



Initial Demand Assessment for Senior Housing in Pine City, Minnesota

Subject site Location:

Pine City, Minnesota 55063

Prepared for:

Pine City EDA

Prepared by:

Viewpoint Consulting Group

Date:

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To: Lezlie Sauter
Pine City EDA

From: Jay Thompson
Viewpoint Consulting Group, Inc.

RE: Initial Demand Assessment for Senior Housing in Pine City, Minnesota

Introduction

This memorandum provides an initial assessment of the demand for senior housing in Pine City, Minnesota. The purpose of this initial assessment is to broadly assess the depth of demand for senior housing in the local area to determine if potential exists to support a new development.

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

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

Primary Market Area Definition

The proposed senior housing development would be located in Pine City, Minnesota. Pine City is a community of about 3,000 people located along Interstate 35 between the Twin Cities Metro Area and Duluth. Pine City is in Pine County, which has an estimated population of 29,647 in 2018. Pine City's larger neighbors are Hinckley to the north (pop. 1,830), Rush City to the south (pop. 3,132), and Mora to the west (pop. 3,453). The Wisconsin border (the St. Croix River), is about 10 miles east of Pine City.

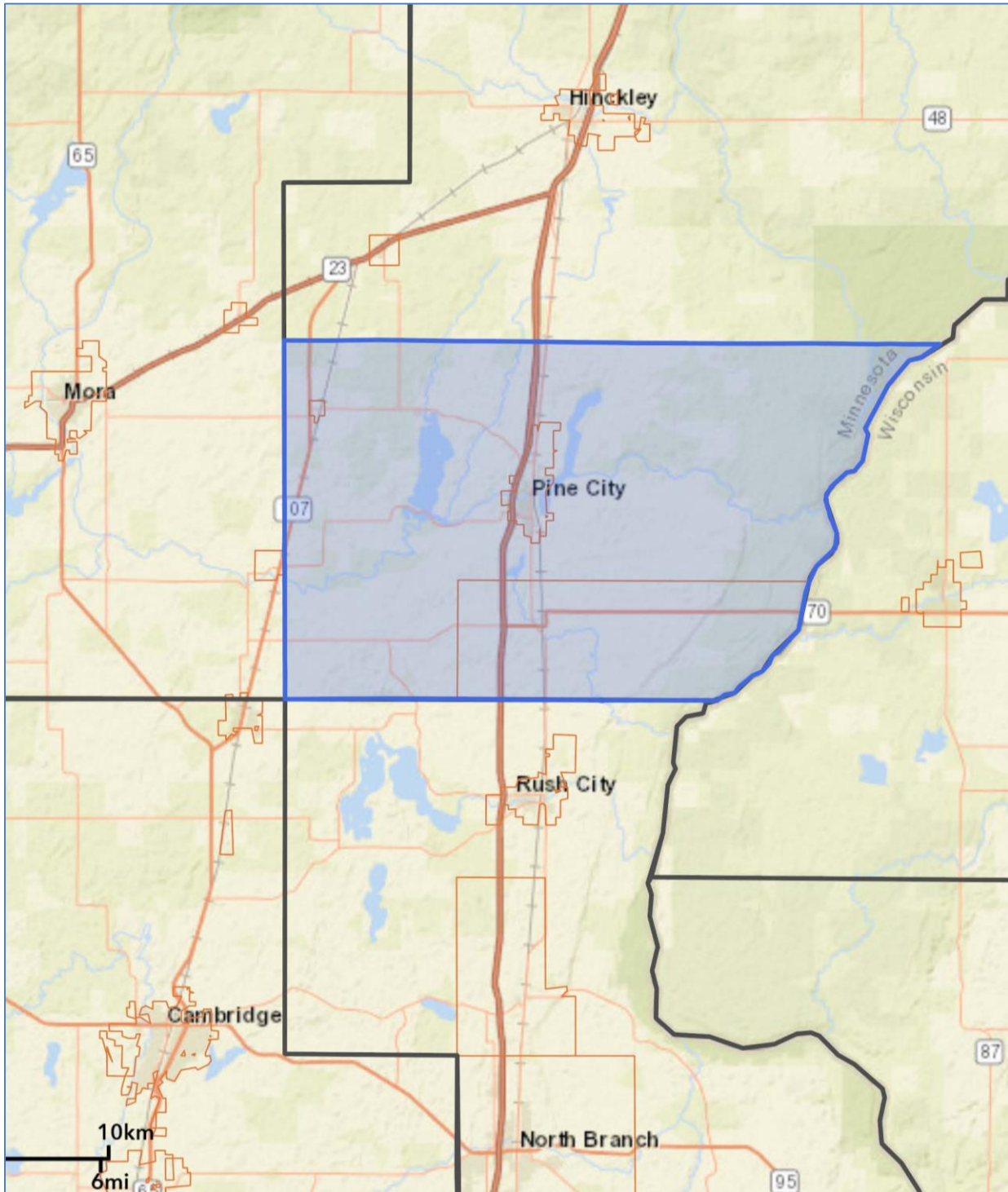
Based on the characteristics of the rural area surrounding Pine City, highway patterns, community orientation, proximity to other senior housing properties in the surrounding area, and our knowledge of senior housing draw areas, we estimate that a site in Pine City would attract approximately 75% of its residents from a draw area (Primary Market Area, or "PMA") that includes the following communities and townships.

- Pine City
- Henriette
- Rock Creek
- Chengwatana Township
- Pine City Township
- Pokegama Township
- Royalton Township

The remaining portion of the senior housing demand (25%) would come from outside the PMA, including parents of adult children living in the PMA and seniors living in nearby communities.

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

Primary Market Area



Demographic Analysis

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

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

Senior Population and Household Trends

- ▶ The total population in the PMA was 11,109 in 2010, or up 12.6% from 2000. Population growth was spurred by the addition of 584 households.
- ▶ While the overall population in the PMA increased by 12.6% last decade, the senior population (age 65+) grew by 41.8%, increasing from 1,330 in 2000 to 1,886 seniors in 2010. Seniors ages 75 and over are the primary target market for senior housing with services. This age group increased by 26% last decade.
- ▶ Between 2018 and 2023, the PMA's age 65+ population is projected to grow by 16.3%. The age group 75 and over is projected to grow by 12.3% (+120 seniors).

Senior Household Incomes

- ▶ Incomes in the PMA are below average compared to Greater Minnesota (Minnesota excluding the Twin Cities Metro Area), meaning a below average percentage of seniors would likely be able to afford market rate housing. The estimated median income of age 75+ households in the PMA in 2018 is \$27,863, compared to Greater Minnesota's \$29,217.
- ▶ The target market for senior housing with support services is generally senior households age 75 and older with incomes of at least \$35,000 (plus some lower-income senior homeowners). In 2018, an estimated 260 households age 75 and older have incomes of at least \$35,000. By 2023, a similar number of households age 75 and older are projected to have incomes of at least \$40,000 (increased from \$35,000 to adjust for inflation). It should be noted that senior housing with personal care services will primarily serve seniors age 80+. Also, since assisted living and memory care housing are predominately need driven, seniors with lower incomes are still candidates for private pay housing if they have home equity or other savings that they can utilize to pay for the costs.

Senior Household Tenure

- ▶ Seniors who own their homes have an additional source of income through the sale of their home that can be utilized for alternative housing. Seniors in the PMA have a high homeownership rate compared to Greater Minnesota (83.1% for 65+ households compared to 78.7%).
- ▶ Upon the sale of their home, the income from the invested proceeds can be used dollar for dollar as supplementary income for housing and services. As Table 4 illustrates, as of 2010, a high percentage of seniors up to age 84 in the PMA are homeowners. The sharp drop in the homeownership rate among the age 85+ population highlights how rental housing becomes much more predominant as seniors' care needs rise and/or they no longer desire to maintain a single-family home.

Home Value Trends

- ▶ Seniors can use the proceeds from the sale of their home to off-set the cost of senior housing. The median home value in the PMA is about average with that of Greater Minnesota (estimated at \$181,434 in 2018, compared to \$184,211 for Greater Minnesota).
- ▶ A senior selling their home for \$181,000 could receive an investment return of approximately \$420 monthly from the sale (sale price minus 7% sales agent fees, and a 3% annual return on their investment). If a senior uses the full home sale proceeds towards the cost of alternative housing, the home sale proceeds would cover the costs at an assisted living facility (\$3,500 per month) for about four years. At a memory care facility (\$5,500 per month), the same amount of home sale proceeds would last just over two years.

Table 1
Senior Population Growth Trends and Projections
Primary Market Area
2000 to 2023

Age	2000	2010	2018	2023	Change, 2018 to 2023	
					No.	Pct.
55 to 59	540	779	907	798	-109	-12.0%
60 to 64	464	606	836	913	77	9.2%
65 to 69	231	581	711	843	132	18.6%
70 to 74	415	443	538	649	111	20.6%
75 to 79	285	367	414	473	59	14.3%
80 to 84	208	275	279	325	46	16.5%
85+	191	220	284	299	15	5.3%
Total 65+	1,330	1,886	2,226	2,589	363	16.3%
Total 75+	684	862	977	1,097	120	12.3%
Total Population	9,867	11,109	11,134	11,221	87	0.8%
<i>Pine City</i>	<i>3,043</i>	<i>3,127</i>	<i>2,996</i>	<i>2,961</i>	<i>-35</i>	<i>-1.2%</i>
<i>Pine County</i>	<i>26,530</i>	<i>29,750</i>	<i>29,647</i>	<i>29,870</i>	<i>223</i>	<i>0.8%</i>
<i>Greater Minnesota</i>	<i>2,277,423</i>	<i>2,454,358</i>	<i>2,563,584</i>	<i>2,642,625</i>	<i>79,041</i>	<i>3.1%</i>

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

Table 2
Senior Household Growth Trends and Projections
Primary Market Area
2000 to 2023

Age	2000	2010	2018	2023	Change, 2018 to 2023	
					No.	Pct.
55 to 64	565	788	945	911	-34	-3.6%
65 to 74	530	624	732	849	117	16.0%
75+	447	600	654	719	65	9.9%
Total 65+	977	1,224	1,386	1,568	182	13.1%
Total Households	3,744	4,328	4,343	4,379	36	0.8%
<i>Pine City</i>	<i>1,222</i>	<i>1,324</i>	<i>1,272</i>	<i>1,260</i>	<i>-12</i>	<i>-0.9%</i>
<i>Pine County</i>	<i>9,939</i>	<i>11,373</i>	<i>11,405</i>	<i>11,502</i>	<i>97</i>	<i>0.9%</i>
<i>Greater Minnesota</i>	<i>873,673</i>	<i>969,478</i>	<i>1,010,155</i>	<i>1,039,723</i>	<i>29,568</i>	<i>2.9%</i>

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

Table 3
Household Incomes by Age of Householder
Primary Market Area
2018 and 2023

2018 Households by Age			
Income	55 - 64	65-74	75+
<\$15,000	104	93	122
\$15,000 to \$24,999	91	79	168
\$25,000 to \$34,999	68	68	103
\$35,000 to \$49,999	125	130	106
\$50,000 to \$74,999	209	146	67
\$75,000 to \$99,999	139	79	48
\$100,000 to \$149,999	154	82	25
\$150,000+	55	55	15
Total	945	732	654
Median HH Income	\$57,619	\$49,365	\$27,863
<i>Pine County Median HH Income</i>	<i>\$53,062</i>	<i>\$41,681</i>	<i>\$25,961</i>
<i>Greater Minnesota Median HH Income</i>	<i>\$64,909</i>	<i>\$50,185</i>	<i>\$29,217</i>
2023 Households by Age			
Income	55 - 64	65-74	75+
<\$15,000	83	94	124
\$15,000 to \$24,999	80	86	184
\$25,000 to \$34,999	61	78	109
\$35,000 to \$49,999	110	143	118
\$50,000 to \$74,999	200	170	77
\$75,000 to \$99,999	147	99	56
\$100,000 to \$149,999	171	110	35
\$150,000+	59	69	16
Total	911	849	719
Median HH Income	\$62,633	\$52,342	\$28,935
<i>Pine County Median HH Income</i>	<i>\$57,323</i>	<i>\$45,803</i>	<i>\$26,969</i>
<i>Greater Minnesota Median HH Income</i>	<i>\$76,500</i>	<i>\$56,823</i>	<i>\$32,644</i>
Sources: ESRI; Viewpoint Consulting Group, Inc.			

Table 4
Tenure by Age of Householder
Primary Market Area
2010

Households	Owners		Renters	
	No.	Pct.	No.	Pct.
Age 55 to 64	706	89.6%	82	10.4%
Age 65 to 74	555	88.9%	69	11.1%
Age 75 to 84	367	82.1%	80	17.9%
Age 85+	95	62.1%	58	37.9%
Total	1,723	85.6%	289	14.4%
Total Age 65+	1,017	83.1%	207	16.9%
Total Age 75+	462	77.0%	138	23.0%
<i>Greater Minnesota</i>				
Age 65+		78.7%		21.3%
Age 75+		71.1%		28.9%
<i>Minnesota</i>				
Age 65+		77.4%		22.6%
Age 75+		70.0%		30.0%
Sources: ESRI; Viewpoint Consulting Group, Inc.				

Table 5
Estimated Home Values
Primary Market Area
2018

	Median Home Value	Average Home Value
PMA	\$181,434	\$212,869
<i>Pine City</i>	<i>\$151,840</i>	<i>\$178,254</i>
<i>Pine County</i>	<i>\$181,464</i>	<i>\$209,379</i>
<i>Greater Minnesota</i>	<i>\$184,211</i>	<i>\$223,843</i>
Sources: ESRI; Viewpoint Consulting Group, Inc.		

Senior Housing Supply

Senior Housing Defined

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

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

Competitive Senior Housing Properties

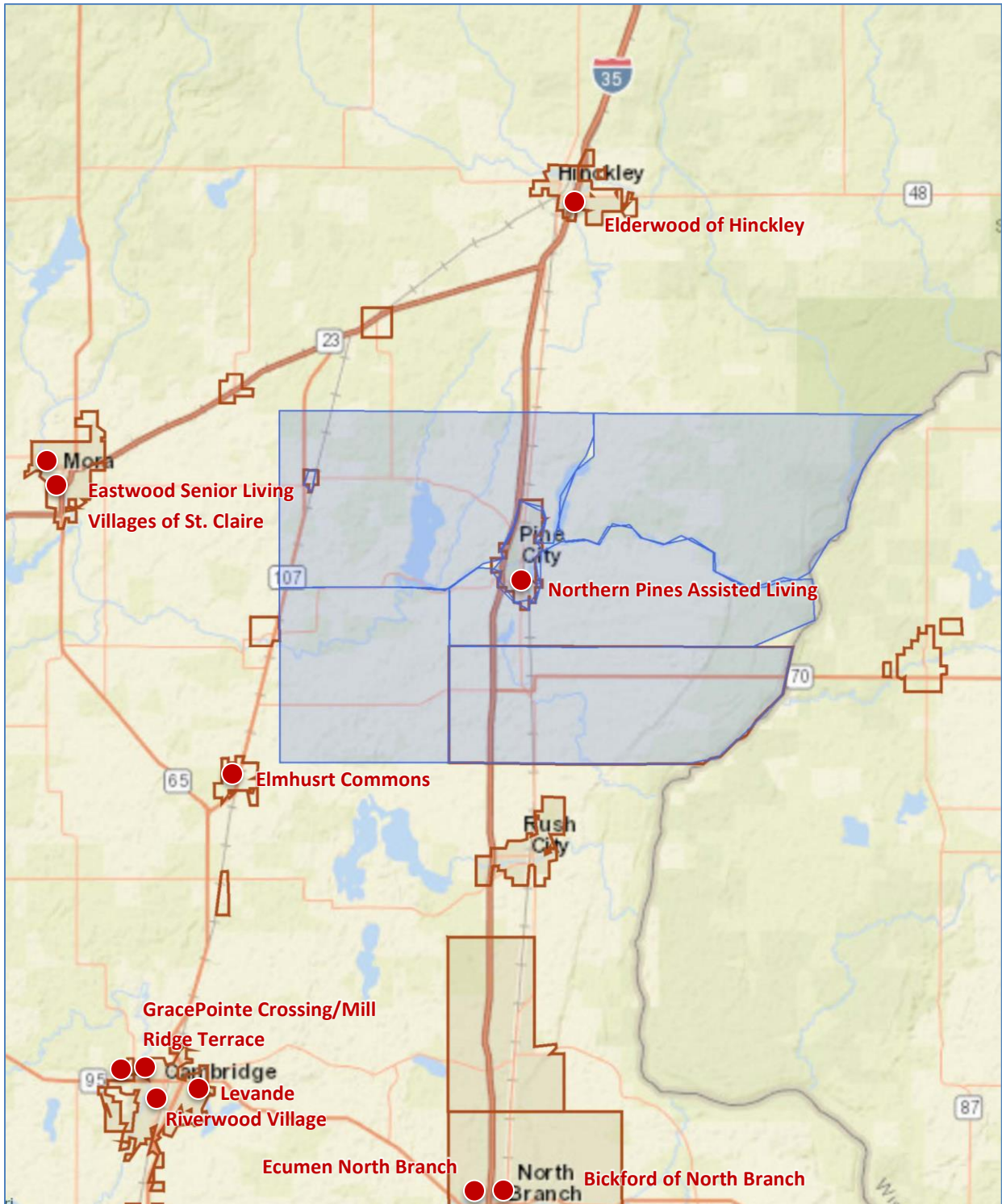
Table 6 shows the inventory of senior housing properties in the PMA. The only competitive property in the PMA is Northern Pines Assisted Living in Pine City. Because of the limited competitive supply in the PMA, Table 6 also lists properties in surrounding communities which generally constitute alternative options for seniors wanting or needing senior housing with services. For each property, Table 6 provides information on location, year built, distance to Pine City, and number of units. The following are key highlights about the competitive supply.

- ▶ There are three existing properties in the PMA of which only Northern Pines Assisted Living (formerly Golden Horizons) is considered competitive. Scandia House and Sophie's Manor are also in Pine City. However, they are considered board-and-care housing, versus traditional assisted living, as they are smaller properties (10 and 9 beds, respectively) in which residents have individual bedrooms and share all other common spaces. Traditional assisted living properties have apartment units.
- ▶ Northern Pines Assisted Living has 24 assisted living units and 12 memory care units. These are the only competitive units in the PMA. There are no independent properties.
- ▶ Besides Northern Pines and the board-and-care homes, the only other senior housing options in the PMA are subsidized buildings. These include a 60-unit Section-8 building (Westchester Village, and three Rural Development buildings (Pine City Estates with nine units and Halter Pines I and II, with 44 units). None of these subsidized properties would be competitive with the subject development.

**Table 6,
Competitive Senior Housing Supply
Primary Market Area, December 2018**

Property Name	Location	Year Built	In the PMA	Miles from Pine City	Number of Units
Independent Living					
-- None --					0
Subtotal					0
<i>Elmhurst Commons</i>	<i>Braham</i>	<i>1988</i>	<i>No</i>	<i>16</i>	<i>9</i>
<i>Levande</i>	<i>Cambridge</i>	<i>2017</i>	<i>No</i>	<i>28</i>	<i>22</i>
<i>GracePointe Crossing</i>	<i>Cambridge</i>	<i>2017</i>	<i>No</i>	<i>28</i>	<i>50</i>
<i>Mill Ridge Terrace</i>	<i>Cambridge</i>	<i>1988</i>	<i>No</i>	<i>28</i>	<i>56</i>
<i>Riverwood Village</i>	<i>Cambridge</i>	<i>n.a.</i>	<i>No</i>	<i>28</i>	<i>45</i>
Assisted Living*					
<u>Northern Pines Assisted Living</u>	Pine City	2002	Yes	0	24
Subtotal					24
<i>Elderwood of Hinckley</i>	<i>Hinckley</i>	<i>n.a.</i>	<i>No</i>	<i>15</i>	<i>20</i>
<i>Elmhurst Commons</i>	<i>Braham</i>	<i>1988</i>	<i>No</i>	<i>16</i>	<i>27</i>
<i>Eastwood Senior Living</i>	<i>Mora</i>	<i>2010</i>	<i>No</i>	<i>19</i>	<i>20</i>
<i>Villages of St. Claire</i>	<i>Mora</i>	<i>1986</i>	<i>No</i>	<i>19</i>	<i>35</i>
<i>Bickford of North Branch</i>	<i>North Branch</i>	<i>2007</i>	<i>No</i>	<i>23</i>	<i>20</i>
<i>Ecumen North Branch</i>	<i>North Branch</i>	<i>2007</i>	<i>No</i>	<i>23</i>	<i>51</i>
<i>GracePointe Crossing</i>	<i>Cambridge</i>	<i>1999</i>	<i>No</i>	<i>28</i>	<i>62</i>
<i>Levande</i>	<i>Cambridge</i>	<i>2017</i>	<i>No</i>	<i>28</i>	<i>22</i>
Memory Care					
<u>Northern Pines Assisted Living</u>	Pine City	2012	Yes	0	12
Subtotal					12
<i>Elderwood of Hinckley</i>	<i>Hinckley</i>	<i>n.a.</i>	<i>No</i>	<i>15</i>	<i>16</i>
<i>Eastwood Senior Living</i>	<i>Mora</i>	<i>2010</i>	<i>No</i>	<i>19</i>	<i>10</i>
<i>Bickford of North Branch</i>	<i>North Branch</i>	<i>2007</i>	<i>No</i>	<i>23</i>	<i>10</i>
<i>Ecumen North Branch</i>	<i>North Branch</i>	<i>2007</i>	<i>No</i>	<i>23</i>	<i>20</i>
<i>GracePointe Crossing</i>	<i>Cambridge</i>	<i>2017</i>	<i>No</i>	<i>28</i>	<i>18</i>
<i>Levande</i>	<i>Cambridge</i>	<i>2017</i>	<i>No</i>	<i>28</i>	<i>24</i>
* Pine City's competitive supply excludes Scandia House and Sophie's Manor, which are considered a board-and-care housing model.					
Source: Viewpoint Consulting Group, Inc.					

Competitive Senior Housing Properties



Planned and Proposed Senior Housing Developments

Planning staff with Pine City were surveyed to identify planned and proposed senior housing developments that may increase the future competitive supply. There are no developments under construction or in the planning stages in Pine City.

Senior Housing Demand Calculations

Tables 7 through 11 provide initial demand calculations for the number of independent living, assisted living, and memory care units that can be supported in the PMA in 2018 and 2023, along with an estimate on the number of units that can be supported on a high-quality site in Pine City. Demand for assisted living and memory care housing is calculated for both market rate (private pay) and Elderly Waiver units.

The Elderly Waiver program funds home- and community-based services for people age 65 and older who are eligible for Medical Assistance (age 65+ with an income below \$12,144 and assets below \$3,000) and require the level of care provided in a nursing home but choose to reside in the community. The Elderly Waiver cost for an individual cannot be greater than the estimated nursing home cost for that same individual. Seniors that have incomes above \$12,144 are still eligible for the Elderly Waiver program but will have a “long-term care spenddown.” It is estimated that seniors with household incomes below approximately \$27,000 would qualify for the Elderly Waiver program with a spenddown. A person with a spenddown must pay a calculated dollar amount based on their monthly income, deductions, and cost of assisted living/memory care services.

Independent Senior Living

As shown in Table 7, unmet demand for independent living housing on a site in Pine City is calculated for 42 units in 2023. The points below summarize the demand methodology.

The target market for independent living housing is senior households age 75+ with incomes of \$35,000 or more plus households with incomes between \$25,000 and \$35,000 who would qualify with the proceeds from a home sale. There would also be some limited demand from seniors under age 75. These seniors are the “age/income-qualified base.” A capture rate – or “penetration rate” – is applied to the income-qualified base of younger and older seniors. The penetration rates are based on the penetration rates of independent senior housing achieved in other markets across Minnesota. Applying the penetration rates to the age/income-qualified base results in demand for 50 independent units in 2018, growing to 53 units in 2023.

It is estimated that seniors currently residing outside the PMA will generate 25% of the total demand for independent senior housing. The demand from outside the PMA increases total

demand to 67 units in 2018 and 70 units in 2023. This demand from outside the PMA will consist primarily of parents of adult children living in the local area.

There are no existing or pending competitive congregate independent properties in the PMA to subtract from demand calculations. Unmet demand potential in the PMA remains for 67 units in 2018 and 70 units in 2023.

No single location or development can capture all the demand in a PMA. Based on the geographic size of the PMA, it is estimated that a new development on a high-quality site in Pine City can capture 60% of the unmet demand potential. This results in unmet demand on the Site for 40 independent living units in 2018, increasing to 42 units in 2023.

Table 7
Independent Senior Housing Demand Calculation
Primary Market Area
2018 and 2023

	2018	2023
A 65 to 74 Households in the PMA	732	849
B Percent income-qualified	75%	74%
C Potential penetration rate of independent living housing	0.5%	0.5%
D Income-qualified 65-74 households in the PMA (A x B x C)	3	3
E 75+ Households in the PMA	654	719
F Percent income-qualified	52%	49%
G Potential penetration rate of independent living housing	14%	14%
H Income-qualified 75+ households in the PMA (E x F x G)	48	50
I Total demand for independent housing from the PMA (D + H)	50	53
J Estimated percent of demand from outside the PMA	25%	25%
K Total demand for independent living units in the PMA (I / (1- J))	67	70
L Competitive independent living supply*	0	0
M Unmet independent living demand (K - L)	67	70
N Estimated percent of unmet demand capturable by a site	60%	60%
O Independent living demand on a site in Pine City (M x N)	40	42
* Competitive units minus a 5% vacancy factor		
Source: Viewpoint Consulting Group, Inc.		

Market Rate Assisted Living

As shown in Table 8, unmet assisted living demand on the Site in Pine City has been calculated for 34 units in 2023. This demand is for market rate (or “private pay”) units and does not include additional demand from lower-income seniors who could utilize the Elderly Waiver program to pay for services. The points listed below summarize the demand methodology.

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

To afford market rents, these seniors will generally need incomes of at least \$45,000 or have assets available through the proceeds received from the sale of their home. Overall, it is calculated that about 48% of the senior population in the PMA in 2018 was income-qualified for market rate assisted living housing.

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

Seniors who currently reside outside the PMA will generate an estimated 25% of the demand for assisted living senior housing – increasing total demand in the PMA to 67 units in 2018 growing to 73 units in 2023.

The next step in calculating demand is to subtract competitive supply from total PMA demand. The existing units in the PMA are subtracted from demand. Subtracting these competitive units (minus an estimated 30% that are occupied by Elderly Waiver residents and a 5% vacancy factor) from total demand results in the unmet demand for 51 additional assisted living units in the PMA in 2018. No pending developments in the PMA were identified; unmet demand is calculated for 57 units in the PMA in 2023.

Again, no single location or development can capture all the demand in a PMA. It is estimated that a high-quality site in Pine City can capture 60% of the unmet demand potential in the PMA. This results in unmet demand on the Site for 30 market rate assisted living units in 2018 increasing to 34 units in 2023.

Table 8
Market Rate Assisted Living Demand Calculation
Primary Market Area
2018 and 2023

	2018	2023
A 75 to 79 Population in the PMA	414	473
B Percent needing ADL assistance	25.5%	25.5%
C Estimated population needing ADL assistance (A x B)	106	121
D 80 to 84 Population in the PMA	279	325
E Percent needing ADL assistance	33.6%	33.6%
F Estimated population needing ADL assistance (D x E)	94	109
G 85+ Population in the PMA	284	299
H Percent needing ADL assistance	51.6%	51.6%
I Estimated population needing ADL assistance (G x H)	147	154
J Total 75+ population needing ADL assistance (C + F + I)	346	384
K Percent of PMA population income-qualified	48.2%	47.2%
L Total income-qualified population needing ADL assistance (J x K)	167	181
M Potential penetration rate of assisted living housing	30%	30%
N Total demand for assisted living units (L x M)	50	54
O Estimated percent of demand from outside the PMA	25%	25%
P Total demand for assisted living units in the PMA (N / (1-O))	67	73
Q Competitive assisted living supply	16	16
R Unmet assisted living demand (P - Q)	51	57
S Estimated percent of unmet demand capturable by a site	60%	60%
T Assisted living demand on a site in Pine City (R x S)	30	34
* Competitive units minus 30% estimated to be occupied by Elderly Waiver residents and a 5% vacancy factor.		
Source: Viewpoint Consulting Group, Inc.		

Elderly Waiver Assisted Living Demand

The calculation of unmet demand for Elderly Waiver assisted living units is shown in Table 9. The methodology to calculate unmet demand for Elderly Waiver assisted living is the same as for market rate assisted living, with the main exceptions being the income-qualified calculation. The following paragraphs summarize the demand methodology.

Like market rate, the primary market for Elderly Waiver assisted living housing is seniors ages 75 and over needing assistance with activities of daily living (ADLs). Applying the percentages of seniors unable to perform or having difficulty with ADLs to the senior population in the PMA results in the total age-qualified population needing assistance with ADLs.

The income-qualified base is seniors with incomes below \$27,000, or about the maximum income to qualify for a “Waiver Obligation.” About 48% of the senior population in the PMA was income-qualified for Elderly Waiver assisted living housing in 2018.

An estimated 30% of the age/income-qualified market needing assistance with daily living will choose assisted living housing. Applying a penetration rate of 30% to the age/income-qualified base needing assistance results in demand for 49 Elderly Waiver units in the PMA in 2018.

Seniors who currently reside outside the PMA will generate an estimated 25% of the demand for assisted living senior housing – increasing total demand in the PMA to 66 Elderly Waiver units in 2018 growing to 73 units in 2023.

The next step in calculating demand is to subtract competitive supply from total PMA demand. In the PMA it is conservatively estimated that 30% of the competitive assisted living units identified in Table 6 are occupied by Elderly Waiver residents. These units (minus a 5% vacancy factor) are subtracted from total demand, resulting in unmet demand for 59 Elderly Waiver units in 2018. No new competitive properties in the development pipeline were identified. Unmet demand is projected to increase to 66 units in the PMA in 2023.

Again, no single site can capture all the demand in a PMA. It is estimated that a site in Pine City can capture 60% of the unmet Elderly Waiver demand potential in the PMA. This results in unmet demand on for 35 Elderly Waiver assisted living units on a site in Pine City in 2018 increasing to 40 units in 2023.

Table 9
Elderly Waiver Assisted Living Demand Calculation
Primary Market Area
2018 and 2023

	2013	2018
A 75 to 79 Population in the PMA	414	473
B Percent needing ADL assistance	25.5%	25.5%
C Estimated population needing ADL assistance (A x B)	106	121
D 80 to 84 Population in the PMA	279	325
E Percent needing ADL assistance	33.6%	33.6%
F Estimated population needing ADL assistance (D x E)	94	109
G 85+ Population in the PMA	284	299
H Percent needing ADL assistance	51.6%	51.6%
I Estimated population needing ADL assistance (G x H)	147	154
J Total 75+ population needing ADL assistance (C + F + I)	346	384
K Percent of PMA population income-qualified	47.5%	47.5%
L Total income-qualified population needing ADL assistance (J x K)	164	182
M Potential penetration rate of assisted living housing	30%	30%
N Total demand for assisted living units (L x M)	49	55
O Estimated percent of demand from outside the PMA	25%	25%
P Total demand for assisted living units in the PMA (N / (1-O))	66	73
Q Competitive assisted living supply	7	7
R Unmet assisted living demand (P - Q)	59	66
S Estimated percent of unmet demand capturable by a site	60%	60%
T Assisted living demand on a site in Pine City (R x S)	35	40
Source: Viewpoint Consulting Group, Inc.		

Market Rate Memory Care

Table 10 calculates unmet memory care demand on a high-quality site in Pine City for 15 units in 2023. Like assisted living, this demand is for market rate units and does not include additional demand from lower-income seniors who could utilize the Elderly Waiver program to pay for services. The following points summarize the demand methodology.

Demand is calculated by multiplying the PMA age 65+ population in 2018 and 2023 by the incidence rate of Alzheimer's/dementia (based on data from the Alzheimer's Association: Alzheimer's Disease Facts & Figures). An estimated 266 seniors living in the PMA as of 2018 had memory impairment.

Due to the high cost of memory care housing, the income needed to afford market rate memory care is much higher than independent and assisted living housing. The income-qualified base for memory care housing is defined as 85% of households with incomes of at least \$60,000 plus 30% of homeowners with incomes below \$60,000.

The majority of seniors with dementia are able to live independently with the assistance of a caregiver, while those in the latter stages of dementia require intensive medical care that is only available in skilled nursing facilities. Some also choose other types of housing like adult foster care. An estimated 25% of age/income-qualified people with memory impairment constitute the market for memory care housing.

An estimated 25% of the demand for memory care housing would come from seniors residing outside of the PMA. This additional demand brings the total demand within the PMA to 30 units in 2018 growing to 33 units in 2023.

The competitive supply is then subtracted from the total demand to reveal unmet demand. The existing units at Northern Pines are subtracted from total demand (minus an estimated 33% occupied by Elderly Waiver residents and a 5% vacancy factor). No other existing or pending competitive units were identified in the PMA. Subtracting the competitive supply results in unmet demand for 22 memory care units in 2018 growing to 25 units in 2023.

No single site can capture all of the demand in a PMA. It is estimated that a high-quality site in Pine City can capture 60% of the unmet demand potential in the PMA. This results in unmet demand on a high-quality site for 13 market rate memory care units in 2018 increasing to 15 units in 2023.

Table 10
Market Rate Memory Care Housing Demand Calculation
Primary Market Area
2018 and 2023

	2018	2023
A 65 to 75 Population	1,249	1,492
B Dementia incidence rate	1.5%	1.5%
C Estimated population with Dementia (A x B)	19	22
D 75 to 84 Population	693	798
E Dementia incidence rate	18.0%	18.0%
F Estimated population with Dementia (D x E)	125	144
G 85+ Population	284	299
H Dementia incidence rate	43.0%	43.0%
I Estimated population with Dementia (G x H)	122	129
J Total population with Dementia (C + F + I)	266	295
K Percent of population income-qualified	33.9%	33.8%
L Total income-qualified population needing assistance (J x K)	90	99
M Potential penetration rate of specialized memory care housing	25.0%	25.0%
N Total demand for memory care units (L x M)	22	25
O Estimated percent of demand from outside the PMA	25%	25%
P Total demand for memory care units in the PMA (N / (1- O))	30	33
Q Competitive memory care supply	8	8
R Unmet memory care demand (P - Q)	22	25
S Percent of unmet demand capturable by a site	60%	60%
T Memory care demand on a site in Pine City (R x S)	13	15
* Competitive units minus 30% estimated to be occupied by Elderly Waiver residents and a 5% vacancy factor.		
Source: Viewpoint Consulting Group, Inc.		

Elderly Waiver Memory Care

Table 11 calculates unmet Elderly Waiver memory care demand on a site in Pine City for 26 units in 2023. Like assisted living demand calculations, the methodology to calculate unmet demand for Elderly Waiver memory care is the same as for market rate memory care, with the exception being the income-qualified calculation. The income-qualified base is the same as for assisted living – seniors with incomes below about \$27,000, or the maximum income to qualify for a “Waiver Obligation.”

An estimated 266 seniors living in the PMA as of 2018 had a memory impairment. An estimated 48% are income-qualified for the Elderly Waiver program, or 126 seniors in 2018. It is estimated that 2% of the qualified population are a market for memory care housing. This results in demand for 21 Elderly Waiver memory care units in the PMA in 2018.

An estimated 25% of the demand for Elderly Waiver memory care housing would come from seniors residing outside of the PMA. This additional demand brings the total demand within the PMA to 42 units in 2018 growing to 47 units in 2023.

The competitive supply is then subtracted from the total demand to reveal unmet demand. One competitive property was identified. Subtracting units at Northern Pines estimated to be occupied by Elderly Waiver Residents (30%), minus a 5% vacancy factor, results in unmet demand for 39 units. No pending developments that would add to the competitive supply were identified. Unmet demand is calculated for 43 units in the PMA in 2023.

No single site can capture all the demand in a PMA. It is estimated that a site in Pine City can capture 60% of the unmet Elderly Waiver demand potential in the PMA. This results in unmet demand on the Site for 23 Elderly Waiver memory care units in 2018 growing to 26 units in 2023.

Table 11
Elderly Waiver Memory Care Housing Demand Calculation
Primary Market Area
2018 and 2023

	2018	2023
A 65 to 75 Population	1,249	1,492
B Dementia incidence rate	1.5%	1.5%
C Estimated population with Dementia (A x B)	19	22
D 75 to 84 Population	693	798
E Dementia incidence rate	18.0%	18.0%
F Estimated population with Dementia (D x E)	125	144
G 85+ Population	284	299
H Dementia incidence rate	43.0%	43.0%
I Estimated population with Dementia (G x H)	122	129
J Total population with Dementia (C + F + I)	266	295
K Percent of population income-qualified	47.5%	47.5%
L Total income-qualified population needing assistance (J x K)	126	140
M Potential penetration rate of specialized memory care housing	25%	25%
N Total demand for memory care units (L x M)	32	35
O Estimated percent of demand from outside the PMA	25%	25%
P Total demand for memory care units in the PMA (N / (1- O))	42	47
Q Competitive memory care supply	3	3
R Unmet memory care demand (P - Q)	39	43
S Percent of unmet demand capturable by a site	60%	60%
T Memory care demand on a site in Pine City (R x S)	23	26
Source: Viewpoint Consulting Group, Inc.		

Demand Summary

There is demand for a new senior housing development in the PMA because of a growing senior population and currently there are relatively few senior housing options. The initial demand calculations for senior housing on a high-quality site in Pine City are summarized in Table 12. Total unmet demand in the PMA for the three service-levels is projected for 152 market rate units and 109 Elderly Waiver units in 2023. The estimated portion of demand that can be captured by a site in Pine City is 60%, which in 2023 equates to 91 market rate units of independent, assisted living, and memory care housing, plus an additional 66 assisted living and memory care units from lower-income seniors utilizing the Elderly Waiver program to pay for services.

**Table 12, Summary of Initial Demand Calculations
Primary Market Area, 2018 to 2023**

	Total PMA Demand	Competitive Supply	Unmet PMA Demand	Demand on Subject Site
2018				
Independent Living	67	0	67	40
Assisted Living	67	16	51	30
Memory Care	30	8	22	13
Market Rate Total	164	24	140	84
EW Assisted Living	66	7	59	35
EW Memory Care	42	3	39	23
Elderly Waiver Total	108	10	97	58
2023				
Independent Living	70	0	70	42
Assisted Living	73	16	57	34
Memory Care	33	8	25	15
Market Rate Total	176	24	152	91
EW Assisted Living	73	7	66	40
EW Memory Care	47	3	43	26
Elderly Waiver Total	120	10	109	66
Source: Viewpoint Consulting Group, Inc.				

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