In this Industry Update you will discover:

1. *"LeadingAge Urges Treasury to Consider Older Adults in New $25B Rent Relief Program"*
   - MCKNIGHT'S SENIOR LIVING NEWS, 2/2/2021; pg. 1
2. *"Senior Living Industry Reminds Congress, Administration to Prioritize Older Adults in Relief Packages"*
   - MCKNIGHT'S SENIOR LIVING NEWS, 2/2/2021; pg. 2
3. *"Brand New World: Leaders Join Senior Living From Other Industries during Covid-19"*
   - SENIOR HOUSING NEWS, 1/25/2021, 1/25/2021; pg. 3
4. *"2021 Outlook: Senior Housing M&A Will Rise, Occupancy Will Take Longer to Recover"*
   - SENIOR HOUSING NEWS, 2/1/2021; pg. 7

McKnight's SENIOR LIVING
News, perspective and analysis

LeadingAge Urges Treasury to Consider Older Adults in New $25B Rent Relief Program

Written by: Kimberly Bonvissuto

2/2/2021

Although the federal government rolled out a new $25 billion rent relief program in December for households struggling under COVID-19, LeadingAge is urging the new administration to include older adults.

In a Friday letter to the Department of Treasury, Department of Housing and Urban Development and the White House, the association urged the country's leaders to include low-income older adults in affordable housing in the Emergency Rental Assistance Program.

The program is designed to help cover rent and utilities for households struggling due to COVID-19. Landlords or property owners can apply on behalf of residents, but eligibility for HUD-assisted households remains unclear.

During a call with the Biden administration last week and in the follow-up letter from Juliana Bilowich, LeadingAge director of housing operations and policy, LeadingAge said that older adults are facing financial hardships during the pandemic, and the program "has the potential to leave out older adults who are in need of rent relief."

Bilowich's letter noted that many older adults lost support from family members or community services that temporarily shut down, and "they may also have incurred higher expenses related to preparing for and responding to COVID-19, such as preemptive quarantine supplies, PPE and medication."

"For low-income older adults, every added cost has the potential to create a financial hardship," Bilowich wrote.

Bilowich called on the Treasury Department to reduce barriers to participation by expanding eligibility beyond those who have lost income and by allowing residents to self-certify their income and financial hardship eligibility for the program.

The association also urged the Treasury to clarify eligibility of residents living in federally subsidized housing

while limiting relief funds to the tenant rent portion to avoid duplicative uses of the rental assistance funds.

Bilowich also suggested expanding data-tracking and reporting on the funds to “help measure the impact of rent relief on older adults.”

McKnight’s SENIOR LIVING
News, perspective and analysis

Senior Living Industry Reminds Congress, Administration to Prioritize Older Adults in Relief Packages

Written by: Kimberly Bonvissuto

2/2/2021

As Democrats continue plans to move forward with a $1.9 trillion coronavirus relief bill and Republicans meet with President Biden to discuss a $600 billion counter offer, senior living industry executives are reminding them to make older adults a priority.

More funding

The American Health Care Association / National Center for Assisted Living on Monday urged Congress to pass another COVID-19 relief bill that includes assistance for long-term care — specifically $100 billion in additional funds to the Provider Relief Fund, and prioritization for testing and personal protective equipment resources.

“Long-term care providers have suffered significant financial hardships due to the pandemic. The high cost of testing, PPE and staff support has caused tremendous strain on budgets,” said a statement from the association.

AHCA / NCAL reiterated that more than half of assisted living communities are operating at a loss and that many members have said that they will be forced to close within a year without further assistance.

“We cannot afford to repeat the mistakes that were made at the outset of the pandemic,” AHCA / NCAL stated. “Long-term care workers continue to do everything in their power to protect their residents, but they need ongoing support. Additional funding from Congress will ensure they have the resources necessary to continue the fight. Congress must act now and put long-term care first.”

Advocacy campaign

LeadingAge launched an advocacy campaign last week, calling for immediate action to protect older Americans “who have suffered most from the coronavirus and insufficient federal action.”

LeadingAge President and CEO Katie Smith Sloan called on Biden and Congress to make 2021 a “new beginning for older Americans.” Sloan reiterated LeadingAge’s action plan that outlines almost four dozen recommendations that the new administration could take in its first 30 days, 100 days and first year.

Aging services providers are urging Congress to adopt legislation addressing a coordinated vaccination program, a national testing program, staffing, funding for pandemic-related costs and funding to support older adults living in affordable senior housing.

“This unprecedented crisis has been made worse by insufficient federal action sending a message that the lives of older Americans are expendable,” Sloan said in a statement. “Providers on the front line caring for millions of older adults still need urgent relief in the form of more testing, PPE, staffing support and funding to save and protect lives from this highly contagious virus.”

American Rescue Plan

Biden’s $1.9 trillion American Rescue Plan includes an initiative to “protect vulnerable populations in congregate settings,” including funding for states to deploy strike teams to long-term care facilities experiencing COVID-19 outbreaks, as well as protections for frontline workers in the form of standards, paid emergency and sick leave requirements and benefits. The relief proposal also calls for investing in COVID-19 treatments, a national vaccination program and expanded COVID-19 testing, as well as a $15 per hour federal minimum wage.

Senior living industry leaders have expressed appreciation that Biden’s administration is taking COVID-19 seriously, but they said the plan may not go far enough to meet the needs of senior living and care providers.

Republican proposal

Meanwhile, a group of 10 Republican senators on Sunday unveiled a $600 billion relief proposal that reduces funding in several key Democratic priority areas, including state and local aid, direct stimulus checks, unemployment insurance and the federal minimum wage.

The group, led by Sen. Susan Collins (R-ME), sent a letter to the White House Sunday requesting a meeting on the proposal. Others signing onto the proposal include Sens. Bill Cassidy (R-LA), Shelley Moore Capito (R-WV), Jerry Moran (R-KS), Lisa Murkowski (R-AK), Rob Portman (R-OH), Mitt Romney (R-UT), M. Michael Rounds (R-SD), Thom Tillis (R-NC) and Todd Young (R-IN).

The Republican proposal includes a round of $1,000 stimulus checks for people earning up to $50,000, $300 a week in federal unemployment benefits through June, $50 billion for small business relief and $160 billion for vaccines, testing and PPE.

Biden was expected to meet with the Senators Monday night.

SENIOR HOUSING NEWS

Brand New World: Leaders Join Senior Living From Other Industries during Covid-19

Written by: Chuck Sudo

1/25/2021

Like a lot of people, Janale Flores at first believed Covid-19 would be a short-term disruption to her job as director of human resources and area director of international recruitment for Omni Hotels & Resorts in Broomfield, Colorado.

As shutdowns across the country took hold, however, Omni lost business. Meetings were canceled, employees were laid off, and Flores soon realized that the fight against the pandemic would become protracted, she told Senior Housing News.

During that time, she received a message from Adam Kaplan, founder and CEO at Solera Senior Living, informing her that the Denver-based owner and operator was looking for a corporate director of human resources.

Kaplan, a 2004 graduate of Cornell University's School of Hotel and Restaurant Management, has spent his career exclusively in senior living, blending hospitality with senior care. Since launching Solera in 2016, he has always sought talent from outside the industry to fill job opportunities.

As the communication between Flores and Kaplan continued, she realized that she had the skills and experience Kaplan was looking for. She officially became Solera's corporate director of people and performance last April.

"I knew it was the right opportunity for me, and it just felt very comfortable," she said.

Early in the pandemic, Kaplan and other senior living leaders anticipated that massive layoffs in other sectors might bring new workers to senior living. It has proven difficult to attract new frontline workers, due to higher unemployment benefits and other factors, but operators have had greater success in recruiting talented industry newcomers like Flores for leadership roles.

Workers with proven track records in their previous career paths have skills that are transferable to senior housing. They bring unique experiences which can help providers approach operations from new perspectives. And they can leverage their own professional networks to bring in more new talent.

During the pandemic, providers such as Solera, Retirement Center Management and Belmont Village have hired people for leadership roles with experience ranging from hospitality to public relations and communications to sales.

Houston-based Belmont Village filled several leadership roles during Covid-19, including high-profile positions in sales and communications, Chief Marketing Officer Carlene Motto told SHN.

"I've probably brought over 100 years of experience from the hospitality industry during Covid-19," she said.

Transferable skills

Before starting her current role as senior vice president of communications at Belmont Village in July, Katie Gray was a vice president at Pennebaker, a Houston-based marketing and communications firm, where she led all marketing and communications strategies for the agency. Last spring, a recruiter with executive search firm Govig approached Gray about a job in Belmont Village's communications department, she told SHN.

"I had no prior knowledge of senior housing at all," she said. "It was a brand new world to me."

After learning more about the opening and the responsibilities, Gray realized that she had the requisite skills and experience for the position and aggressively studied the industry in preparation for interviews.

"I became more and more intrigued, because the greater good — the mission of the business — resonated with me, along with the responsibilities of the position."

Gray's prior experience and skills allowed her to hit the ground running at Belmont Village. She has extensive experience in business-to-business and business-to-consumer settings. Additionally, she came to her new role with previous health care experience, having handled marketing and communications for The University of Texas MD Anderson Medical Center, as well as Texas Children's Hospital, at another marketing firm. This experience allowed her to identify ways to target referral sources such as physicians and social workers, and get them to engage with Belmont Village to drive potential residents and their families to communities.

"I was able to apply the same methodologies that I would [elsewhere] in a new environment," she said.

For 20 years, Spencer Lane worked exclusively in the hotel and resort industry before he joined Retirement Center Management (RCM) as vice president of hospitality last September. Prior to joining the Houston-based operator, he was director of operations for a Hilton hotel in Houston.

Lane worked through the September 11, 2001 terrorist attacks, the 2008 financial crisis and other ebb periods throughout his career, but none affected the hotel industry as hard as Covid-19. Within weeks, 95% of his 270-person staff were laid off, and he knew the odds were solid that, as a higher salaried employee, he may have been next, he told SHN.

"I saw the opportunity to be proactive and look for other [positions]," he said. "I said, 'Well, what other industries are out there that would complement my skill set?'"

Lane cast a wide net in his job search and placed a call to a recruitment manager for RCM, the operating arm for developer Bridgewood Property Company. Through her, he learned that the operator was looking for candidates to fill the vice president of hospitality position – a completely new role at RCM.

Lane believes his extensive experience in hotels prepared him for his new role. Running resorts and hotels, he was in constant contact with customers including seniors who had the necessary wealth to stay for extended periods. As he went through the interview process, meanwhile, he did extensive research into senior housing, RCM and its competitors. This helped him get an understanding of what hospitality initiatives other providers were presenting to prospective residents in their sales and marketing strategies, and helped him overcome preconceived notions about senior housing.

"I think most laypeople would think of senior living as nursing homes. And that is not what Retirement Center Management is," he said. "We are a company that is providing excellent places for people to live their best lives."

A couple years ago Kristen Jordan briefly left the hotel industry to spend more time with her two daughters. When she rejoined the industry, it did not feel as rewarding to her as the volunteer work she undertook during her break, she told SHN.

She shared those reservations with a professional colleague, and that she was exploring a move to senior housing. The colleague suggested that Jordan reach out to a mutual friend at RCM who made a similar career move.

"I decided that this is definitely the direction I want to go," she said.

Eventually, an executive director vacancy opened up at The Village of River Oaks, an RCM community in Houston featuring independent living and assisted living apartments, and private and semi-private memory care suites. Jordan was hired to fill the position in August.

"RCM was so open and helpful in my career aspirations," she said. "Not knowing at the time that they were looking at going in this direction – it was just me just picking up the phone and wanting to talk to somebody to understand more."

New ideas

The professional experiences these new entrants to the industry bring allow them to address common obstacles with fresh eyes, and identify creative solutions.

In her new role at Solera, Flores is responsible for recruiting talent for open positions. For this, she is drawing on her marketing background and leveraging social media to show what the operator is doing, provide a glimpse of its culture and show recruits their prospective work environments. This allows them to draw their own connections about how to translate their professional skills to this industry.

In one instance, Flores posted to her social media channels renderings of The Reserve at Lake Austin, a 120-unit community in Austin, Texas slated to open next year. Within a day of posting, she was flooded with inquiries from hospitality professionals, asking about open opportunities.

"One thing my previous company was really good at is getting on social media and showing exactly what we're doing," she said. "The focus for me in transitioning to senior living is letting hospitality professionals and [others] that don't have their eyes open [know] what this industry can offer."

Gray also brought her past experiences to bear in marketing Belmont Village's larger communities in markets such as Austin, Houston and Los Angeles. She knows, for example, what minimum spends in these markets must be in order to be successful. She also applied her expertise with traditional media, as well as paid and earned digital media platforms, to develop strategies to increase new leads and referrals for sales and marketing teams.

"We were constantly going after the same prospects that were within a small radius around our communities," she said. "We've been able to extend our reach through some of these new efforts. I was able to apply my skills and put them towards this industry."

Lane is drawing on his hotel experience to develop standards for RCM's front of house, dining and housekeeping teams to create a lifestyle experience comparable to four- and five-star hotels in Forbes Travel Guide. During the fourth quarter of 2020, he implemented training standards for dining room teams to be at a Michelin Guide one-star level of service. These standards are expected to be in place across all of RCM's communities by the end of 2021, and it is something that Lane believes will give the operator an advantage in its markets.

"One of my first observations [studying other providers] was the dining [operation] was trying to push people through as fast as possible, get them fed, and move on to the next meal period," he said. "I want dining to be an experiential portion of our residents' day."

New talent pools

Hiring leadership from outside the industry brings further opportunities to recruit more talent, by leveraging these leaders' own professional networks, as well as letting them be the best selling tool for success.

RCM's Jordan already tapped into her professional network to fill other roles at The Village of River Oaks. The community's sales and marketing director most recently worked for Marriott. The food and beverage director

came from Hotel ZaZa, a Texas boutique hotel brand with locations in Austin, Dallas and Houston. Additionally, Jordan hired The Village at River Oaks' executive housekeeper from the last hotel where she worked before moving to senior housing.

"We're able to capture a lot of these people that would not have looked at senior living in the past. They're really embracing this industry," she said.

Gray tapped into her professional network to expand Belmont Village's vendor partnerships, ensuring that the right talent is in position to quickly execute on the operator's digital media strategies.

"I have a lot of relationships with vendors that I can count on, who I know have the same high level of standards that I do," she said. "I'm a very results driven person, and I want to make sure that we have a team in place that is able to generate the results that we need in order to get our occupancy levels to stabilization again, and then to maintain that pride to surpass third party referral sources."

RCM has been very aggressive in looking outside the industry for new talent, Lane told SHN. The operator's corporate director of human resources, Kimberly Varley, also has a hospitality background and is casting a wide net for cooks, servers, and sales directors looking for new opportunities.

"All of these people have LinkedIn, and they see many of their connections making this change into a different career path," he said. "They see the opportunity. They're willing to make that transition. And we've been fortunate to capitalize on it."

SENIOR HOUSING NEWS

2021 Outlook: Senior Housing M&A Will Rise, Occupancy Will Take Longer to Recover

Written by: Chuck Sudo

2/1/2021

One month into 2021, senior housing occupancy sits at all-time low levels, and it likely will take a year or more for census to recover to pre-pandemic levels.

That's the take of three industry leaders who participated in the January 29 webinar on the financial outlook for senior housing in 2021, hosted by Senior Housing News and featuring panelists from the National Investment Center for Seniors Housing & Care (NIC), Lument and R.D. Merrill Company.

Other key takeaways include that health care real estate investment trusts (REITs) are expected to be major drivers of senior housing merger and acquisition activity in 2021. Publicly traded REITS will look to dispose of underperforming, non-core assets as the year progresses, and privately-owner REITs are poised to be buyers in this environment.

And as the new year progresses, smaller operators under significant operational pressures will move to exit the business and place their communities on the market, creating attractive opportunities for buyers seeking distressed, value-add product which can then be repositioned to capitalize on middle-market demand.

Closed senior housing transactions decreased significantly in 2020, ending at around $7 billion according to data from Real Capital Analytics, NIC Chief Economist Beth Burnham Mace said. Pricing, meanwhile, has fallen back to levels last seen at the beginning of the most recent building boom in 2014.

The fast start to 2021 is an encouraging sign, but Mace cautions that one month does make a year.

“There is more activity that’s occurring,” she said. “But we don’t know what kind of deals are yet.”

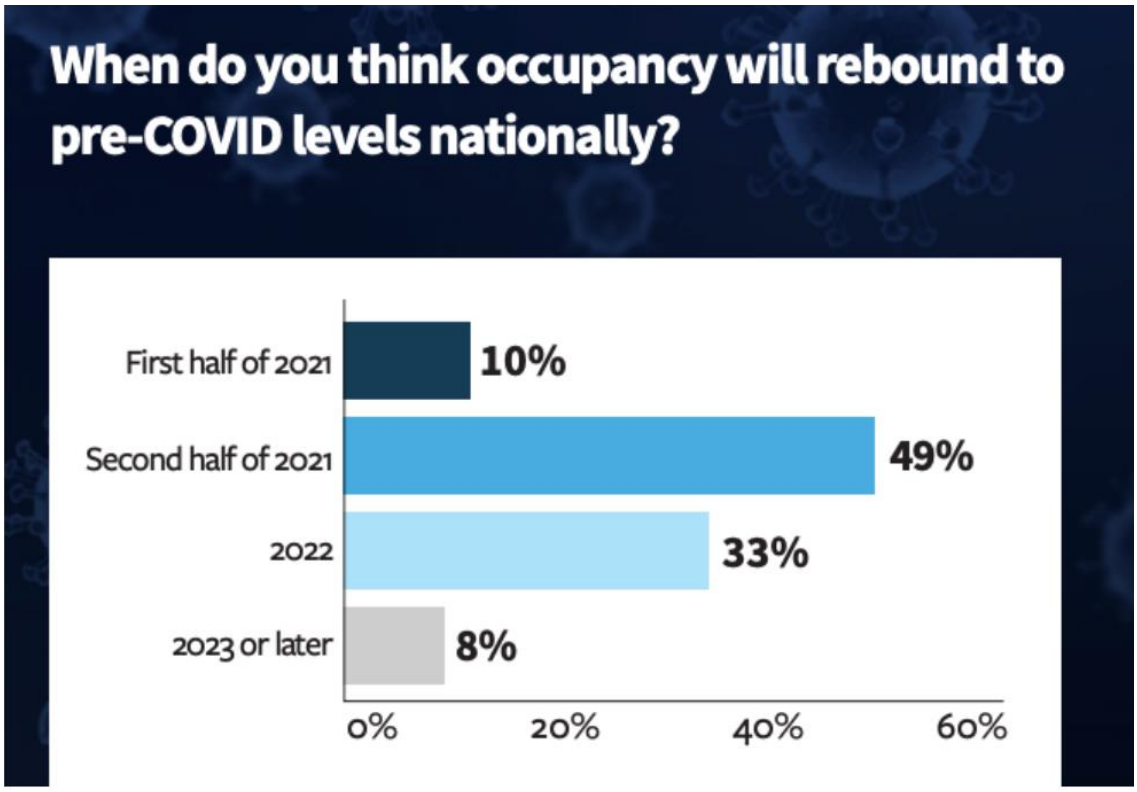
An elongated occupancy rebound

Senior housing occupancy dropped to a record-low 80.7% in the fourth quarter of 2020. And subsequent updates from REITs and operators indicate that occupancy has fallen even further this year.

Occupancy at majority assisted living properties is down 7.5 percentage points since the pandemic started, while occupancy at majority independent living properties experienced a 6.7% drop in that span, Mace said on Friday’s webinar.

Moreover, more than 34,000 units went vacant in the 31 primary markets where NIC collects data during the pandemic; occupancy is now back to late-2017 levels.

“It took seven quarters to gain those 34,000 units,” she said. “We lost them all in three quarters.”



Some analysts believe that occupancy will begin to recover in mid-2021, and 49% of respondents to the 2021 outlook survey from Senior Housing News and Lument said they believe that occupancy will rebound to pre-pandemic levels later this year. But Mace is more pragmatic and is eyeing a late 2022 or early 2023 rebound, she said, stressing that this is her personal view and not an official prediction from NIC.

Before providers can begin to rebuild occupancy, they need to first regain the trust of consumers concerned about the safety of senior housing, after initial news reports conflated outbreaks in nursing homes with the industry.

The other panelists agreed that a more elongated recovery timeline is likely.

Casey Moore, managing director for agency finance at Lument, believes an occupancy rebound will not occur until some time in 2022, citing the expedited dropoff in occupancy last year, the sheer size of the hole in which the industry finds itself, and historic lease-up rates of two to four units per month.

“It’s math; I don’t see how we get that done in the next 8-10 months,” he said.

Vaccines will help restore consumer confidence — “it has the aura of safety” from an operator’s perspective, R.D. Merrill Company President Bill Pettit said — but there are still unknowns about them. Notably, there are questions about whether staff will resist getting the vaccine.

He identified that between 90% to 95% of residents want to get vaccinated, but the percentage is lower among front-line staff and, with unvaccinated team members, the risk of exposure remains inside a community.

Moreover, it is unknown at this time if a universal revaccination for the coronavirus will be required in the fall, and every year thereafter. Until most communities are completely vaccinated, staffs will not be able to reopen the lifestyle components to which residents are accustomed.

“Those challenges don’t go away the first day we get booster [shots],” he said.

The logistics behind vaccinations will keep the industry in a holding pattern throughout much of 2021. And so Pettit also believes that true momentum on occupancy gains will not be seen until 2022 and 2023.

“We’re starting to see at least a bottoming to the bleeding in occupancy that’s occurred,” Pettit said. “We may start to see confidence levels built in the summer … before we start to look at some measures of success.”

Distress expected

Signs of distress emerged last summer among single-site and family-owned operators.

Even if mom-and-pop operators have so far weathered the pandemic, they may decide to exit the business as financial relief dries up, making it harder to make debt service coverage ratios, Mace said.

“It’s very little in terms of the sales that have been distressed, but I think there is more coming,” she said.

When distressed properties are brought to the market, investors will be ready, Moore said. Transaction activity in the fourth quarter of 2020 rebounded after a mid-year low point driven by the pandemic, setting the stage for the brisk Q1 2021 activity and a signal to the markets that an end to the pandemic is on the horizon.

“Participants are getting more comfortable with where we are,” he said.

Lument’s mergers and acquisitions team predicts senior housing deal volume will be active in two subsets: investors hunting for smaller transactions, and larger owners pruning non-core and underperforming assets.

“Some mom and pops are going to throw up the white flag and say, ‘I can’t do this anymore,’” he said.

The pace of distress will accelerate, driven by occupancy pressures and tighter credit restrictions imposed by lenders during the pandemic, Pettit said. The firm is looking at opportunities to acquire properties at solid replacement costs, and is looking beyond its traditional bank partners to institutional investors for opportunities.

“That is appealing,” he said.

Senior housing loan underwriting has tightened significantly over the past year, Greene said. Discussions with Lument’s debt syndications group reveal that banks are lending selectively, depending on how their general portfolios are holding up and specifically on how senior housing performs.

Meanwhile, well-established owner-operators in markets that can truly demonstrate a need for new senior housing are able to secure construction financing, but more equity coverage is needed to complete deals — terms for interim financing and construction loans now come with 65% loan-to-value ratios.

Agency debt is taking a similar approach to managing their portfolios, in order to maintain balance sheets. In a new wrinkle for 2021, Fannie Mae, Freddie Mac and the Department of Housing and Urban Development are focusing on deals with high affordability components, which will receive preference on pricing and waiver considerations.

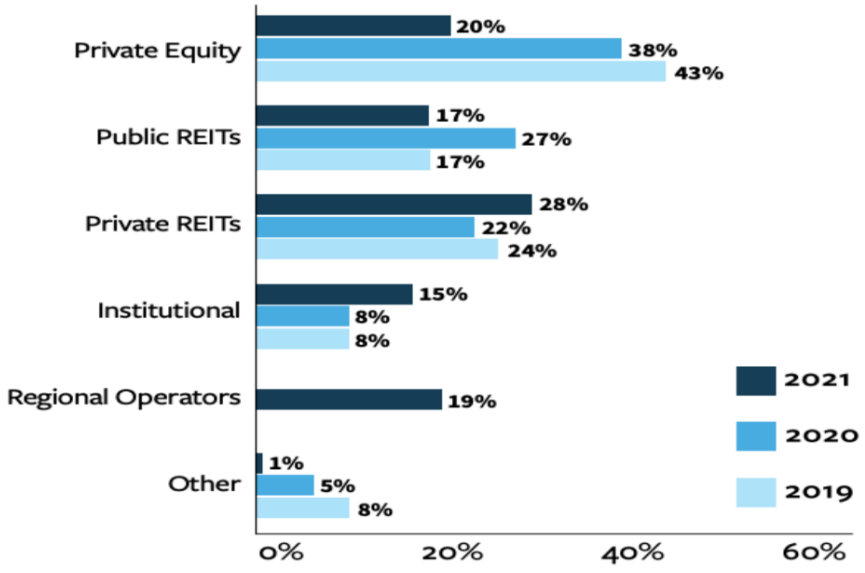
Finally, private equity is available for the right sponsors, and lenders are looking for yield in their loan terms.

“We have a good barometer on what’s going on,” Moore said.

REITs will drive activity

Real estate investment trusts are expected to contribute to an increase in M&A activity in 2021. Private REITs, in particular, are projected to be buyers this year; 28% of respondents in the SHN/Lument survey suggested that private REITs will pace acquisition activity.

Private REITs took the top position as an expected buyer of senior housing assets in 2021, after private equity was the expected frontrunner for acquisitions in the previous two years. Anticipated investor mix was fairly even among respondents.



Those REITs might find opportunities from public REITs looking to either sell off non-core underperforming assets or dispose of entire senior housing portfolios, Moore said. Denver-based REIT Healthpeak Properties, notably, cited Covid-19 as one reason the company is pruning its senior housing operating (SHO) and triple-net properties from its total blended portfolio.

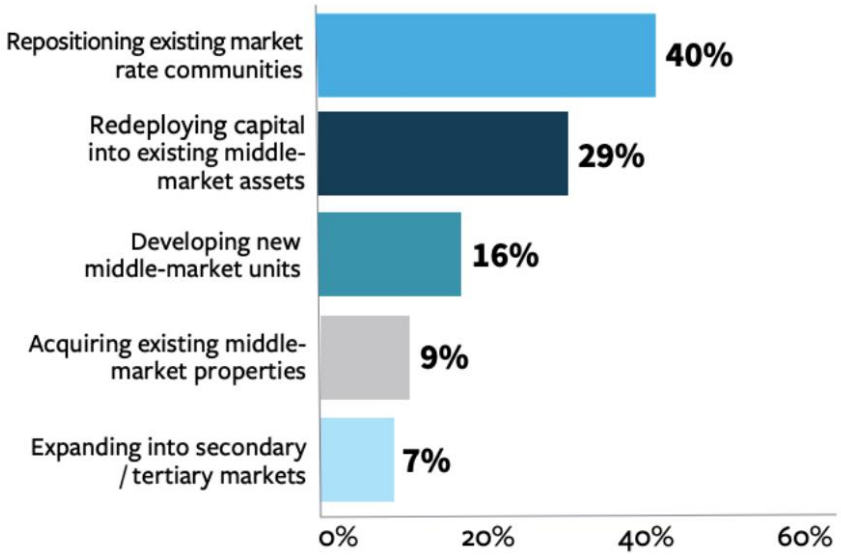
As the year progresses, Moore expects other public REITs to follow Healthpeak's lead in attempts to offset cash flow declines, and as rent reductions in their triple-net assets mount. Other regional operators will consider buying these assets, if the pricing is favorable. Pettit acknowledged that Merrill will capitalize on acquisition opportunities, if the terms are favorable.

"That's where JVs and partnerships with private REITs can become a vital source of additional capital to achieve some of these transactions that will be necessary to clear some inventory," he said.

Middle-market demand will increase

Covid-19 will make the demand for middle-market senior housing more acute. The majority of respondents in the SHN/Lument survey see the easiest entry to crack the middle-market in distressed and value-add communities whose values have been adversely impacted by the outbreak, allowing for favorable acquisition to replacement cost ratios.

With the middle market shortage still top of mind for industry stakeholders, most believe the most popular strategy for addressing the shortage will be to reposition existing assets, followed by redeploying capital into middle market assets.



The operators who do commit to a middle-market strategy will find even more demand as a result of the pandemic, Mace said. Seniors who did not have significant investments in the stock market may find their incomes significantly pressured, or they may have tapped into their nest eggs to support themselves the past year.

"The pandemic has changed the calculus a lot," she said. "The need is here. The demographics alone suggest the demand pool just gets bigger."

Merrill Garden made a significant investment into middle-market price points in December 2019, with the acquisition of Blue Harbor. Pettit agrees with Mace's assessment that the pandemic will force more seniors into the middle-market cohort. He also sees increased investor interest in repositioning older senior housing product to meet the middle-market cohort because these assets can be acquired at well below replacement costs, creating a feeder to new supply.

"I don't see as much opportunity to develop [housing] for a middle market, because of where development costs have been and what reality is in terms of developing or delivering new buildings at a cost per unit," he said.

R.D. Merrill is working on an unnamed middle-market brand that Pettit believes can serve as a model. But it will require a combination of a la carte services, particularly tweaks to food service and dining departments where wages and benefits account for 70% of full-time employee hours.

"In today's environment, you need to critically examine how you provide services to that segment," he said. "That opens up lots of opportunities when you look at where we believe some of the supply will come."