

EXECUTIVE SUMMARY
FOR
**THE MARYLAND-NATIONAL CAPITAL PARKS AND
PLANNING COMMISSION**



**CONTINUING CARE RETIREMENT COMMUNITY MARKET STUDY
FOR THE GLENN DALE HOSPITAL SITE
September, 2015**

Submitted By:
Brecht Associates, Inc.
On behalf of the Redevelopment Authority of Prince George's County

BACKGROUND

The former Glenn Dale Hospital (Project) in Glenn Dale, MD was a sanatorium for tuberculosis patients operating between 1934 and 1981. Since its closure in 1981, the site has been at the crossroad of municipal, legislative, and civic activities and interests. Years of debate about development opportunities, burden of remediation costs, and profitability ensued as M-NCPPC assumed ownership of the property from the District of Columbia under the direction of the Prince George's County Council in 1995.

In April 2015, the Redevelopment Authority of Prince George's County (RDA) engaged Brecht Associates, Inc. (BAI) to perform a Market Study to assist in evaluating the factors that would determine whether the market was sufficient to support the development of a Continuing Care Retirement Community (CCRC) at this specific site. A CCRC is defined by having the following levels of care:

- Independent living (IL) units
- Assisted living (AL) units which may also include those specifically designed for those in need of memory care (MC) services.
- Nursing facility (NF) beds

The number of IL units in a CCRC typically drive the number of units/beds in the other levels of care due to the fact that AL, MC, and NF level of care primarily fill from internal transfers to higher levels of care.

The market study addressed a variety of factors, including the following:

- The evaluation of the location considering such factors as accessibility to transportation and highways, proximity to shopping, cultural, recreational and health care services and compatibility of surrounding land uses and feedback from planners and community representatives.
- The definition of the geographic market area (MA) from which the majority (not all) of residents would come if a CCRC were developed.
- Demographic analysis within the MA including the elderly population, household trends and the adult child market.
- The identification and analysis of existing IL, AL, MC and NF that are free-standing or part of a CCRC that serves this market.

- The identification of possible planned competition within and immediately proximate to the MA.
- The perceptions of the site by conducting qualitative interviews with key informants (influential individuals) who will be able to provide valuable feedback on the need for a CCRC and the appropriateness of this use at this location. Feedback from these interviews is woven throughout the report and this executive summary.
- The determination of whether the market can support any level of care being analyzed.

The scope of services outlined here sought to answer these questions and provide RDA with a framework from which to ascertain development feasibility of a CCRC on this site.

SITE

- Respondents felt that Glenn Dale Hospital’s location and history are very well known and well respected. The site property was described as a “verdant oasis”. The history of the hospital seems to be well known and not perceived as a challenge although one respondent described it as “a beautiful property that is currently an eyesore.”
- A total of nearly 450,000 square feet of floor area includes a potential range of stabilization treatment and mothballing requirement. It is expected that 6 to 7 structures would be involved in the adaptive reuse for the Project.
- The Glenn Dale Hospital Historic District Field Observations Report (based on a survey conducted on April 16, 2015) results indicate that many of the larger buildings are in good physical condition and are candidates for mothballing and stabilization.

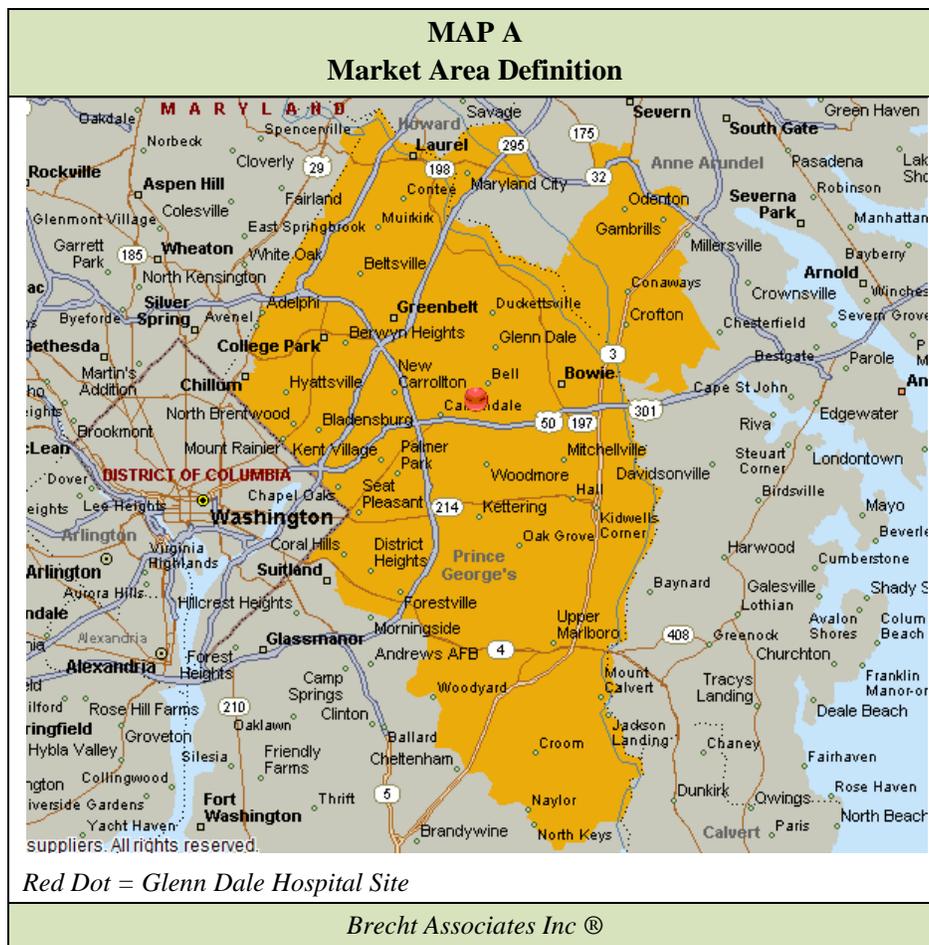
MARKET AREA

- The MA for the Project is that contiguous area from which the largest concentrations of residents are expected to move from. The defined MA is the basis in determining the market depth for the development of the Project. The MA defined for the Project encompasses a large geographic area. Influentials¹ substantiated the desirability of the Glenn Dale area and that drive times of 25 – 30 minutes to places providing goods and services are commonplace in this Washington DC Metro Area and supported by the size of the MA.

¹ Influentials are a sample group of individuals involved in planning, real estate, senior services, health care and local businesses identified by the Client. Many are residents of Glenn Dale and the surrounding areas in Prince George’s County. Interviews are intended to provide insight into the level of acceptance of the Project and its location as well as opinions about the type of residents that would be attracted to a community like the one located at the Project site.

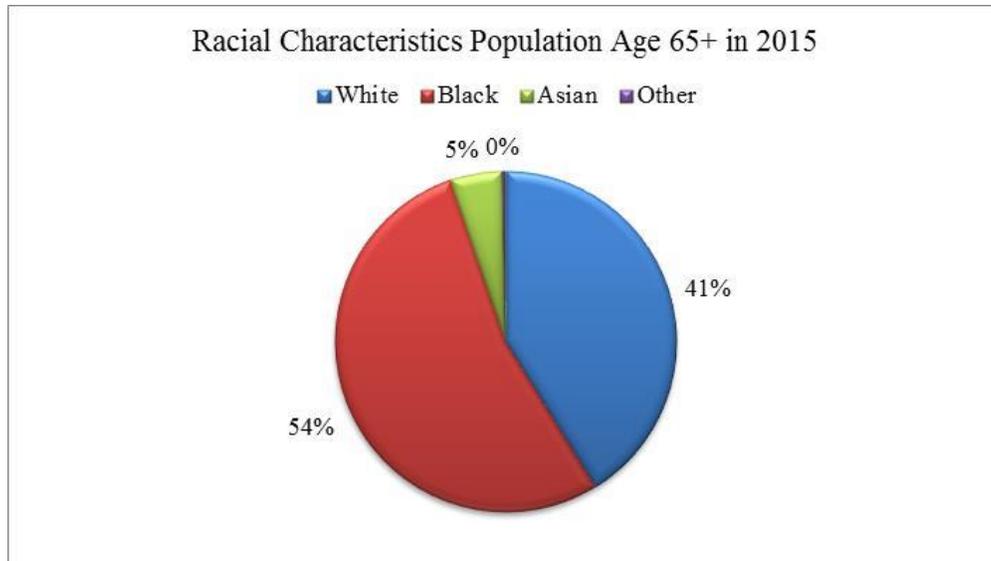
TABLE 1 CCRC Market Area Zip Codes					
20705	Beltsville	20722	Brentwood	20772	Upper Marlboro
20706	Lanham	20724	Laurel	20774	Upper Marlboro
20707	Laurel	20737	Riverdale	20781	Hyattsville
20708	Laurel	20740	College Park	20782	Hyattsville
20710	Bladensburg	20742	College Park	20783	Hyattsville
20712	Mount Rainier	20743	Capitol Heights	20784	Hyattsville
20715	Bowie	20747	District Heights	20785	Hyattsville/Cheverly
20716	Bowie	20769	Glenn Dale	21054	Gambrills
20720	Bowie	20770	Greenbelt	21113	Odenton
20721	Bowie	20771	Greenbelt	21114	Crofton

Source: Microsoft MapPoint and www.usps.gov



DEMOGRAPHICS

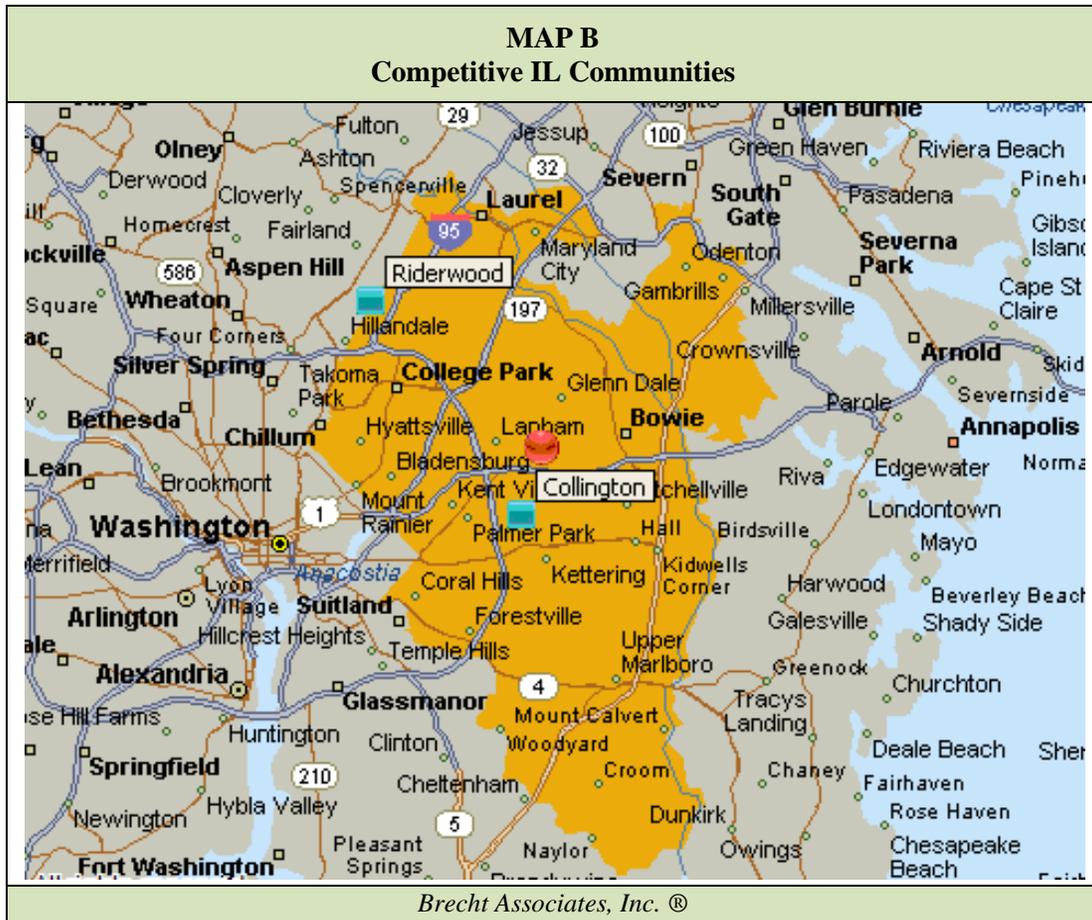
- The overall population age 75+ within the MA is expected to increase significantly by 4.5 percent annually between 2015 and 2020 (from 30,209 in 2015 to 37,712 in 2020) which is slightly less than that expected within the County (4.7 percent).
- Between 2015 and 2020 it is expected that the black population will increase by 4.2 percent, the white by 4.0 percent and the Asian by 8.1 percent.



- Within the MA, 5.3 percent of the population identifies as Hispanic (4,337). An average annual increase of 105 percent is anticipated and by 2020 6.8 percent (7,130) will identify as Hispanic.
- The target market for the IL component of the Project is households age 75+ with an income of \$75,000 a year. In 2015 about 28 percent (5,033) households have an income needed to live in IL and that percentage is expected to increase by 6.4 percent on an average annual basis. By 2020 more than 31 percent (6,870) will have an income of \$75,000 a year.
- Two data sources were used to assess median home values within the MA. Findings were similar and demonstrate a strong median home value estimate of \$301,116 in 2019 (ESRI) and \$319,332 in 2020 (Claritas).

INDEPENDENT LIVING

There are two CCRCs containing 2,190 IL units competitive with the Project, Riderwood and Collington.

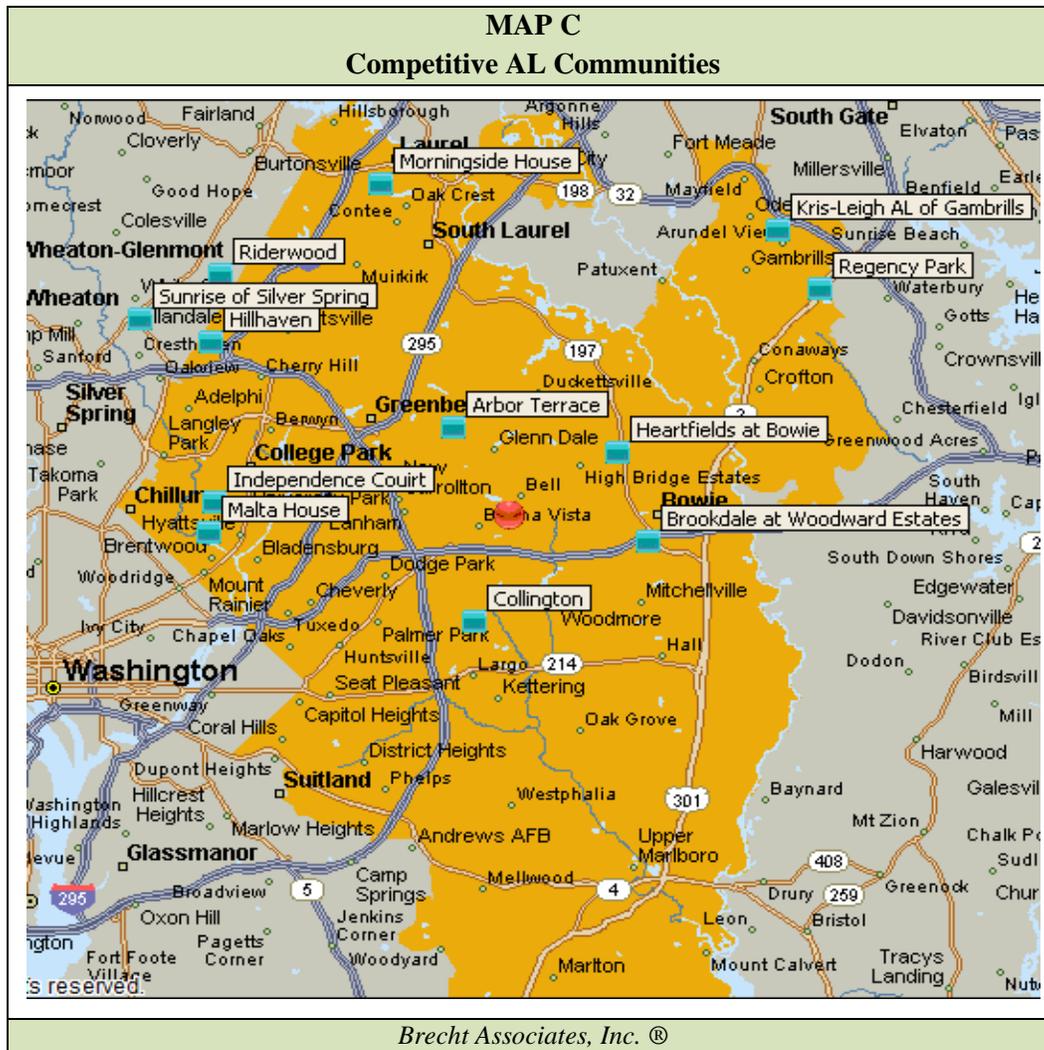


- Both communities require an entrance fee.
- Both communities are older (Collington opened in 1988 and Riderwood in 2000).
- Both communities offer all levels of care (IL, AL, MC and NF).
- At the time of this report Collington reports an IL occupancy of 90% and Riderwood reports an IL occupancy of 93%. In the industry, 95% is considered full occupancy.
- According to state of Maryland CCRC regulations, a CCRC must charge an entrance fee for IL that is at least three times amount of the monthly fee for the same unit. Riderwood's entrance fees (100% refundable) for a one-bedroom apartment start at \$167,000. Collington's entrance fees (90% refundable) for a one-bedroom apartment start at \$214,949.

- Monthly fees at CCRCs vary based on contract type selected. A Type C (fee-for-service) Contract tends to result in the lowest IL fee and is offered at both Collington and Riderwod. Comparing this contract type, Riderwood’s, one-bedroom monthly fees range from \$1,939 to \$2,180 and fees at Collington range from \$1,786 to \$2,117 for the same apartment size.
- Collington and Riderwood both offer apartments. Collington also offers homes.
- Monthly fees were not yet established at the time of this study therefore at the request of the client the demand analysis is based on households age 75+ with an average annual income of \$75,000+. It is expected that the Project will require an entrance fee, therefore we have assumed that a homeowner will sell their home and use the proceeds from the sale of that home for the entrance fee. It is assumed that 75 percent of the residents will move from within the MA and 25 percent from “everywhere else.”
- **The market is deep enough to support up to about 400 units in the first full year of occupancy (2020).**

ASSISTED LIVING

The AL market is much more competitive than IL. There are 10 communities with AL within the MA and two proximate to it. These AL units at these communities total 739.



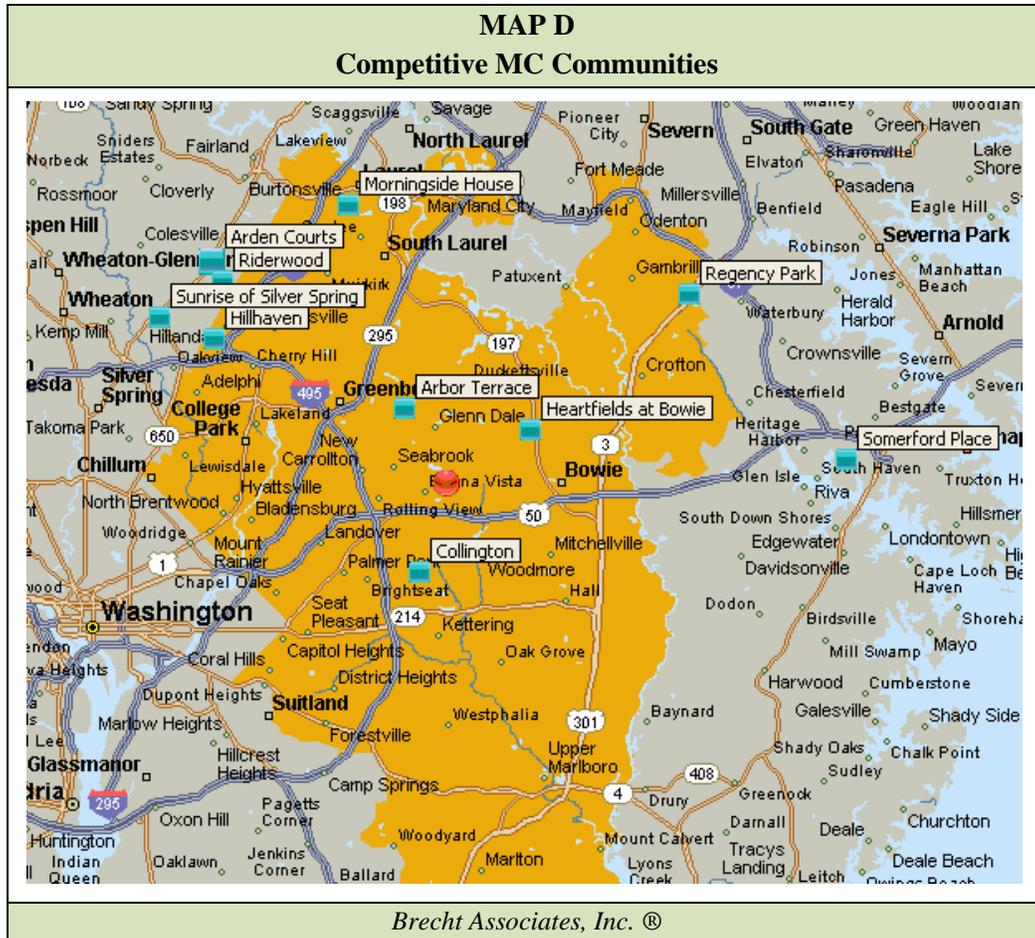
- All communities within the MA are at least 15 years old. Older AL communities tend to have dated design trends in their common amenities and apartments.
- The average occupancy level within the MA is 94.9 percent.
- All competitive communities within the MA offer studio units.

- Comparing monthly fees is complicated by the fact that most communities charge for additional levels of care, with the exception of Malta House, Collington and Riderwood. In some cases it is a point system and in others it is a specific level. According to The National Investment Center's NIC MAP Data Service the average monthly fee² in Majority AL in Prince George's County is \$4,248.
- There is one planned AL proximate to the MA offering AL. Spring Arbor at Van Dusen is under construction about 17 miles from the Project site. It is our understanding that the 100-unit AL facility will open in 2017.
- The AL demand analysis was based on the average of current monthly fees at competitive AL communities within the MA which when inflated at three percent on an average annual basis will result in an average annual income of \$96,000. The analysis includes an assumption that assumes that 80 percent of the AL residents will move from within the MA.
- **This results in a potential of up to 396 AL units.**

² This includes all types of units ranging from semi-private to two-bedroom.

MEMORY CARE

There are six communities with MC units within the MA and four proximate MC communities competitive with the Project. The number of MC units totals 295.

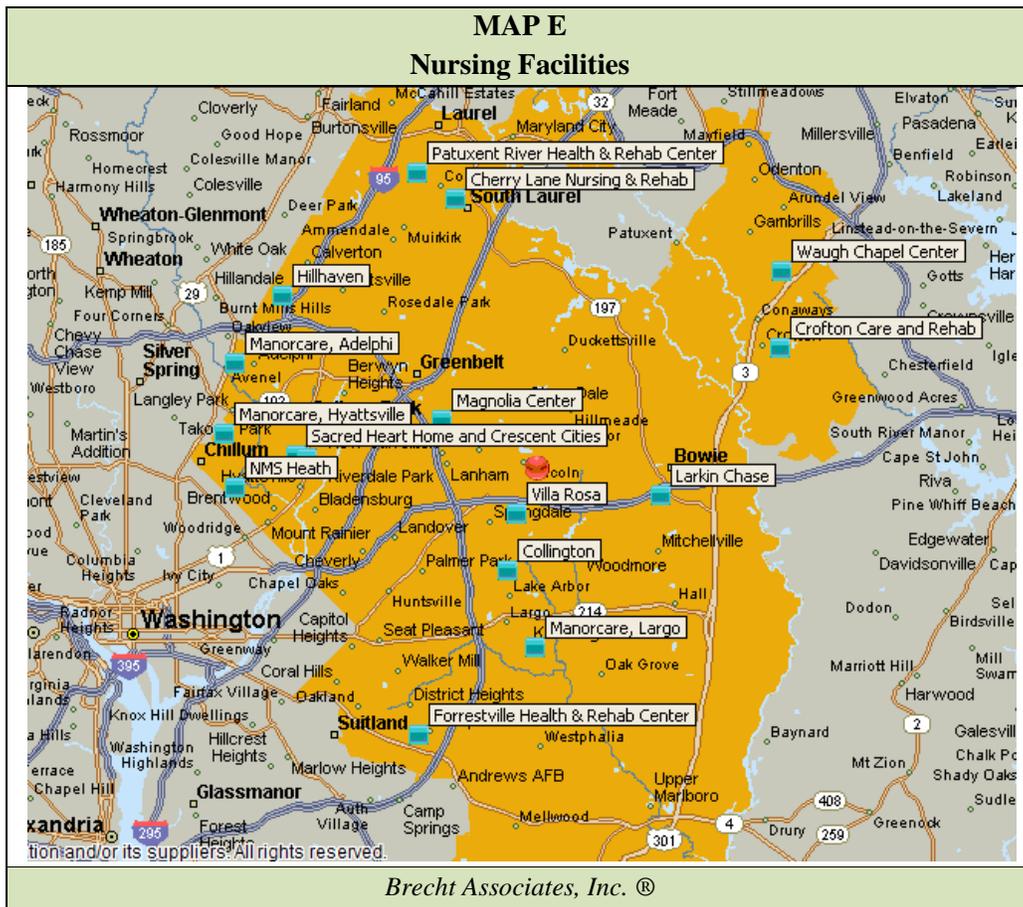


- Occupancy levels for the most part are good (better than 95 percent).
- All offer studio units in MC and seven offer semi-private rooms.
- Starting monthly fees for MC range from \$4,106 to \$8,007.
- The MC demand analysis was based on an annual income of \$103,000 in 2020. The analysis includes an assumption that 80 percent of the AL residents will move from within the MA.
- **This results in a potential of up to about 130 units.**

- In this case, AL and MC are combined to determine the Market Penetration Rate (MPR). An MPR of 40 percent is usually considered to be a market relatively competitive. In this case the MPR in 2015 is 18.5 percent and decreases to 15.8 percent due to an increase in age and income qualified households and a lack of planned product in 2020 – well within the guidelines.

NURSING

Only NFs within the MA are considered competitive and there are 16 existing facilities containing 2,209 beds.



- Occupancy levels range from 75 percent to 93 percent. Nursing facilities generally have a relatively high turnover when compared to AL or MC and occupancy levels are self-reported on the day they are contacted.
- Age of facility does not correlate to occupancy level, with NFs opened in 1926 and 1938 having 100 percent and 97 percent occupancies respectively.

- The NF demand analysis was based on a minimum entry age of 65+. Due to population growth in this age cohort, the population needing nursing care in 2020 is expected to exceed the number of nursing beds currently available. Home and community based services may defray this need but will still result in an underserved need of significant size.
- Current less than full occupancy rates indicates that although there is a large population 65+ who will require nursing care, they may be choosing other options rather than the NFs in this MA which are mostly aging, institutional facilities. According to Kaiser Permanente, the percentage of seniors in certified NFs in Maryland fell from 2011 to 2012 by 1.2 percent.³

CONCLUSIONS

- We believe there is market demand for a CCRC at the Glenn Dale Hospital site. Demonstrated market depth is sufficient to support all CCRC levels of care as reflected in Table 1.

TABLE 1	
Market Depth for CCRC Levels of Care	
IL	247 - 413 units
AL	198 - 396 units
MC	64 - 129 units
NF	1,700 beds
<i>Source: Brecht Associates, Inc. ®</i>	

- Market depth is not the number of units recommended for development but rather the maximum range of numbers the market could support before being saturated at each level of care.
- The number of units recommended for development is provided on Table 2 on page 15. We advise developing fewer units than market depth findings indicate to avoid market saturation which would occur if the maximum number of units supported by market depth were developed. This saturation would be worsened should new developments come on-line prior to the Project's opening.

Market Strengths

- Exceptional growth is projected in affluent seniors within the MA and Prince George's County.
- There are a lack of contemporary retirement offerings within or proximate to the MA.

³ Kaiser Permanente State Health Facts, 2012. <http://kff.org/other/state-indicator/nursing-facility>.

- The area is one of the few locations in the country that has the opportunity to be a market rate retirement community attracting a racially mixed resident population.
- Qualitative interviews encouraged the following important insights:
 - The location appears to be quite suitable for a CCRC, with ease of access to routes of travel. Considerations should be given to the infrastructure of Glenn Dale Road and its ability to handle additional traffic.
 - Make use of the large faith communities in Prince George’s County to better understand the interests and needs of seniors in the market area and also as a way to educate the community about CCRCs and the feasibility of this option for older adults in the market area.
 - Engage the diverse groups that have been involved with this site over the past several decades. This would include bringing together community and civic leaders, parks and planning officials, those skilled in historic preservation and re-use, and public- and private-sector individuals involved in senior care in the area to brainstorm and have a charrette to talk about what people would look for in a CCRC located at this site.
 - Create a CCRC with open doors to the community, satisfying residents’ desires to remain connected to the community at large, breaking-down age-stereotypes, and enhancing marketing and sales opportunities via increased community exposure.
 - Consider making the CCRC a mixed-use development with commercial space of benefit to and architectural enjoyment to the community at large.
- Demographics for the MA lead us to believe that the size of the populations of age and income qualified households is growing and is not lagging behind the growth in Prince George’s County as a whole or the state of Maryland.
 - Effort must be maintained to keep entrance fees at this community in-line with median home values of age- and income-qualified seniors in the hopes of being able to attract residents from within the market area to the community.
 - The growth of the adult child market is important, especially among those with incomes of greater than \$150,000. This is a segment of the population likely to attract parents from out of the market area to a CCRC in this location.

Market Challenges

- The two local CCRCs do not draw a significant percentage of their residents from Prince George’s County. Collington reports drawing 35% and Riderwood, 20%. This may reflect a number of factors including the lack of education about the value of a CCRC within the African American community and a reluctance among that community to pay the fees required to move to these communities. However, this low percentage draw is not seen as a concern to representative at these CCRCs due to their large percentage draws from other areas. Collington reports attracting more people from Annapolis than they ever expected and Riderwood’s resident base (and defined market area) is heavily drawn from Silver Spring and Bethesda. These areas have high income- and population-densities. In Collington’s case, the larger than expected draw from areas proximate to their market area was not initially anticipated but encouraged through marketing efforts over the years. Although Prince George’s County is not a primary market area for Riderwood, residents from the county are estimated to fill over 350 of Riderwood’s 1,858 apartments, the equivalent of a typically sized CCRC (which Riderwood is not).
- Successfully educating, designing and marketing to a predominantly African American population that has not historically embraced and moved to CCRCs will require an extensive, well planned and executed effort by a highly qualified firm.
- Willingness to use a considerable part of the household’s net worth to pay the cost of living in a CCRC will be required.
- Getting a broad representation of local faith-based organizations involved in accepting and promoting the CCRC will be critical to the Project’s success.
- The study does not include examination of the following factors:
 - The cost to remediate and adaptively reuse the existing historical buildings and to meet state and local building codes as well as Secretary of Interiors standards for historic structures and the impact that will have on the financial feasibility of developing and operating a CCRC.
 - The entitlement process, infrastructure and traffic mitigation issues that could hinder or have development cost impact.

Clearly the quantitative results of the market study indicate a market potential for all levels of a CCRC at the Glenn Dale location. However, without conducting an architectural and engineering adaptive reuse assessment of the existing historic structures that would be required to be preserved and a financial feasibility analysis of developing and operating a CCRC, it is not possible to make a specific conclusion that a CCRC could be successfully redeveloped and operated at this site.

RECOMMENDATIONS

Project Size

For the Project size for the site we recommend the following number of units by level of care.

TABLE 2							
Recommended Project Size by Unit Count and Percentage Compared with Competitive CCRCs							
	<i>Project Unit Count and Percentage of Total Units</i>		<i>Project Unit Count as Percentage of Competitive CCRC Units</i>	<i>Collington Unit Count and Percentage of Total Units</i>		<i>Riderwood Unit Count and Percentage of Total Units</i>	
<i>IL</i>	250 - 300	77% - 80%	11% - 14%	332	76%	1,858	85%
<i>AL</i>	30	8% - 9%	15%	28	6%	175	8%
<i>MC</i>	26	7% - 8%	38%	34	8%	34	2%
<i>NF</i>	19 (private bed)	5% - 6%	12%	44	10%	117	5%
<i>Total Units</i>	325 - 375			440		2,184	
<i>Source: Brecht Associates, Inc.</i>							

Why We Are Recommending This Development

- The market study clearly demonstrates sufficient market depth for all levels of care within a CCRC.
- Interviews with fifteen key informants representing a diverse cross-section of professional, civic, and community backgrounds consistently offered positive responses about the development of a CCRC at this location. A CCRC was viewed as an enhancement to the Glenn Dale neighborhood and the offerings of Prince George’s County.
- A CCRC in this location presents a unique development opportunity by virtue of it’s historical preservation merit, architectural interest, and unique identity potential as the first CCRC in the United States with a majority African-American population.
- CCRCs developed in the last 10 years offer a mix by level of care that is documented below. These CCRCs typically include AL and NFs that are designed to serve the internal demand generated by the IL residents over time, rather than serving the external market.

TABLE 3						
Levels of Care as Percentage of Overall CCRC Size						
	National Average 2005 - 2011	National Average 2011 - 2014	National Average	Collington	Riderwood	Project
IL	72%	59%	66%	76%	85%	77% - 80%
AL	13%	18%	16%	6%	8%	8% - 9%
MC	11%	14%	13%	8%	2%	7% - 8%
NF	12%	12%	12%	10%	5%	5% - 6%
<i>Source: Ziegler</i>						

- This may be particularly important because of the restrictions the State of Maryland places on external admissions to the skilled nursing and assisted living components of CCRCs with no more than 20 percent of nursing beds filled from outside the community and a moratorium on outside admissions when the NF occupancy is 95 percent or higher.
- The overall size and number of units will be determined by what is possible based on the adaptive reuse and financial feasibility analysis. However, we suggest that if found to be feasible, the development be phased, beginning with 60-70 percent of the IL units in the first phase and the remaining 30 percent of the IL units as well as the AL and NF in the second phase.

Unit Mix and Sizes

- Most IL communities surveyed were trending towards offering larger-sized units, reported struggling to sell smaller or mid-sized units. This fact is balanced, though, by what price is charged on units and what the market is prepared to pay.
- The CCRC needn't offer the smallest or largest units in the marketplace. The community's architectural elements will differentiate it from the competition. We recommend one-bedroom units in the 700-800 sq. ft. range; one-bedroom and den units in the 850-950 range; and two-bedroom units ranging between 1,000 and 1,300 sq. ft. A small number of large units of 1,600+ sq. ft. could be beneficial.
- Square footage is not the only feature making an apartment compelling. Design elements of open, flexible space with areas accommodating modern living needs such as technology and the likelihood of retirees continuing to work should be included in unit design. Other features with high satisfaction levels are large windows, open kitchens, and ample closet space.

Next Steps

The project, if architecturally and financially feasible, will depend on the ability to find an experienced senior housing organization that is willing to take on all the challenges represented by the development including the impact of historic preservation requirements, costs of remediation, and ability to successfully educate and market to a largely African American population.

We recommend that the following next steps be taken.

- I. Architectural and engineering adaptive reuse assessment – determining potential to have designated buildings retrofitted for senior living based on historic preservation requirements and local and state building codes for a CCRC facility.
- II. Programming with a project budget - block diagrams showing potential unit count per program as well as a project budget/costs.
- III. Determining financial feasibility based on the results of steps I and II and recommended project size.
- IV. Conduct three to four focus groups with age- and income-qualified individuals within the market area to learn views about CCRCs and preferences on units, amenities, and pricing sensitivity.

Items I and II will require retaining a qualified architectural/engineering firm that has worked on projects involving adaptive reuse of historical structures that present the challenges mentioned above. Item III will require a firm experienced in financial feasibility analysis. You should expect that this will be an iterative process between County officials and the professionals which may require the re-involvement of Brecht Associates once there is a clearer idea of what is possible in terms of cost, design, layout. Item IV would require the re-involvement of Brecht Associates or a firm experienced with focus group facilitation and the issues related to the Glenn Dale Hospital site and retirement community development.

Brecht Associates has participated in what are referred to as charrettes⁴ previously in which all interested parties are brought together to brainstorm regarding the design of a CCRC. Typically the architect will organize the charrette. It may be advisable to include a range of county officials and possibly some community leaders. Charrettes may be useful in accelerating the timeline for the adaptive reuse evaluation of the existing buildings.

⁴ The word *charrette* may refer to any collaborative session in which a group of designers drafts a solution to a design problem. While the structure of a charrette varies, depending on the design problem and the individuals in the group, charrettes often take place in multiple sessions in which the group divides into sub-groups. Each sub-group then presents its work to the full group as material for further dialogue. Such charrettes serve as a way of quickly generating a design solution while integrating the aptitudes and interests of a diverse group of people.