in the assisted living industry. (A list of recommended selection criteria for market study consultants is attached.) The market study should either provide evidence which supports the project concept, recommend specific modifications to respond to the available market, or determine that the project is not feasible. Ultimately, the success of a project will depend upon the match of the product to the preferences and expectations of the local target market given their needs and willingness to pay for the services being offered.

The required elements of the market study are outlined below. While each of these areas must be addressed in the report, it should be noted that compliance with this outline does not guarantee approval of the proposal. MassHousing will review each submission intensively, question unsupported assumptions, and reject proposals which do not offer compelling evidence of feasibility.

In order to simplify the review process, the market study must present information according to the categories listed below. The uniformity of the reports will allow for a more efficient review process and will provide a clear format for referencing comments and questions about the report.
Market Feasibility Study Requirements

1. **Project Concept:**
   Describe the project concept and market niche. The concept description should address the expected target market. Define the target market by presenting a demographic profile in terms of age, income, level of frailty, sex, and current living situation. Do not include individuals less than 75 years old in demand estimates. Identify the anticipated date of opening (demographic date should correspond with opening year). How will the characteristics of the proposed community - site, building design, unit mix, pricing, personal care services, and amenities - meet the needs of the target market? Be sure quantify the number of low income individuals who will qualify as potential residents and indicate whether they will be supported by GAFC or other subsidies.

2. **Site Assessment:**
   Assess the site's appropriateness for assisted living considering such factors as accessibility to transportation and highways, proximity to shopping, cultural, recreational and health care services, compatibility with the surrounding land uses, and the perception or the image of the location within the market area. The site assessment should also be a component of the analysis of the appropriate definition of the target market both geographically and in terms of the socio-economic level of the prospective residents.

3. **Market Area:**
   Identify the project's market area: from what geographic area will the project draw most of its residents? List the names and zip codes of each city and town within the market area. If a primary and secondary market is assumed, identify each separately and what percentage of the residents are expected to come from each. Explain and justify how the market areas were defined. Support for the market area definition may be derived from a summary of interviews with local agencies serving the elderly, health care providers and other organizations that would be likely to provide referrals to the property.

4. **Competitive/Comparable Analysis:**
   What competition will the project face and what impact will the competition have on its potential success? Identify all existing and proposed developments offering assisted living services in the market area. The comparable analysis should include assisted living communities, nursing homes, board and care facilities, congregate housing, independent elderly rental communities, potentially retrofitted projects, and CCRCs in the market area. The list should include a full description of services available as well as:
   - Owner/sponsor
   - Year of opening
   - Property name, address, age (new construction or rehab)
   - Number of units by type
   - Unit types (rooms, suites, studio, one-, two-bedroom, apartment)
   - Monthly rent per type and entrance fee where applicable
   - Services and amenities included in rent
   - Additional services available for an added fee
   - Subsidized units (Section 8, Medicaid, GAFC, etc.). Include the total number as well as the distribution by unit type.
   - Occupancy levels, turnover, waiting list
   - Resident profile data including place of origin, sources of referrals, income levels, singles/couples
   - Availability of other levels of care
   - Expansion plans if any
   - Information on marketing program
   - Date of data collection

5. **Project Feasibility:**
   Begin the analysis of project feasibility by outlining the demographic characteristics of the market area. The elderly will be a segment of this overall analysis and the target market will be a subset of that elderly group. Quantify the target market through a demand analysis. Identify the percentage of the qualified population that you expect to attract to the property given the competition and other forms of formal and informal care options available in the market area, and present the methodology used in estimating the demand.
6. Absorption Analysis:
Outline and support the absorption rate expected at the property. How do the characteristics and depth of the target market justify this rate of absorption? Provide examples of existing facilities in the market area to support absorption estimates. Include an analysis of both market rate and low income units. Be sure to specify whether the low income residents will be supported by GAFC or other subsidies.

Developer Submission Requirements
In addition to the third-party, independent market study, the developer is responsible for submitting the following information in place of Exhibits 7 and 8 in the “One Stop” application. MassHousing encourages elaboration on the areas outlined below and will look for additional, creative ideas in the marketing plan and budget submitted.

Exhibit 7: Marketing, Lease-up Plan & Budget
Describe the market strategy that will bring the project to full occupancy. Include the private pay (market rate units) as well as the low income or GAFC units. Identify any challenges or barriers to market penetration and its affect on absorption, based on your knowledge of the market area, and outline how you anticipate overcoming or dealing with those challenges and/or barriers for both the market rate and GAFC or low income units. Finally, provide a description of the components of the marketing plan and the related budget for initial marketing during the rent up as well as for maintenance marketing during stabilized occupancy.

Exhibit 8: Affirmative Fair Marketing
Describe how you expect to meet the affirmative fair marketing goals for your project, and provide a plan you anticipate following during the rent-up process. You may include affirmative fair marketing in the overall marketing plan provided that it is clearly indicated.

Questions pertaining to affirmative marketing outreach should be directed to the MassHousing Equal Opportunity Office at (617) 854-1820.

Recommended Qualifications/Criteria for the Selection of a Market Feasibility Analyst
MassHousing does not require the developer to utilize the services of any particular consulting firms to conduct the market feasibility study required in the application. However, extensive experience is required to prepare a high quality report. Therefore, we offer the following qualifications as a guide to the developer in the selection of a consultant to prepare the independent market feasibility study. The feasibility consultant must:

- Be a third-party, independent contractor having no connection with the developer or operator of the proposed facility.
- Have an extensive knowledge of the senior retirement housing environment, with particular expertise in the area of market analysis, and/or the establishment of design and program characteristics and/or market positioning for assisted living. (We recommend that you review a previously completed report by the consultant.)
- Have work experience in Massachusetts and/or can demonstrate an understanding of the local market.
- Have client references who can comment on the consultant's knowledge and expertise in the preparation of market feasibility studies for use by lenders. MassHousing recommends that a representative sample of the references be checked for feedback or work quality, timeliness, and most importantly on the outcome of the consultant's work with regard to the success of the project reviewed for feasibility (i.e. current status).

Architectural Program Narrative – Exhibit 16.1
Instructions
As part of the application, the architect must submit an Architectural Program Narrative. The purpose of this narrative is to explain the relationship between the needs of the target market, the operating philosophy or mission statement of the service provider, and the physical attributes of a particular space. At a second level, the narrative will assist in the evaluation of the staffing plan given in the proposal under a separate section.

For example, the architectural program may call for dining space for a facility housing 70 residents. Each of the scenarios below give reasonable responses to this programmatic requirement. However, only one dining style is likely to be appropriate given its relation to the service philosophy and target population inherent in each proposal.
Scenario "A" includes: 2 dining rooms, each seating 40. These small restaurant-scaled dining rooms allow residents a choice in dining location, ambience and menu, consistent with the “hospitality industry” orientation of the mission statement. This configuration requires: 1 full-time dining manager, 2 part-time dining maitre’d’s, 4 part-time wait staff for one shift each meal.

Scenario “B” includes: 1 dining room with a seating capacity of 100. This larger, institutionally-scaled dining area allows one seating of all the residents at one time. The additional area allows for family members and the local community to eat with the residents. This is a specific feature of this community-based, non-profit sponsor’s mission statement. This configuration requires: 1 full-time dining manager, 2 part-time dining maitre’d’s, 3 part-time wait staff for one shift each meal.

Scenario "C" includes: 2 dining room seating 25. These domestically-scaled dining rooms require at least two seatings in one of the dining rooms. The target market is extremely frail, easily disoriented and needs extra assistance with eating. This is consistent with the demands of the target market of cognitively impaired elders. This configuration requires: 1 full-time dining manager, 2 dining room supervisors, 2 full-time wait staff and 2 part-time wait staff for one shift per meal.

Architectural Program Narrative is a figurative term and should not prevent an architect from using a variety of formats to explain the rationale behind space allocations. Annotated plans, matrix analyses, or other systematic explanations are all appropriate insofar as they convey the relationships between each major programmed space and the service program, the target market, and service provider’s mission statement. Explanations should also be offered to highlight the concept behind the interior design choices regarding finishes, color scheme, lighting, signage, furniture styles and window treatments from the interior designer involved in the project.