

---

Mark Hennessey: The Continuing Care Retirement community Council, I'm Mark Hennessey, Chair of the Council. I'd like to welcome members, participants and observers. A couple of pieces of housekeeping, I want to remind Council members, staff and the audience that this meeting is subject to Open Meetings Law and is broadcast over the Internet. Webcasts are accessed at the Department of Health website which is [www.health.ny.gov](http://www.health.ny.gov). The on demand webcast will be available no later than 7 days after the meeting for a minimum of 30 days and then a copy will be retained in the department for four months. Because there is synchronized captioning, it is important that people do not talk over each other. Captioning cannot be done correctly with two people speaking at the same time. If Council members wish to speak, please indicate so to me and we will accommodate your request. The first time you speak, please state your name and briefly identify yourself as a Council member or staff person. During public comment, we would ask that individuals state their name and the name of the organization they represent. It is important that you state your name clearly so the webcasting company will be able to caption and record this meeting appropriately.

I also want to remind people that the microphones in this room are hot which means that everything you say will be picked up and recorded in the webcast. It would be helpful if you minimize the potential background noise when people are speaking for that reason. Also, as a reminder for people in our audience, there is a form that needs to be filled out upon entering the meeting room which records your attendance at the meeting. It is required by the joint commission on public ethics in accordance with Executive Law § 166. The form is also posted at the Department of Health's website which is again [www.health.ny.gov](http://www.health.ny.gov). In the future you can fill out the form in advance to save yourself a little time when you come over here. Thanks for your cooperation in fulfilling our duties as prescribed by law. Members of the public are only allowed to address the Council if they sign up to speak during the public comment period. Comments will be limited to 3 minutes per speaker. Members of the public are not allowed to hand out materials directly to the Council or question the Council, they can only make public comments to the Council for consideration. So, one other thing I'll mention is I know many of us have electronic devices that buzz, beep or blink, it would be helpful if you silenced those devices so as to help us move through this meeting as quickly as possible.

At this time I'm going to ask staff if there is anyone signed up for public comments other than those pertaining to the Rivers Edge application. There are none? Okay. I know we have a few people who are here for the Rivers Edge application and that you're going to want a chance to address us. You will have a chance to do so when that application comes up for consideration. We'll allow for time for that specific discussion and for your comments.

So, I think that's all the sort of formulary stuff taken care of. Right now we're going to take up the first motion which will be the approval of transcript from the September 13, 2017 meeting. I know the transcript has been shared with everybody here at the Council. I'll just see if there's any changes that need to be made, anything like that. I'm going to assume that silence in this respect is an indication that no changes are to be made. So at this point I'll make a motion to call a vote on the adoption of the transcript. May I have a motion? The motion is first person to push the motion across is Ms. Stubblebine. The second would be Council member Barnett. And let me take a vote on the motion. All in favor say aye.

---

(Chorus of ayes) all opposed say nay. Oh sorry, I didn't say aye myself. Motion is passed. The minutes are adopted.

Next item on the agenda is some guest CCRC speakers. We had some discussion a few Council meetings in the past to have presentations on a rotating basis from different CCRCs. We're pretty pleased today to have two of those CCRCs here with us. We are going to take up I think Good Shepherd Village first. So if you wouldn't mind, it's the only article 46A fee for service CCRC in New York State and Mr. Keenan I believe is here to talk to us today as the President and CEO. And if you'd just like to start your presentation for the Council we'd appreciate it.

Mr. Michael Keenan: Thank you very much and I appreciate the Council inviting me here to speak a little bit about Good Shepherd Village in Endwell. I don't have a formal presentation but I did bring some of our brochures and I certainly appreciate the opportunity to talk about Article 46A facilities and their future in New York and what we've been experiencing for the past 9 years we've been open.

As stated, Good Shepherd Village is the only Article 46A facility in New York State and we've had enormous success with this model of retirement living. And I truly believe this model of retirement living will and can be spread throughout New York State. We opened in 2009 and we went from 0% occupancy to stabilized occupancy in 15 months. We averaged over 10 move-ins a month when we opened which is far beyond industry standards. I know there are life care models that opened in similar timeframes now that haven't had that type of performance. We've also been able to maintain independent level occupancies of about 98% since we've been open. We have a very healthy facility. We have about 270 days of cash on hand. When we financed, we took out \$63,000,000 in short-term and long-term bonds. We were able to pay off \$18,000,000 in short-term bonds within our first 4 years. We've refinanced now and we have a little less than \$47,000,000 outstanding and we're meeting all of our bank covenants. It's been a success beyond anyone's imagination. And I think some of the reason of that is because 1) we are able to have much lower entrance fees. Our entrance fees range between \$120,000 and our highest entrance fee is \$300,000. And those entrance fees are 90% refundable. One of the things those entrance fees do is allow us to have a much broader market. Our residents really are middle class income residents who worked throughout their life in the community and our largest contingent of previous professions are schoolteachers. Every September they have a big party, "We're not going back to school day" but that's the type of residents the fee for service community can attract; somebody who may have made 40- or \$50,000 throughout their life and many of our residents are couples where both of them taught school. But they have good pensions and they may be receiving \$40,000 a year in pension benefits and another \$20,000 in social security and our independent living fee is about \$2500 a month. so they can use 1/3 of their income, they have a monthly income, live carefree and still have spending money, still be able to do the things they want and because our entrance fees are lower, then can use the equity in their home when they sell their home as their entrance fee. So as I said, we've been open for 9 years and we've run 98% occupancy since we've been open and we have consistently have 18 to 20 people on our waiting list. So you would think with this kind of performance there would be a fee for service CCRC on every corner in every city in New York but that's not the case and I

---

think some of the reason is the barriers that New York State presents to development of CCRCs. The length of time it develops, the length of time it takes to develop these programs. I was approached by people in another upstate city to try and replicate Good Shepherd Village in their city. And these were developers who do big box stores and do lots of development in their community and when they heard a timeframe of 5 years from application until the first resident could arrive, they said, "We don't do anything that takes that long a time". They were like, "We can't invest money and look at something 5 years out" and I think that's why you don't have more private development. I mean every CCRC in New York is a not for profit even though for profit providers can do it but its very hard to commit money today and know that you're not going to even be able to have your first resident for 5 years because what's the financial landscape going to be 5 years from now? I think that's why every CCRC in New York is a commission driven not for profit organization is because the private organizations won't take that kind of risk and have that kind of timeframe that goes out there. So I think if the Council wants to see communities like Good Shepherd flourish, they really need to address how do we do this? When we built Good Shepherd Village in Endwell, our application was almost 7" thick and we had to ship 17 hard copies to the Department of Health. It was just an amazing amount of paperwork. And we're in Binghamton, New York and if I want to build a CCRC in Syracuse which is 1 hour north of me, it's a 15 to 18 month review process for a COA. If I go 50 miles south I'm in Clark Summit, Pennsylvania and it's a 90-day process. You know its not hard to see which direction we're going to go in and New York needs these CCRCs because when we introduced this in Binghamton, I had a lot of meetings with potential residents and I had residents tell me, I had one gentleman say, "We looked at 14 CCRCs online and we visited 9 and I was leaving my home until you made this announcement and now that I know this is going to be here, my wife and I are staying here". But I hear those stories all the time. When we look at our demographics, about 80% of our people are within Broome County and within probably 15 miles, and about 10% go out to about 60 miles. But at least 10% of our demographics are people who are moving back to New York from out of state because they now have a CCRC to go to. We've had people leave other CCRCs and come back to Binghamton because they said, "I can get the services in the style of retirement living I want now and still be home where my family was and see my children". As I said, the model has been a huge success. It's been more successful than anyone's anticipated and I'm hoping the Council will in future steps take actions that will make it easier to develop these types of communities. And I'm certainly open to any questions people have because there are a lot of differences between 46 communities and 46 paid communities and some of the items are better, some of them are worse. I don't fall under Reg 140 so as we said in the last meeting, I can take our reserves and invest them and the only restriction I have is what my bank tells me. My bank requires 120 days of cash on hand and a debt service coverage ratio of 1.2. So I have a load of advantages over the true Article 46A facilities which is probably not fair to them but I'm able to do some of this stuff but then I have other issues with entrance fee refunds and timing of refunds where we've had to hire management companies to do reports for timing issues. But as I said, I think this is the model of CCRC for the future. I know that the state has approved the Article 46A facilities to author fee for service contracts and I know that I received a call from the Governor's Office from a secretary to the Governor asking did I think that should be allowed. And I told them definitely yes. And they said, "Well why would you say that because you're in the same market as Kendal at Ithaca which is 60 miles and will be presenting to you next?" And really it will be difficult for

---

a true 46 to compete with a 46A because of the affordability factor. We can, our entrance fees are half the fees, our monthly fees are much lower than independent living. Granted they're much higher in skilled nursing. You're going to pay \$5,000 a month more in my facility when you're in skilled nursing but if you don't go to skilled nursing, you've done very well and if you do go to skilled nursing, you have a Medicaid component in our facility as well so we don't have to have the worry with the finances and we can allow people with a more moderate income to take advantage of the community. Does anyone have any questions?

Male: How do you deal with the spend down issue and the ability of the residents who do not need skilled nursing facility care? Do you find people sort of falling between the two stools?

Michael Keenan: We have one resident right now that we're subsidizing her monthly fees. One of the difficult things about a fee for service CCRC and it's especially different with couples is when one person stays in the independent living unit and one person goes into the skilled nursing unit because DSS, and New York State considers the entrance fee refund as an asset. And it's an asset that they look at when considering approval for Medicaid benefits in the skilled setting. Our local DSS has determined that the asset for couples is really split. So if I have somebody who's getting a \$300,000 entrance fee refund, our local DSS is saying 150 is for one spouse and 150 for the other spouse. So now we get to the point where we have to look and make a decision because I don't want to impoverish someone living in my community because the entrance fee refund is considered an asset. So in theory I can take the independent living spouse and make them spend every single cent they had and then drawn down half of the refund for the institutionalized spouse and the resident in the independent living would have \$150,000 in entrance refund that she can't use because she hasn't vacated the unit. What we've done is we've developed our own program where we look at a resident and say, "Okay we want this resident to have X amount of dollars to live on". We determine, when we bring people in we do a full financial review. We use a program that we bought from the company in Maryland called CCRC Actuaries and we enter a resident profile, put their name, their age, their income, their assets and it does like 20,000 iterations of them going into the skilled nursing home the next day to never entering. And it will give us a percentage of people needing assistance and because of our charitable organization we look to 20% as being the criteria for coming in so that we know when we're admitting people there's a 20% chance that we're going to be providing support. So when we see people getting down in their asset level, we will freeze them and then start to debit the entrance fee, because we made an internal decision that it's not fair if someone lives across the street and their spouse was in our nursing home, they can keep \$120,000 in cash, their house, their car, I believe it's about \$30,000 of monthly income and we said but if they come into our CCRC they don't own the house and because the asset of the entrance fee is frozen, that's still considered an asset, they don't technically aren't able to keep any money so we did our own program where we let them keep asset levels similar to what they would have in the community and we do a journal entry and debit down their entrance fee until the entrance fee is gone and then we lower their monthly fee. In a case where somebody's monthly income is no longer adequate to support them, we look at what their annual income is and we subtract \$12,000 from that because when we put people into that program, we anticipate they're going to need \$12,000 a year in excess funds over and above what our CCRC provides. So we now subtract \$12,000 from their annual income and we allow them to, whatever that figure is, we allow them to pay

---

back for their living fee. So our annual fee right now is about \$2700 a year. We had one woman who's husband spent 4 years in the skilled nursing facility, we're now charging her \$600 a month so that she can maintain the style of living that we sold to her when she came to Good Shepherd Village at Endwell. So it is a case-by-case basis where we have to look at each person's income and their ability to pay. You never want anybody who's impoverished living in your facility. You don't want people saying I can't go to a \_\_\_\_\_ because I can't spend this money.

Mark Hennessey: So could you talk to us a little bit about recruitment. Recruitment and new residents. Talk to us about your marketing efforts and how does somebody find out about your facilities?

Michael Keenan: Well one of the biggest things is word of mouth, our residents are probably some of our biggest recruiters who are recruiting their friends and people in the community. But we do do a lot of advertising on TV. We've advertised an active lifestyle. We send speakers into the area. And our community is not a big community. Broome County has about 200,000 people in the county and our largest principality is Binghamton and I think Binghamton is just under 50,000 there. But word of mouth has spread really well. When we opened and before we opened, we did a lot of focus groups with people in the community. We went out, we brought people in. When we designed Good Shepherd Village, we designed it based on the focus groups and the information residents gave us. One of the things we did that I think was very successful for us and I would recommend that any new CCRCs do this, there's always a push to get new depositors, new priority reservations, new 10% deposits and we had the same push, but we also maintained a focus on our priority reservation people and our other depositors and throughout the whole period, it took a good 3, 4 years, at least once a quarter we held a priority depositor event. One event was that we got 2 greyhound buses and we took everybody up to Rochester and we spent 3 hours at the Lilac Festival but then we went to Cloverwood because Cloverwood was designed by our architect and built by our construction manager so they could actually see and look at things. We contracted out for our food service department so another quarterly event, we called it *A Taste of the Village* and we brought in the food service company we had contracted with and they did all kinds of food displays and we talked about this is what dining's going to be like at the Village. We did another party and instead of having My Name Is, we had I'm going to be living at, and people started meeting new neighbors. A great story, we had two women come to one of our depositor's events and looked at each other and they were just amazed because they grew up next door to each other when they were kids and they played every day growing up throughout their entire young life and then after high school they went away. One went to college, one got married and they moved out. They found each other at the depositor event and they actually changed their location cause our cottages were duplexes so they used to tell people, we spent the first 18 years of our life living next door and now we're going to spend the rest of our life living next door.

When we got closer to move-in we held a move-in event and it was like a trade show except we brought in movers, we brought in decorators, we brought in people who could take pictures and put them on CDs. We just constantly did that and I think part of our success was we were able to establish a sense of community before we had any structure and those people stayed with us.

---

And we did go through a very, very scary period. I had probably 50 people drop out in a matter of 6 weeks. We financed the last week of July in 2007 and Barr Sterns went down the very end of August, beginning of September and Lehman Brothers went down, between mid October and mid November I had like over 50 depositors come in and say, "I can't do this anymore because my portfolio is half of what it was". And we had about 3 ½ million dollars of their money already invested and we had broken ground so there was no turning back so we went forward and eventually 45 of those 50 came back. And when they withdrew, we had always advertised preconstruction pricing, and then we had construction, post construction pricing, we allowed the people who withdrew because of the market change to come back after preconstruction pricing. So as I said the model has been a great success and we really just need to streamline the approval process to get it in every other facility or in every other state. We have a positive economic impact. We have about a \$13 million annual operating budget but we have a positive economic impact to almost \$19 million in our community. So we provide employment to about 130 individuals and, more importantly, we've kept 200 independent living residents and seniors in our community instead of having them look for other areas.

Mark Hennessey: Any other questions from Council members?

Tracy Raleigh: I'm Tracy Raleigh, Center Director for the Department. I appreciate your feedback on streamlining process. Do you have any higher-level specific recommendations that we could take back?

Michael Keenan: Well one of the things and this was spoken earlier today is you have to do a certificate of application to be able to take priority reservation deposits and when you get all your priority reservation deposits then you do another application to get your certificate of authority to start taking 10% deposits, if those two can be combined or put together somehow and the other thing we talked about is, and this is I think with CCRCs in general, there is a CCRC Council. You have Mike who oversees CCRCs but you also have the regional offices and when we applied, as I said, we had to send 17 copies of our thing down but our application just got torn up and you know the Department of Health for Nursing Homes, you've got the Nursing Home Portion. Department of Health for Assistive Living, got that portion. CCRC Council got the Independent Living portion and it was so fragmented. Our developer left. He came from Pennsylvania and his firm was in Pennsylvania. You know the State approved our COA and I think it took 15 or 16 months for the approval. Our development person said, "This is a 90 day process in Pennsylvania". He said, "I'm already like in the ground sometimes" and they left a lot of money. They left \$1 million on the table. They still make \$700,000 but they left a million dollars on the table and said, "We can't invest this type of time". So I think consolidating those applications for quicker turnaround. Because, as I said, the other thing is I have 3 ½ million dollars invested before we even broke ground. So it's hard to put that kind of money out and still not see anything for 3 or 4 years.

Mark Hennessey: Anything further question wise? Okay so thank you very much.

Mike Keenan: Okay thank you, I appreciate the opportunity.

---

Mark Hennessey: The next CCRC to speak is Kendal of Ithaca, Dan Governanti, Executive Director and Greg Sommers, CFO at Kendal at Ithaca are here today. I assume that's you folks, to discuss their Public Health Law Article 46 CCRC. So Mr. Governanti and Mr. Sommers the microphone is yours.

Dan Governanti: Okay well thank you very much, I'm Dan Governanti, Executive Director of Kendal of Ithaca since September of 2000.

Greg Sommers: I'm Greg Sommers, Chief Financial Officer since September 2014.

Dan Governanti: So we have a short presentation power point up there that we shared with Mike and we're providing you with some handouts. This is a little trifold brochure that we use in general for anybody coming in learning about us. This is a, I tried to get it on one page so that's small print, this is a summary of our project that we completed and now its in full operation doing very well. This is our rate sheet for all of our units. We're full life care Article 46. We have three contracts and attached is what's included in general in those contracts and kind of specifics. We also have the rate sheet in the power point.

So, I think this is my first time ever being asked by the Council to come. I really laude you for this and I hope all the rest of our CCRCs in the state take you up on your offer. It's a very good sign that you're interested and willing to learn about us and what we do and how we serve our clients and citizens in New York State.

So Kendal of Ithaca I think was the first CCRC to open and that was in December, 1995 and generally speaking why people choose a CCRC. I don't know how much you know, how much you don't know how much you looked for yourself or looked for your family members. So one of the things that CCRCs do is we combine housing, hospitality and healthcare and we offer the people who choose us a high quality of life over the long-term. We talk about the value proposition. Having that package, those things packaged together with high quality over your lifetime, over your remaining lifetime.

Your ability to afford the option is all pre-determined. So people who choose us plan it out and they go through a rigorous review of assets and income. We predict those out a number of different ways for the rest of their life. We model it just like retirement planning. So we make assumptions on revenue and expenses and we model that out and see where you are. Gregory knows a lot more about that than I do.

The design of the community all CCRCs are really designed to support environments for active aging, lots of social engagement and wellness. And I would say in the years I've been a licensed nursing home administrator since the early 70s, I won't give my license number because that would date me, but I would say the social components are perhaps more important than the health components for longevity and a good quality of life. Anytime you want me to say more about that I can get on my soapbox.

---

Our programs and services provide this continuum over time and over level of residency. So communities, people will age in place. It's kind of interesting perspective wise, by that we mean on our campus. And since you come in and you buy in, it's a mutual agreement, we would hope that you would understand that when the time comes that you may need a higher level of care that you're willing to accept that. In reality, a lot of people have to be coached, have to go through a process. It's tough to accept that even if you have bought into the full continuum. We do at Kendal of Ithaca a lot of movement back and forth, so people who were independent before they moved permanently to our health center which includes 2 levels of care; we have originally a skilled nursing facility that got expanded and now at 48 beds with 316 private rooms, neighborhood. That neighborhood model. And we have an adult home that is now assisted living and enhanced assisted living, 36 private rooms. So we have people who will move in because of temporary need, might go to the hospital and come back or they might just on the campus back and forth. We have lots of dynamic movement. I will say to you one of the recommendations when we get later in the program is it would be helpful if how we're regulated is you could make some effort to do away with the silos. Our nursing home is just like a regular nursing home, our assisted living is just like a regular assisted living. Even in the situations where we might have to place somebody quickly but we might call an emergency placement or urgent placement, we still have to jump through all the same hoops and quite frankly, our residents don't want to hear that. They bought in, "Hey you promised you would take care of me". They don't want to say, "Oh wait a minute, we've got to do a screening, we've got to do an assessment". We know our residents so that's a little sidebar.

So Kendal Ithaca, Quaker based. The Kendals came out of Pennsylvania as Quaker based communities all not for profit. We're a system of communities and services. Very interesting one, one that unlike any other I've been associated with decentralized system. We call ourselves a federal model. So just like the federal government has certain powers and differences with state government, same thing with Kendal system. The Kendal Corporation has us all agree to the same values, the same practices. You go to any Kendall you better feel you're in a real Kendal. If you do that, we've met our goal. We have affiliations agreements between us and the corporation. In New York, because of the development of Kendal at Hudson, they opened in 2000, the Kendals decided with the cooperation of the state that we needed a New York State affiliate so the Kendal and New York became incorporated, it's in Sleepy Hollow and our actual relationship with the Kendal Corporation is through Kendal New York. So Hudson and Ithaca relate to the Kendal New York Corporation. Same people as the Kendal Corporation, same function. Easiest way to explain is I don't have to keep checking with the home office. They don't tell us day to day what to do. They don't approve our activities. They do oversee us and say we have responsibility to make sure you're operating correctly. There are shared powers. So everything from choosing a trustee when we have a vacancy on our Board we have to choose somebody and they have to confirm that person, make sure there's no conflicts.

The project, the whole project has to be confirmed by our Board and by Kendal New York. Borrowing lots of money like we did same thing, if we go to change our contracts, same thing.

Oversight, so its oversight by the Department of Health, Department of Financial Services. We are accredited by CARF/CCAC that's a voluntary accreditation program. We are rated BBB

---

stable by Standard and Poor's even though we went through the project. And our goal is actually to increase that rating. We go through that process every year, if you're not familiar with that, that's not just a rubber stamp, we don't buy our rating, and it's quite involved.

And I'll just regularly explain that we recent earned the A.V. Powell seal, A.V. Powell is our actuary.

Gregory Sommers: It was the first time that Kendal of Ithaca has achieved that recognition from our actuary. As of the last study of December 2016, our actuary results of that study were strong enough to place us in the top tier of all the CCRCs in the A.V. Powell database. It's difficult to achieve and you have to have very strong long-term indicators. So strength. So for instance our funded status is 114% in the last that was the highest we've been at. We've got strong profit margins on our contracts for new entrants and our projected cash flows are extremely strong. So A.V. Powell's opinion was that in fact that we were in satisfactory actual balance but strong enough to earn their recognition seal.

Dan Governanti: You can go on their website and learn more about that. Our Nursing home has consistently been high rated. Our goal is to be 5-Star. We're still 5-Star. We look very closely at that and that's a system that is complex and changing. So it's not easy to achieve it or to maintain it. Brian knows what I'm talking about.

Sixty percent of our residents come from the local zip codes, Tompkins County. And Ithaca itself is a "Destination Market". People move back to Ithaca from around the country. It's one of the areas where in terms of our age and income qualified people that segment of the population is actually growing. Very few counties in Upstate New York are like that. I think Brian knows Saratoga and Glens Falls. It's a "Return to the Market". A lot of people come back to Ithaca from having such a positive experience especially related to going to college there. It's a "Join the Children Market". We have people coming here because their adult children are now actively working either on the campuses or some place and are making their homes in Ithaca and they're saying, "Hey mom or dad come to Ithaca and join Kendal it's a nice place to live".

Currently, we're trying to rebrand our marketing approach and not just be Kendal at Ithaca but we really want to be the Kendal of the Life-care Community of the Finger Lakes". So you all know the Finger Lakes and even though Ithaca and our Finger Lake is the jewel. So if you drive east/west on Route 5 or 20 start at around Syracuse that's where we're going. We're targeting our marketing in those areas and we're having real success in that. We just recently got into television. We have a nice television ad, 48 spots that we played during the Olympics and this is us. And those really were quite remarkable.

Why do people come? These are direct quotes from residents. "We like the Quaker values and philosophy that Kendal follows." People seek us out because we're a Kendal. And you don't have to be Quaker, you don't even have to be religious. We have a lot of people who don't follow a religion but feel that they will be treated a certain way a certain fair way. "We had some good friends living here and they urged us to move in before we needed it. It was good advice." Yes, we're constantly telling people, sooner is better than later. Don't wait too long.

---

You need to move in when you're independent, when you're still active and you'll take most advantage of all the programs that way. "Living here takes the burden off our children." Big factor. Especially where our residents have gone through the process of caring for their parents or their aunt, uncle or loved ones, they want to plan it out so their children don't have that burden. "I saw my parents grow older and more isolated when their friends died. I didn't want that to be my fate."

For our campus 105 acres, indoor/outdoor recreational areas; there's a pool, we have fitness/aerobics, woodshop, creative arts, library, tennis, gardens, lot of those kinds of amenities. Now we have multiple dining areas and the main dining area. We have in each neighborhood a dining room and a kitchen. We have assisted living dining and then we have a new café. We expanded our wellness and fitness programs intentionally with the project. We're now at 166 cottages, 69 apartments, one farmhouse. The farmhouse is interesting, it was part of an old farm. We got the farmhouse when we bought the property, we actually bought the property from Cornell. People think Cornell gave it, no, Cornell did not give us this property we paid for it. We have 36 assisted living enhanced, 48 private skilled and one of the abilities that people have is to stay connected in that community framework.

Here is a site diagram of the whole campus, an overhead. Lots of green space. The buildings in color, that lavender those are the apartments, the yellow is assisted living and some health services, the light green, those are the three new neighborhoods and that pinkish, that's the community center. The cottages face west and if I didn't have a lot of trees on the campus you could probably see the lake.

Admissions process – as Mike was saying, we have a priority list, \$1000 gets you on the priority list, refundable. We qualify people for living independently and contract with them. The main qualifications health and functional status, especially safety. So functional status is really the key. We actually don't have a list of diseases or diagnoses that get you and don't get you in, it's really how do you function. Income and assets have to be sufficient. Health insurance, you have to have Medicare Part A, Part B you have to have a Medicare policy, the minimum plan is Plan A. I don't know if you understand the alphabet soup of Metagap policies but it's an eye opener. And we help people with that. We explain that to people. People might come to us with a certain kind of Medicare that we say next time in open enrollment we want you to switch to his. It's better for your life here at Kendal.

Contract types – our overwhelming type is full Type A comprehensive with a declining balance. And 91.6% of our residents have that and that puts us in a very strong financial position. The fees vary between the size of the units, studio all the way up to 2 bedroom plus den. The type of the unit; Legacy is the term that we're using for the original units. So we don't say, "Hey the old units" the Legacy units. So people start now referring to me as a Legacy.

Deluxe, deluxe is interesting because some of our residents actually enhance them, they added room additions with our permission, with our specifications and really this expanded the usable space. So we said, "Alright, we'll charge more for those." 2G is second generation. So that's our new apartments, lead certified gold.

---

Select is an interesting term, that's our latest variation where we proposed to the Department of Health, Department of Financial Services we said, "We have a number of units that are vacant and have been vacant for over a year. And independent occupancy in the cottages is an issue for us and we want to try to discount those fees. And here's the program we call Select Units. Here's what happens on the discount" and again Gregory can explain that in detail.

The number of occupants – if you're single, there's a single rate, if you come in as a couple and you don't have to be married, we have lots of unmarried 2 persons, all different kinds, relatives, nonrelatives, everything else, but if you come in together the second person basically is getting a discount.

Monthly fees don't change when you go to higher levels of care, ours is steady. So the last monthly fee that you're paying in your independent unit when you go to assisted living, you go to skilled nursing same monthly fee, very predictable. We do change them mostly on annually. We've been intentionally holding back on entry fees. We've frozen entry fees for the last 3 years and we're trying to hold monthly fee increases to less than 3% and we've done that.

Gregory Sommers: We've done that. the last three years monthly fee increases have been 2.5%, 3% and 2.9%.

Dan Governanti: Our contract provides comprehensive coverage. I've seen some of the other contracts in the State of New York and the Kendal System. I would say without having the data, we're the most comprehensive. We're still covering prescription drugs, co-pays and deductibles, medical care transportation, lots of things. We do want to revise our contract and perhaps take some of those things out but we are very comprehensive.

Refunds – available up to 48 months, declining balance on this contract. We also offer a guaranteed 50% refund of entry fee and to get that you've got to pay a little bit more. And we recently processed a change to those multipliers. And we just for changes. If you're a couple and somebody passes away, then you're a single. If you change units, you move bigger or smaller we adjust your fees.

Gregory Sommers: I'd like to point out there in our refundable contract we only have actually 4 of them 4 like out of 240 so its our least popular contract. So our cash reserves that we have are really ours. We have \$52,000,000 of deferred entry fee revenue but only \$1.1 million that's going to be refunded. So that's kind of what leads to some of our strong actuarial long-term projections.

Dan Governanti: Type B contracts – so this is a modified continuing care contract. Entry fees are discounted, and this contract is designed with what I call, a wraparound long-term care insurance policy. I'm actually going to ask Gregory to explain this more than me.

Gregory Sommers: This particular contract leaves the resident at a little more risk for their own skilled nursing care in the future but, also ongoing, like on their monthly fees they don't include

---

some pharmacy co-pays and maybe Part B deductibles that they're on the hook in addition to their monthly fees. They've gotten an upfront discount and entry fee but a lot of them think to themselves, "Well I have long-term insurance so I don't mind taking on some risk of skilled nursing if I would need it." So that's why they still might do it. But that's only like 6% of our residents have this type of contract also. But, I will add that effective January 1<sup>st</sup>, 2018, just this year and there's no resident that has taken this opportunity yet but, anyone who signs this modified Type B contract in the future will get a 5% monthly fee reduction in order to help them really with those ongoing co-pays and deductibles. The savings kind of represents improving and purchasing a better supplemental plan than just Plan A and also purchasing prescription drug costs that can help them close the gap on these co-pays.

Dan Governanti: Okay the next is the fee schedule, so it's kind of complex. Not as complex as I'm told Kendal at Hudson but we could still fit ours on a page. Covered services, the next slide, this is the short list. As you can see lots of services. When you get on the right side, those things in italics with asterisks those are items that are not covered by the Type B contracts.

Demographic data – so current average age, 336 residents, average age 85.9. That's been pretty steady. What really helped last year was our average age at entry actually went down to 78.

Gregory Sommers: It was the first year since 2010 that it had been under 80, so we're happy to see it at 78.

Dan Governanti: We have nineteen people 74 or younger, we have forty over 95, this is pretty typical 33% men and 66% women that's held pretty steady.

Kendal's have Resident-Directed Activities. Kendal's are big on this. So we have a Residents Association which is a separate not for profit corporation that the residents own, not Kendal of Ithaca. They just decide what they want to do and how they want to do it. They raise their money for their activities. They do whatever they want to do. We help them. We're there to assist them but they really are empowered. They choose the lifestyle and the community life. That's their area of expertise. Our association at any given time has over 40, probably well over 40 activities committees. You can't take one-step in our campus without seeing something that's related to resident activities. They have Service Committees – this One Kendal Committee is very interesting, it started a little bit after I got there. I did not initiate it. The residents themselves wanted to stay connected between independent living, assisted living, and skilled nursing. They did not want people who went permanently to the health center to feel that they were banished, that they were disconnected from the whole community. So they formed a large committee, they call it One Kendal. It's a group of in-house volunteers and those people do things in the health center. They stay connected, they make visits, they bring people over to the independent side for programs and dining and everything else, it's wonderful. Very active committee on AV, computers, all those kinds of things. Lots of lectures, lots of programs. They also raise money on a philanthropic basis for local agencies and every year they go through a process of choosing what local agencies. They've been on a trend of two gifts made every year to good local agencies. They have a whole program, it's not just, "Hey, here's a check" you come you present, you explain to us, very nice, worldwide. We have a group of residents who knit

---

sweats, hats and mittens and send them all over the world. So Kendal gives homemade hats and sweaters who are now serving children worldwide and they get these postcards back from the kids. It's great.

Our Board has an in-house ombudsmen program, something they started again right after we opened, I'd say pre-Dan and its volunteers. It average two residents, they've got to be good listeners, they've got to be private. They help residents and even staff cut through all the red tape. Not to be confused with long-term care ombudsmen Tompkins County but we have those folks who service too.

I'll ask Gregory to explain the next few slides.

Gregory Sommers: We figured we wouldn't be allowed to leave unless we actually talked about occupancy a little bit so here is our occupancy information. on the Independent Living side, we do have 236 independent living units and our occupancy was 87.1 in 2015, decreasing to 81.1 in 2016. And as I note there, the main reason for that dip is we added 24 new apartments as part of our repositioning project. So our denominator grew larger. We filled all 24 of those apartments, 24 out of 24. So we basically marked it against ourselves in 2016 as people naturally moved into the newer apartments which is what we built them for. We knew there was the demand and there certainly was. So we lost a little ground on filling up the cottages. And then in 2017 we averaged 82.2 so we made some progress. Why the percentage isn't any higher is we also had quite a bit of independent living residents moving permanently into our health center. So that's why you see such increases in the occupancy percent in our adult home and our skilled nursing. We expanded our skilled nursing facility capacity by 13 beds and its filling right up, so you can see we average 93.4 in 2017 and 95.1 in the adult home. But I will say as far as independent living goes, we finished the year very strongly, at almost 85% occupancy which is 200 units occupied out of the 236 and hitting 200 was really a milestone for us. We hadn't finished the year at 200 or greater since 2009 so we're growing. We are in fact growing. More residents and more monthly fee revenue than we've had in many years. So this again kind of shows you some of the growth. Prior to the project we had been averaging about 15 move-ins every year with 23 new entrants. So for the last 3 years we've been doing much better than that, we had 18 move-ins in 2017 and 24 last year. And the big 34 is of course them moving into the new apartments. So all those new entrants 25, 55 and 41 the last 3 years that's a total of 121 residents, that's over 1/3 of our residents in our community have moved in in just the past 3 years. There is a lot of momentum, a lot of growth.

Now the impact of this growth in monthly fee revenue can be seen in our statement of operations. So 2015 short of \$19,000,000, and last year \$23,000,000, 22% growth in the two year timeframe and our income statement last year \$519,000 gain from operations. We are collecting more monthly fee revenue and the impact of that can be seen in this ratio slide right here, particularly net operating margin. Prior to the project we're coming in at -10.4, very, very poor indicator there. The new operating margin is important because it indicates does the revenue you're collecting can that cover the expenses it takes to take care of your residents? Just your residents, your core business. And if you're a negative that basically means you're taking from our cash reserves to supplement your short falls in operations. So 2017 we moved for the

---

first time in our history to a positive at .86% net operating margin. So I would say despite the fact that our occupancy percent might be lower than some might think it should be, it's strong enough to actually put us in a position where we have a positive net operating margin. Right now, even in our occupancy below 90% we collect enough monthly fee revenue, in part because our health center is also you know highly controlled and those monthly fees cover what it takes to take care of our residents. We're excluding depreciation and interest. And our cash resolve continuously grows. We collected almost 9 ½ million dollars in entry fee revenue last year and none of that, we're not scheduled to give any of that back because we sign Type A contracts predominantly. So 682 days cash on hand is very strong. It's one of the reasons we have our BBB rating and our debt service coverage ratio again very strong. Our bond covenant is only 1.2 and we're at 3.5. So those are very strong indications.

Dan Governanti: So I would probably say that as you learn more about CCRCs beyond the regulations, take some time and learn about these key ratios and indicators because its not just occupancy. Occupancy is not the problem and not the solution by itself, it is a major factor but if you have a high occupancy and poor indicators, you know you're headed for trouble. And if you have low occupancy and you want to be strong, you can make moves. You can improve your financial position not just with occupancy and that's a tough thing for people to understand. It's tough for people who try to regulate us to understand that. It's tough for my Board of Trustees to understand that. It's tough for the residents and the prospects to understand that. It's tough for everybody to understand that but you do have to understand that.

Challenges and suggestions. We're members of LeadingAge New York and I think currently all the CCRCs are members of LeadingAge New York; we're like a baker's dozen. We have our own Cabinet, all of our members are represented on. We're active on that. We're in touch with Mike and the Department, Department of Financial Services. We plan to present later to the Council later in the year our thoughts on improving CCRCs, of course Regulation 140 it's our annual request. We're getting closer and the latest thing on our list is this Cybersecurity regulations. I'll talk about that a little bit further.

But we just have a few ideas from Ithaca and we go to the next page. And these are just to generate some thought and dialogue if you wish. So we're in the health and long-term care business too along with all the other providers. I'll tell you and I've been in it since a long time, we're headed to a real disaster in New York State, nationwide but especially in New York State. We have currently critical workforce shortages, every thing from aides, assistants, nurses, therapists, administrators. And New York needs to really dramatically do something different to increase that supply. All the current efforts are not working. Again, if I was king of the world or prince of New York State, if I was going to encourage people to get an education and to help people with that I might want to have a program that says, "If you go into one of these professions and you promise to stay in New York after you graduate, we're going to forgive your expenses, your loans. We're going to help you somehow." But we are losing the battle.

We're dynamic CCRCs are a dynamic community. We need flexibility. If you go back to the original legislation, the original regulation, it has a beautiful preamble like I don't carry it around with me anymore. I used to bring it out to every meeting, but it speaks to CCRCs that being a

---

new kind of community and needing flexibility. Very few examples of regulatory flexibility. We do live in silos. I'll give you a simple one; universal workers. There's different rules for home health aides, personal care aides, certified nursing assistants. We can employ all of those folks, why isn't there one program for those kinds of workers that's certified? It's not just taking care of seniors, you have people who have long-term needs, long-term disabilities. It actually is so bad that we employ certified nurses aides who work in our Assisted Living where the rule is personal care needs. There's different authorities that they have between those but, I don't have my name badge on, we cannot call somebody in our Assisted Living a Certified Nurses Aide even though they are Certified Nurses Aides because that position doesn't exist in Assisted Living. So that's a silo. Lots of other examples along with those admissions and discharges and move-in.

We need to be nimble. I know that on the health side that's a highly regulated environment. They don't respond quickly to change, marketplace change but we're also in the housing business and the hospitality business and there are changes that go on in our marketplace. Things go hot, things go cold. We need flexibility to adjust to that. If we have to submit a process that's going to take 6 months to get some approval, some incentive, some discount, the market says we're not waiting 6 months. You're buying a house in any community, and that house is not selling, what's the real estate people tell you? We're going to drop the price or we're going to make low offers.

Alright, oversight. So the more that the Council could help clarify the positions between the Department of Health, Department of Financial Services it would make our life a lot easier. We're not against oversight, it's required, it's needed. We tell our prospects you can't have more oversight than you have in New York. You should feel secure. And I say that a little bit laugh because things do happen. Cybersecurity, any of you familiar with these rules? Cybersecurity rules at the Department of Financial Services. The CCRCs quite frankly got totally surprised. We get a letter from the Department that here's all these rules that you've got to comply with and you've got a month to do it, a month. Where'd this come from? Well it came from regulations that were passed over a year ago. And I don't think the Department actually thought we were covered and that was our first question to our Association. We don't think we're covered entities. We're not a bank, we're not a credit company, we're not an insurance company and I know you were worked about the Equifax breach and I know and I hope my bank, my own bank is meeting these rules. My own credit card companies are meeting these rules, my own insurance company are meeting these rules. But for CCRCs this is a mandate that 1) we can't implement on time, we're all in violation, and 2) it's extraordinary. The complexity of it, the level of qualified people that you have to have do this, and we don't have individual accounts on every resident that are going to be breached. The most we have is those \$1000 deposits and they should be in a bank that's meeting these rules. We already meet all of the privacy rules under HIPAA and those and we have a process to monitor that, detect that, report that, and at Ithaca we've expanded that to all confidential information, all that financial information not just protected health information. But this is a serious issue and us and our association is going to be addressing this more with the department. But, this is one of those things, wait a minute, who's got the real regulatory authority to tell us things what we have to do that we're covered under something? And quite frankly we believe that the Department of Health has that authority. The

---

\_\_\_\_\_ has very definite authority in law in regulation. We go through the triennial orders. They could do a lot. There's no book that they can't look at, at Kendal, they look at them all. But that would help.

So, please visit us. If you're ever coming through the beautiful Finger Lakes and Ithaca, give me a call, send me an e-mail, you're welcome. You're welcome to visit us on the web. The second web address there is our resident's association, that's a very active website you can see what they're up to. If I want to know what the menus are and what the newsletter says and even sometimes the temperature and the weather conditions, it's there. Betsy is our Director of Marketing, she would have been here but tied up with some other things and Gregory and I welcome your comments, feedback, any questions?

Mark Hennessey: Check to see if there's a question. I think Council member Sheehan has a question.

James Sheehan: So I'm from the Attorney General's Office overseeing nonprofits but I have larger questions from your presentation.

The first is, if you look at your schedule of fees and the actual qualification for residents, what's the minimum income that people need to qualify to get in?

Gregory Sommers: Well that's decided in all that stuff. But I'm thinking as I look at it, the typical amount of resources somebody might need is probably, over a 10 year timeframe, is probably a million dollars. They are going to have to have resources of over a million dollars over a 10-year timeframe. So the annual income is comfortably probably like \$80,000 would probably do it for at least a 1 bedroom.

Dan Governanti: We have a lot of people who do the sale of their house, they're using that for the entry fee or most of the entry fee and when they consult with financial planners and more and more financial planners, state attorney's, trust officers are understanding the value proposition here and are willing to advise their clients that you can even withdraw some of your assets to cover this entry fee. Good question.

James Sheehan: The second part is, it sounds like you're in a birth dearth period so the 30s not a lot of people were born, most of your New York residents are in the 30s. And I look at, you heard the 46A discussion from the previous speaker, if there were more 46A facilities, how would that impact your business?

Dan Governanti: When 46A came along the existing CCRCs were concerned that there wasn't an option of contract, we did look at it. Now we could if we wanted to submit a contract that way. Right now you would have to have a dramatic amount of CCRCs whether they're 46 or 46A increase cause we're all spread out. And Ithaca really doesn't compete with Broome County. I actually was from Broome County and I actually was from Good Shepherd Fairview Home and after I left Mike came in and he built the villages. And that marketplace those people want a fee for service contract. We don't have a lot of people from the Binghamton/Southern-Tier market

---

coming to us. You already have in New York State many more full campuses all over the state that have independent living, assisted, skilled, homecare and good campuses, good providers and they don't want to become CCRCs because its too many regulations, too many reserves, so they do everything on separate contracts. So, I don't think, unless it was dramatic, it would really impact us. Our real competitor home and community based services. So if you're living in Ithaca, if you're living in Cornell Heights, Cayuga Heights where we are and you've got the assets and you've got the income and you could bring all those services to your house, that's your preference. Now, if you're life shrinks down to 5 people coming to your house, what kind of quality of life do you have? So people are choosing us because we are an active community.

James Sheehan: The third issue, you talked about the critical shortages of staff, Tompkins County is the fastest growing place in Upstate New York. How universal do you think this experience is in more slow growing areas?

Dan Governanti: The workers shortages whether you've got growth or you don't have growth, there is not enough, there is in the population of currently employed nurses, they're all aging out and there's not enough coming up behind them. Licensed Administrators, I would say the same thing. It is across the board and among the providers, competition is heating up and we don't like being competitive with each other but now we're in survival mode and its between sectors. We have a little bit advantage at CCRCs that in terms of a work environment you get to know people over time, its not a typical nursing home environment, not typical adult home environment. But that doesn't really cut it when you're competing in the open market, wages and benefits.

Gregory Sommers: The physician's offices particular and then hospitals. But you know physician's offices they hire people away because then you don't have to work weekends and its less on call.

Dan Governanti: Monday through Friday 9 to 5. I can't say it enough and soon I'm going to be retired and if we stay in New York I want to make sure that there's going to be people that could meet my needs and we're losing. So whoever you know, and in the current state budget there's some more things in there but it's all piecemeal, its not dramatic, its not going to do it.

James Sheehan: Thank you very much.

Mark Hennessey: Any other questions from Council members? Council member Barnett.

Harriet Barnett: Its just a comment if you saw me shaking my head I live in Candle

\_\_\_\_\_.

Dan Governanti: I gather that, I saw your name and I saw your place and I'm pleased to hear that. Candle \_\_\_\_\_ when this council was originated we had resident members on the original council and when the council changed we had members on it too. And I think it's very important to have members from residents and all the rest of the spectrum of representatives. If you think

---

of a question after we leave here by all means ask. I tell everybody no dumb questions, there's only dumb answers.

Mark Hennessey: I do have a question. So you talked about your change from net losses to net revenue, I applaud you for getting to that space, that's fantastic. Is that solely as a result of change in fees or how exactly?

Gregory Sommers: It's more a result of expanded capacity.

Mark Hennessey: Oh it's the capacity okay.

Gregory Sommers: You know 24 more apartments and the 13 extra skilled nursing beds. So we built new space and we filled new space so we have more monthly fee revenue. So its more a result of monthly fee revenue growth.

Dan Governanti: On my side its very conscious expense management. And we went through a process to look at our selves early in our project and decide what corrections to make. Because we're Quaker based I don't use references to battleships but if we were such a large vessel...

Mark Hennessey: A big cruise ship?

Dan Governanti: Right a big cruise ship, you need to make small cross corrections to get where you want to go. And we're going upstream on this. Our original contracts, our original design was we would borrow from entry fees to manage operations. And over time that got worse not better. So when Gregory talked about this, here's a simply way of thinking it. What are your monthly expenses, and your monthly revenues? Monthly fees and monthly expenses, what are the expenses, payroll, supplies, all those kinds of things. And you want those to be in balance and you want those to be on the plus side. If they're not, if you're running that deficit and you're right, you're borrowing from your reserves. Luckily we amassed a whole bunch of reserves but, that's a downhill slide. So that's it I can't emphasize enough, this was a religious moment for me because I was not a believer originally until I saw, oh wait a minute that's where we have to go. We have to go on as one of the key factors and we monitor constantly now. And now we have our Board of Trustees, our Finance Committee who's bought into it so much, its like wait a minute, why isn't there more? And we have a plan to get it to more.

Tracy Raleigh: Just a follow up to that so was the new capital, the new units? Was that critical in terms of marketing and growth, was that a point that you realized you needed to invest?

Dan Governanti: Yes.

Tracy Raleigh: From a marketing perspective?

Gregory Sommers: I mean the actuaries were told we would have ran out of health center beds if we hadn't expanded our health center but I think it becomes pretty clear, you can see on that campus map that we're kind of spread out and then there's a lot of long walks to the community

---

center and people, we are average age entry lowered to 78 though had been a little bit older, closer to 81 in a lot of years and that older crowd were older than the original founders weren't quite so excited about moving into the farther away cottages and so apartments was what was in the marketplace, told us that's what we needed and that's what we added and we really quickly filled all those up. So that's why we went in that direction and the monthly fee revenue from that is big and right now, what would be your preference? I could come in and say we're at 94% occupancy if we never did any kind of repositioning project but then my net operating margin might have continued to be -10.4, my cash, so we're stronger by having done our repositioning project and we've got a lot of people in the pipeline so we know we're going to get to 90% here in a little bit more time. I think selling predominantly Type A contracts takes a little bit longer. If we were offering 90% refundable contracts to everybody, I think we could get a higher occupancy a little bit quicker, but our approach typically Type A but then we have strong cash reserves as a result.

Mark Hennessey: Any other questions? Doesn't look that way so thanks so much.

Dan Governanti: Thank you very much, have a good meeting. Thanks Mike.

Mark Hennessey: So the next item on the agenda is just an update on the Regulatory and Framework Improvement Committee. I know you all had a meeting this morning and some folks came to speak. One thing, before we even go further on just that update, I wanted to mention to folks that we were very blessed to have Alicia Liable-Kenyon accept the nomination to be the Chair of that Committee and she's been approved as Chair. So thank you so much for that and if you wouldn't mind just filling us in a little bit on this morning's proceedings that would be fantastic.

Alicia Liable-Kenyon: Sure. It was a great first meeting. I think really our focus was trying to identify some of the challenges that were expressed today by some of our speakers and then we had some gentlemen on the phone who have extensive knowledge of the industry and then moving forward, how is it that we can help tackle some of these problems that we can make New York be a little bit more business friendly while remembering that these regulations are in place for a reason? So we identified some key areas that we'd like to tackle, just a couple of them as looking at outside admission policy, a single contract, how to make the profits a little more streamlined for new CCRCs who want to enter the market, and then as well, how do we help CCRCs transition out of the market? Looking at the regulation 140 reform, where investments can be made, the sniff bed requirements. Was there any other topic that we had included for next meeting?

Male: I think that was pretty much it.

Alicia Liable-Kenyon: There definitely is a lot of really good insight and we have a lot to tackle so we'll start putting those on the agenda over the course of our next couple of meetings. And again, we're here to help and to see how we can make this process easier on everybody and work through some of those challenges that have been identified for quite a few years. So I think that's about it.

---

Mark Hennessey: Any questions by Council members?

Harriet Barnett: Would it be possible to get a copy of the things that you discussed so that your mind can start addressing those possibilities?

Alicia Liable-Kenyon: Oh yeah, absolutely.

Male: When the transcript becomes available I can make it. It was webcast so everybody knows it is subject to Open Meetings Law and it was held here with a webcasting company so if you'd like to watch it you can go online and there will be a little link you can click on it as well and there will be a transcript as well, so we can make that available.

Mark Hennessey: So, at this point we've been together for a little while now and I was hoping just for the sake of decency that we might take just a 15-minute recess and give folks an opportunity to attend to things they might need to. So I'd like to have a motion to go into a 15-minute recess. Do I have a motion? Moved by Council Member Liable-Kenyon. Can I have a second? Moved by Council member Barnett. So we'll take a 15-minute break and we'll be back here say at 10 minutes to.

In the agenda is a motion to approve a Certificate of Occupancy application, Certificate of Authority application okay, to establish River Spring Health Senior Living Incorporated as the operator of a CCRC to be built on the Hebrew Home of Riverdale, River Spring Campus and adjoining property. We have members of the public present who wish to make public comment regarding this application. I'll allow time for public comment after the application has been presented. May I have a motion to present that application to the CCRC Council. So moved by Council member Stubblebine, can I have a second? I'm not sure who that was? Okay second by Council member Sheehan. Mike Heeran is going to walk us through the materials. There will be time for discussion after they speak so please let them get through the materials before we start any questions. Mike.

Michael Heeran: Thank you. I'm going to briefly try to read through some of the important points in the Executive Summary and then point to some of the other materials in the application. I know there's a lot of material here and hopefully you've had time to look through some of it but we are here to answer any questions that you may have as we go through this application. The application before us is River Spring Health Senior Living, Inc. doing business as Rivers Edge to build, which is a not for profit, New York State not for profit corporation to become approved as an operator for CCRC to be build on the Hebrew Home for the age Riverdale's campus. It's an existing 19-acre campus on the Hudson River and they also are applying in the second phase to expand onto a neighboring piece of property. The sponsor does not own or operate any other facilities and they're going to do this in two phases; the construction will occur in two phases; phase one of the CCRC will consist of 271 independent living units in a 12 story building to be constructed on the 19 acre campus of Hebrew Home. And phase two consists of 117 independent living unit apartments in two buildings with a connecting garage, level ground floor built as follows; four story 41 ILU building, a 6 story 69 ILU building, and a

---

garage level ground floor that contains 7 ILUs. The phase two south campus buildings will be constructed on the adjacent property currently owned by Hebrew Home for the Aged Riverdale Foundation. The proposed application does meet the requirements set forth in regulation and the proposed operating group did meet the requirements for character and competence.

The primary market for this CCRC is at a zip code located in a 10-mile radius around Hebrew Home that covers approximately 69 square miles of the Riverdale section of the Bronx and the communities in South Western Westchester County, along the Hudson River. For planning purposes, they've estimated 75% of the residents are expected to originate from this area and through the marketing analysis they confirmed the viability that there's an independent living market sufficient to support the proposed community and so therefore it met the requirements set for in the regulations for approval. The project has an estimated budget of \$513.5 million, that's \$353.3 million for the North Tower only and \$160.2 million for the South Campus including the working capital requirements. The construction of the campus, construction of the proposed community will be financed in two financings; there will be separate financing for the North Tower and then there will be one for the South Campus. It is important to note that the proposal does demonstrate that the North Tower, which is phase one, can stand alone financially without phase two actually occurring. The proposed community will offer a life care only which is referred to Type A contracts. They're going to offer and they're primary contract will be 80% refundable contract and then they'll have also a 50% refundable contract and a traditional amortizing plan which will amortize the refundable portion of the contract over a period of time.

I'm just going to go through some of the other points in the application I'd like to point out. There is a proposed timeline in the application. So for phase one for the 271 living units in the North Tower and the North Campus, they propose a timeline by March 2019 to achieve 75% presales, that's their requirement for the financier in order to begin construction. The state actually, under our regulations requires 50% presale but their financing requires 75%. In June 2019 they are proposing to begin construction on the North Tower with the first ILU occupancy in the North Tower in September 2021 and they are proposing to achieve stabilization in 2024.

Now, for phase two which is the 117 ILU apartments on the adjacent piece of property, the timeline is as follows: in July 2021 they'll achieve 75% presales, in October 2021 they'll begin construction on the campus, January 2024, they'll have first ILU occupancy, and then March 2026 they'll achieve independent living stabilization. It's important to note that its not only the presale requirement that they need to meet in order to begin construction, the Department of Health under the regulations §900.10 also has requirements that need to be met before the provider can begin construction. We also have contingencies on this project, we'll explain that later.

The community will be served by the current Hebrew Home campus for skilled nursing and assisted living. The community will do that under contracts with Hebrew Home so they've proposed to enter into agreements for existing skilled nursing and assisted living therefore, they won't have to be built as part of the community and meet the separate requirements that are needed for that which was similar, I believe, to the last application that went through.

---

With the application there is some supporting documentation to prove viability through a marketing analysis conducted and also there is an actuarial study. I will note that this will be the first CCRC in the New York City area. We do have some neighboring CCRCs to the New York City area; we have the Amsterdam and Harborside in Nassau County which is approximately 30 miles from the proposed CCRC. That community offers life care contracts with 3 options, a 75% refundable, 50% refundable and declining balance. And that community which has an ILU capacity of 229 is at 96.9% occupancy. The Knolls in Westchester County which the Council is familiar with which was formerly Westchester Meadows is located 18 miles north of the proposed CCRC. And The Knolls right now but they filed with us last year I believe or the year before is offering Type B modified contracts and Type C, Type B and Type C contracts only. They're not offering life care. And that community is on the rebound. They went through the bankruptcy process. You'll hear a little bit later they're approaching about 70% occupancy right now in their ILUs and they project to be around 80% by the end of 2018 based on the current marketing activity for that CCRC. And Kendal on the Hudson, our Council member Ms. Barnett's community is located in Westchester County 23 miles north of the proposed CCRC and Kendal on the Hudson offers Type A life care and Type B modified contracts, but I believe its just primarily a life care Type A community and they are of 222 independent living unit apartments and its currently 86% occupied. Based on the information presented in the marketing study, we do feel that the Department has recommended that there is a meet some requirements that the facility is sized appropriately, is offering the right type of contracts, and can stand alone financially, phase one can stand alone financially should market demand not support construction of phase two.

In the financial review, I just want to point out a few items. The project will be financed by a combination of permanent and temporary debt. The permanent debt will include Tax-Exempt rate revenue bonds for approximately \$89.8 million for the North Tower which is phase one and \$45.2 million for the South Campus which is phase two. The temporary debt will include Tax-Exempt Fixed-Rate intermediate bonds for of approximately \$215 million for the North Tower or phase one, and \$100 million for the South Campus which is phase two. All temporary debt is planned to be retired with entrance fees from occupancies in the independent living apartments. We will point out that the nature of this application requires that there is demolition of the site preparation to occur in phase one and that the City Environmental Quality Review Seeker Process must be completed and that certain zoning requirements such as Uniform Land Use Review Procedures often referred to as ULURP must be completed for the phase two site. As such, delays may occur in the construction timeline which could impact the estimated cost of the project. To speak more about the proposed contract types, they are proposing to have about 80% of the contracts, just under the 80% be the 80% refundable plan, and the proposed B structure that they did propose offers discounts off of that price for the 80% plan for the 50% plan and the traditional plan. So if the person doesn't want the 80% plan they can choose the 50% plan or the traditional plan. One discount gives a discount off the entrance fee, the other gives a discount off of the monthly service fee. Again, this is Type A life care only. So it will cover the person for life as they move through the health care continuum with the services to be provided in the neighboring campus site Hebrew Home.

---

We did place contingencies on our recommended approval. The first phase when we approve a CCRC is for the CCRC to receive a conditional certificate of authority certificate, conditional certificate of authority to operate and this allows the operator to market the community, enter into 10% contracts with perspective residents and collect that money and demonstrate that there's demand for the community to meet requirements for financing before they even move towards construction. And there is no contingencies placed on that phase. If we approve the application as a Council today, they will be issued by the Council a Conditional Certificate of Authority to engage in that process and to start entering into contracts as a CCRC with the perspective residents.

There are a number of contingencies for the next phase which is what must need to be done to satisfy the start of construction on the site. They have to submit revised materials because there will probably be a period of time that expires so they'll have to submit all revised financial materials to the departments. They must demonstrate that state and local approvals have been obtained with any outstanding issues resolved related to the proposed construction. They'll have to provide executed agreements that they'll now be able to do when they're approved and some things on the land lease and some other legal requirements for documents that, again, once they're approved as under the Conditional COA as a community, they can star to execute. Again, they will also need to meet the requirements of the Department under regulation 900.10 to begin construction.

Then after construction, there will be another set of contingencies that need to be satisfied before they can even occupy the independent living units. The applicant must demonstrate that Hebrew Home has obtained all the approvals to provide the proposed assisted living program services that they put in the application for the independent living unit residents. And, the applicant must be able to provide a certificate of occupancy before we give permission for them to occupy their ILUs. And each of these must be done for each phase. So as they do phase one, we'll have to meet the contingencies for phase two.

There is some conditions also on the approval that all necessary Department of Health approvals must be obtained related to the decanting and demolition of the Goldfein Pavilion. That's the pavilion that will be, the building that will be taken down as part of phase one of the project. They must submit the completed financial transaction to DFS. There's some other requirements as far as getting approval of an equity transfer for certain monies and that they cannot use the assets of the CCRC to be collateralized for any other debt service. Also, under our law and regulation, they do have to seek approval to use escort entrance fees or entrance fee deposits to be used they do have to submit request for approval by the Department and that condition is on there as well. Also, at the time they go to execute, they have to keep the disclosure statements to the residency agreements updated with the Department of Health and Department of Financial Services.

That was a quick run through of the application. Does anybody have any specific questions that they'd like to raise about either the application exhibit, the application itself, the attachments?

---

Mark Hennessey: Could we have the applicants join us just in case there's questions from the Council. Are any of the other staff persons here? I know we have representatives from DFS here as well. And just for the folks in the audience who still want to give public comment, that's coming, we promise. We just want to have an opportunity to have this discussion and then we'll bring you in for public comment as well. So are there any questions from Council members to the applicants? Council member Sheehan.

James Sheehan: Could you just walk us through the ULURP process. There's references in the letters we received about references required in order to do either the North Campus or the South Campus. Can you walk us through how that process works?

Dan Reingold: I'm Dan Reingold, I'm the President and CEO of RiverSpring Health, the applicant. I'm not a land use expert but in living with them long enough that maybe I can respond to your questions. The ULURP is a Uniform Land Use Review Process in New York City. This is the first CCRC that's going to be built in New York City. The zoning was changed in I want to say 2015 under Mayor De Blasio's ZQA initiative where he created a CCRC as a permissible zoning to be allowed in New York City. The ULURP process, the North Campus is designated as R4 zoning, the South Campus is designated as R11. R4 currently is a much more broad definition allows for nursing home and other kinds of related activities including a CCRC. When the zoning was changed in 2015, there used to be a special permit requirement typically known as a variance but a special permit had been needed, that was lifted on the North Campus. So on the North Campus no special permit is needed to build the phase one. We would need permission from the City Planning Commission but not from the Community Board or the City Council. So that's one of the reasons we're doing this and presenting it in two phases. On the South Campus, the R11 zoning is zoning that is prescribed for what's called Single Family Housing but again, when the zoning was changed, a CCRC was a permitted use under the R11 with a special permit. We have applied for a special permit and the ULURP process and what we did in order to provide full transparency in the zoning process is that we put the entire project into the ULURP process even though phase one does not need to go through ULURP. So that was done as a courtesy to the community to engage in conversation and to have open dialogue. During the process the Hebrew Home has made no less than six significant architectural changes in response to community and neighbor concerns resulting in what you're seeing as the final application. And so the R11 which is the phase two, does require a special permit and the ULURP process which is underway contemplates that we would get a special permit to build phase two as well as phase one. I'll just point out that there is an existing building on the South Campus now which predates the zoning, so its not that we're building a building on an empty parcel, there's a 75,000 square foot building there. There's a 5,000 square foot other building there all of which would be demolished to make way for this new zoning. To the ULURP process is underway. We are engaged with the city in that process. We anticipate, we've already had a series of informational meetings with the land use committee of our community board. We expect that the land that the ULURP process will pick up speed once the COA is issued, that is a prerequisite to getting to going forward under ULURP and we will proceed with the ULURP process. It is our hope that we'll have ULURP completed by October/November of 18 and I hope that answers your question.

---

James Sheehan: There was a reference in one of the questions we received concerning a variance required for the phase one for the heights is that...

Dan Reingold: Yes, again there's a height variance that would be required I think anything over 45 feet. So even no matter what height we were at we would have to go to the City Planning Commission but that does not involve going through ULURP or to the community board.

James Sheehan: Thank you.

Mark Hennessey: Other Council members who may have questions about the project? Anybody else DFS, DOH folks?

Tracy Raleigh: Tracy Raleigh from the Center for the Department, has it been determined through the process yet whether full environmental impact statements will be required? Or is that still...

Dan Reingold: Our understanding is that we do not need a full environmental impact statement. I don't think that's been determined yet.

Tracy Raleigh: That was ours.

Mark Hennessey: Anybody else? Okay well I'll excuse you all from the area here and we'd like to one at a time have folks who might come up and, well I just want to check, is there any further discussion by Council members after that? Okay. And now we'd like to have if we could any individuals again, one at a time or if you're together as a group come on up and please give us public comment. Who ever would like to start? The one reminder I would say to folks who are coming to address us is please make sure to state your first name and last name and let us know if you're from an organization of some kind. Just for the captioning.

And one thing I have also been advised okay is that folks in the back of the room are having a little difficulty hearing so as loud as you can be that would be wonderful.

Jennifer Klein: Thank you for the opportunity to speak today. My name is Jennifer Klein and I'm speaking for the Riverdale Community Coalition. The Riverdale Community Coalition is a group of homeowners and residents who originally formed as a reaction to the proposal of the over scaled Rivers Edge CCRC. This was first presented to the community in January of 2013 now 5 years later we are a coordinated group reaching out to coordinating with every major community group in the Riverdale area. We are by no means the first Riverdaleans to seek further protections. For more than twenty years Riverdale's groups including RNP here today have challenged in compatible developments and for good reason. Riverdale is a Bronx neighborhood with close proximity to the City. It is a place where many families seek refuge from the fast pace of life in Manhattan. It is a residential neighborhood with a diversity of people of all ages and from all walks of life. Within Riverdale there is a diversity of architecture from old historic mansions to more modest brick or timber homes and some edgy modern classics, all having one thing in common, they are compatible in scale. These homes are often

---

tucked tastefully into hillsides, behind hedges, stonewalls and wooden fences. It is a place where beautiful trees often dwarf the homes and well established gardens in one of New York's last remaining single-family residential districts. The new provisions advanced by the Mayor under the rubric of zoning for quality and affordability ostensibly to promote affordable senior homes have become a vehicle to allow apartment buildings in an otherwise sacrosanct R1 special natural area district. The luxury Rivers Edge CCRC if allowed, would be Riverdale's most expensive apartment building and the biggest apartment development since 1970. The application calls for the type of careful analysis that we know this Council would want to conduct. It also has precedential considerations beyond just this one property. This application will be seen at the gold standard of all CCRCs. The first of its type in New York City even more reason to get it right the first time. If CCRCs are built in R1 low-density residential neighborhoods, then they should be compatible with the scale of the neighborhood. We would support the concept of a cottage scheme on the Southern Campus.

In conclusion, we do not oppose on a stand-alone basis the CCRC on the North Campus but oppose the variant sort for the height of the 12-story tower currently proposed on the Northern Campus. We oppose the Southern Campus Apartment towers of 4 and 6 stories. Finally, to the extent that the Hebrew Home is seeking at this time approval for both phases, we oppose the application in its entirety and therefore ask the council to reject the Rivers Edge CCRC in its current configuration and in any other configuration that includes the construction of multifamily multistory apartment buildings on the parcel zoned R1. Thank you very much ladies and gentleman.

Sherida Paulsen: Thank you. My name is Sherida Paulsen, I am the Chair of the Riverdale Nature Preservancy. We're an organization that was formed in 1986 that works to protect and preserve the natural features, historic resources and neighborhood character of our community. Our opposition, and I'm editing my letter, our opposition is not to the proposed continuing care retirement community use but to the design and construction of apartment style buildings on the Southern property that have no business being located in a single family zoning district. And, we are also opposed to the construction of an out of scale 12 story tower on the Hebrew Home's current site. These development models are out of context, not allowed as of right by the zoning on either parcel. As a CCRC on the south site much go through the full Urban Land Use Review Process which has not begun. The Hebrew Home has submitted initial materials to the Department of City Planning but that process has not begun. Their project needs to be certified by the City Planning Commission before it enters the 6-month review process. That has not started.

These building designs must be consistent with the surrounding single-family residential character and zoning requirements for both height and overall density on both parcels that would be more appropriate. The R4 zoning which was noted is a low density zoning. It is primarily to be built at heights up to 45 feet so twelve stories is clearly not contextual to that. It does require a variance. We have noted our support for development that is more compatible to the surrounding content on both sides to our local community board. It is our understanding that an approval by this Council would grant RiverSpring the ability to be marketing the CCRC development. RNP would like to state that we believe such an authorization is premature.

---

Acceptance of deposits on a speculative development that has not even begun the public review process and one that has engendered much community opposition would likely be reduced and/or reconfigured before any approval is granted. We assume that the financial basis for the project including its construction costs could be significantly modified and would result in necessary modifications to the pricing and the unit layouts. We also note the concerns expressed by others in our community regarding the precedent set by an approval of this application. The idea that apartment buildings can be approved as CCRC facilities simply by entering into contracts with organizations that provide the support services, assisted living and healthcare beds is of great concern given the nature of the special permit process that's available. We would like to note that RNP has never expressed support for any version of this proposal since it was first presented in 2013 initially as a change in zoning, a zoning that had only been approved in 2006 so they bought this southern site after it was down zoned. Certainly not for an apartment building masquerading as a "healthcare facility" and not for this out of scale development in the heart of the special natural area district that would overwhelm the natural environment and the narrow winding streets that bound the properties. In summary, RNP remains opposed to the Hebrew Home RiverSpring project as proposed to this Council for phases one and two. We remain open to discussion and an improved contextual approach to the design of this project which we have expressed on every occasion that the Hebrew Home and/or RiverSpring have made presentations in our community. Thank you.

Mark Hennessey: Is there anybody else from the public wishing to speak? That's everybody? Okay thank you. I also wanted to note that we did receive some written testimony for people who were unable to attend today. I think that's in everybody's materials that they received. Okay so at this point, first of all, I'd like to thank everybody for their comments and we deeply appreciate you coming here today. It's meaningful to hear from people in the community and speaking up about things is something we really value here. So thank you. Before we bring this to a vote or before we bring to a vote, do Council members have anything additional that they would like to discuss?

Alicia Liable-Kenyon: I have like a clarifying question but I don't know who I can ask it of since it came from public comments.

Mark Hennessey: Well we can parse through that so.

Alicia Liable-Kenyon: The applicant okay. So one of the concerns is that there will be built apartment style, an apartment style building that is being presented as a healthcare facility. So I'm trying to understand though the concern because it's common for healthcare facilities to look like an apartment building. I mean that's not unheard of. So, I'm trying to understand is it a concern that it won't be used as like an independent assisted or skilled nursing facility but it will be used for actual families? I'm just trying to understand what the concern is if that makes sense.

Mark Hennessey: Okay so I think its sort of a two part thing; one part is going to be a clarification from the folks from the public if you could come up and just respond to this question and then we can bring the applicants up to sort of respond to that question after we

---

excuse the folks from here after their clarification. Is everyone copacetic with that process? Okay.

Sherida Paulsen: Okay so to clarify the continuing care retirement community is a special description in the zoning resolution of New York City which is generally referred to as a long-term care facility and it is considered a community facility. A community facility would normally be schools, hospitals, dormitories, other buildings like that. And this is information that was presented in the application, the two buildings on the southern site are described as Independent Living Units which I interpret as apartments with a parking garage. There's no healthcare facilities. There's nothing that would traditionally be associated with a community facility use. Apartment buildings are not permitted on that site. If, for some reason they were able to build the buildings and not be able to satisfy all of the further requirements by the Department of Health that would allow people to move into those buildings, they could not be used for anything other than a continuing care retirement community. So you would have two apartment buildings in an area which is almost entire single-family homes across the street, to the south, surrounding this property. And the property was down zoned in 2006 to make it a more rigorously overseen site and prevent the construction of larger scale buildings such as are being proposed.

Mark Hennessey: Does that clarify at least you're trying to figure out what the question we would ask the applicants is?

Alicia Liable-Kenyon: Not completely.

Michael Heeran: Can the Department? First of all, to address your concerns they're being issued a conditional COA before any construction happens, they do have to meet certain requirements and if they cannot meet those requirements they cannot begin construction or be licensed as a CCRC and having a hard time grasping why you're concerned there will be apartment left when that's not possible because they won't be able to be built or licensed as a CCRC unless they meet the requirements first before construction. So nothing will ever get built. They have to meet all the requirements first. We've had conditional COAs issued to other communities that haven't been proven to be viable and they haven't been built and they surrendered their conditional COAs and that property remained vacant for other use, one particular one recently went to senior housing had to go through all the zoning and everything over. So there will not be a CCRC that exists there or licensed as such that will be used as a CCRC where people have to enter that facility through the ILU as part of a residency agreement and receive promise of care for the rest of their life on that campus. That is what a CCRC is. There's no risk that those buildings will be vacated because again, like I said, they won't be built, not as a CCRC, they'll have to turn in their conditional COA, that's happened in other cases. I have personally taken one in that they couldn't meet the construction timelines. They had some extensions and eventually we just revoked. The Condition Certificate of Authority does expire, its not for ever so they do have to come and get it reapproved for the new timeline. I don't know if that eases some of your concerns.

Sherida Paulsen: Not really but it's helpful to have clarification.

---

Michael Heeran: They can't build apartments that are part of a CCRC under this application until they meet all their requirements and operate them as such. They can't be spun off to something else.

Sherida Paulsen: That is helpful information to have. It does not I think address the community's opposition to these projects.

Tracy Raleigh: I'll just add on to what Mike said in a different way. It's our understanding that it's a big of a chicken or egg scenario here. The Certificate of Authority which is a hard thing to say, is a first step to start the local planning process. So I just wanted to clarify that for members that if that wasn't understood and there will be, I think you helped clarify maybe the applicant can respond where we are in the process in terms of whether it's begun or not but there will be other avenues to continue to voiced concern through that local planning process.

Alicia Liable-Kenyon: Yeah, if I could add to that, just for everybody's knowledge that the CCRC here our job is to approve an application under very specific Article 46 does meet these requirements and then other contingencies can be added in. But the rest of it...

Sherida Paulsen: We understand.

Alicia Liable-Kenyon: Our job is really just do they meet these requirements, that's it.

Mark Hennessey: And the zoning and other matters are dealt with at a different jurisdiction level which is much closer to home.

Tracy Raleigh: Right and I think we've planned out and done a good job we've added contingencies to make it clear to that effect and those would have to be met prior to construction.

Mark Hennessey: Okay so just to keep us kind of moving in order here. Hold on, I just want to say are there any other questions for the folks who gave public comment from Council members so we can excuse these nice folks? Okay there are not. Thank you. Any more discussion by Council members internally or further questions maybe clarifications needed from the applicant? Just checking? No. Okay.

So from my understanding it sounds like the discussion has ended. Can I have a motion that the Council accept the Department's recommendation for approval of the application with conditions and contingencies in the schedules presented today? Motion is moved by Council member Liable-Kenyon. May I have a second? Second by Council member Barnett. Now I'll move to find is there any discussion on the motion? Any debate? Okay. I'd like to now call a vote on the motion as stated. Those in favor say aye.

(Chorus of ayes) those apposed nay. Any abstentions? Okay so the motion is passed.

---

The next item on the agenda is an overview of Care at Home established by a chapter 549 of the Laws of 2014. Mike Heeran will now give us a presentation on the Care at Home Product and it's our understanding we have a current CCRC possibly interested in offering the new product which will require future CCRC council actions to approve. So Mike if you wouldn't mind. Or Mr. Heeran if you wouldn't mind.

Michael Heeran: Sure, Mike works. So I'm just going to give a brief overview of Care at Home. I think Mr. Hennessey said we heard from the perspective of an existing CCRC which is the only type of entity that can offer these contracts is an existing CCRC that they're in the process of exploring it and seriously considering this. So at the time, I think over the next couple of meetings we're going to have to discuss this because it will require Council action.

I put together some slides to kind of set the stage of what the intent of what we understand the Care at Home contract model to be. So Care at Home it really allows seniors to take advantage of a CCRC community without leaving their home. And until such time that they need care and admission to the CCRCs in assisted living or skilled nursing facility and the Care at Home contract allows people who enter into it to access the amenities of a CCRC campus while living at home and receive a predefined package of services from a CCRC such as care coordination, home care transportation, meals and wellness. How I like to explain it to people is take the current model is you have independent living units and then you have assisted living and skilled nursing, take the independent living unit out, replace it with a person's home and everything else stays the same and they kind of become integrated in the community without actually having to live there. It targets seniors who want to stay at home. There is a market out there, I hear a lot of CCRCs of people who just don't ever want to leave their home. They don't want to move on to a CCRC but they like the security and services offered by a CCRC campus. And the contracts are intended to have an initial entrance fee plus monthly care fee pretty similar to what independent living unit people pay but a lot less and it will cover the cost of services provided under the contract. The entrance fee and monthly fee could be offered at a generally less expensive price as I just indicated than a traditional CCRC so it will be available to more seniors. Care home services are provided by a CCRC provider or under a contract of somebody who's contracted with a CCRC provider but it has to be through the CCRC to get services. Care at Home contract holders are expected to live within a reasonable geographic vicinity of the CCRC to allow access to CCRC services and amenities. So this is for people who are able to get to the CCRC.

So there's some perceived benefits of Care at Home. We went through this a couple of years ago. We went through this bill we heard and talked to some people to get a feel for what the benefits of Care at Home were from some other states like Ohio and Florida who offer it. It can provide seniors access to sport and health services that would allow them to stay at the home instead of acquiring an institutional placement. It may make CCRC services attractive to a young senior population. It offers seniors an alternative to traditional long-term home care insurance. Provides an opportunity for seniors living at home to interact with peers in a CCRC community. Because the idea is they'll be coming to the community, doing activities there and they'll become more active. Expands the CCRC community into a greater senior community in the geographic area and sometimes this concept will be thrown around as the CCRC without

---

walls. So the CCRC community doesn't stay contained within itself its actually migrating out into the senior community around it. And we also have a provision in the law now as its written where you may be able to go over a Care at Home contract with a traditional CCRC resident agreement if one chooses. The CCRC they offer can choose to do that in their contracts. So people decide they're doing Care at Home but they say, "I really like it here I want to move in" they can do that as well. We have a provision for that.

There's some basic requirements for Care at Home in New York State and Public Health Law was crafted. Under Public Health Law Care at Home can only be offered by an Article 46 CCRC through an amendment to the Certificate of Authority. And that amendment must be approved by you, the Council. So it has to be from an existing CCRC and they cannot offer it unless they come to the Council for approval. It can only be offered by communities that also offer Type A or Type B contract and maintain CCRC facilities that operate in support of continuing care retirement Type A or Type B contracts. That means that our friend Mike Heeran who presented at a 46A he can now offer this contract type as its written in the law. And it cannot be offered by a separate corporation or operator even if they are affiliated. So it has to be the CCRC itself who offers this. It can't be a separate organization.

Care at Home Law will have services provided by the CCRC employees or contractors that are duly licensed and certified pursuant to law, including licensing requirements for the provision of home care services. So everybody who's doing the jobs have to be properly licensed under the Department of Health and operating expenses are included in the calculation of reserve requirements that are required by the Department of Financial Services. So this product will be just like the other contract offerings, it will be a part of the CCRC and calculated into all the reserve department as needed.

And like I just said, the financial reporting will be included in all operating activities for the CCRC and have to be reported to DOH and DFS as such for the reporting requirements that we have.

We do have some limits when this was passed. We actually looked to the state of Florida who has some language there. And, as an example, because there was some concern about how to structure these contracts for the Care at Home. So the law states that the number of approved ILUs on the community's premises, that's limited to the number of ILU's on the community's premises, except that the Council may approve additional contracts upon a request meeting the requirements for an application. So a CCRC can either be initially to come in over that in one application or they could approve for a lesser amount and then if they expand to such a point that they cross their ILU threshold they would have to come back to Council. It's just a trigger mechanism to try to control.

James Sheehan: I don't quite understand this slide. Where it says limited to the number of approved ILUs on the premises. Does that mean that it only counts for vacant units that are not occupied by somebody else or what?

Michael Heeran: No it means, so each CCRC has an authorized number of ILUs.

---

James Sheehan: Which is Independent Living Units.

Michael Heeran: Right Independent Living Units. That's how...

James Sheehan: So if I just understand this, 100 Independent Living Units 20 are vacant, 80 are occupied, can I add 40? Can I add 20 of...

Michael Heeran: Initially you can apply up to, you can be approved you can apply additionally for as many as you want, if you are approved underneath the 100. So you can apply for 200 contracts to be offered. We'll set a cap just like we do with ILUs. There will be a cap set for Care at Home contracts but it will be gauged off and it's a way to balance a community to keep it still a CCRC. There was some concern when this law was crafted that we wanted to maintain the CCRC community because the Department of Health and Financial Services is going to have to review capacity, we want to make sure they can serve and they're structured correctly. They don't have a lot of care at home contracts. So it's a way to try and trigger off of the ILU approval which is how all of the other services are kind of, assisted living, and \_\_\_\_\_ services are based. So we use that as just a gauge for the Council to use and to look at. They can offer 200, 100 ILU community authorized and build that way and offer 200, 50, how many and that was the big question we had going into this. It also, as I alluded to, it will be limited to the demonstrated number of the contracts that they can demonstrate they can support with their existing infrastructure with their adult care facility and their skilled nursing. Again, we don't want them to be too large so that there's competition for care in those facilities when the ILUs need that.

The number of contracts will be limited to conditions set forth by New York State Department of Financial Services based on the superintendent's assessment of the overall financial impact on the community and the materials submitted with the application. So there will be a financial review of capacity.

We do have some Care at Home application requirements and they're very specific sections of public health law. It requires the applicant to submit a business plan that includes that services to be provided, the market to be served, fees to be charged, a copy of the contracts to be used. An actuarial study that includes the Care at Home contracts demonstrating the impact they will have on the community. A market feasibility study demonstrating to the Commissioner and superintendent sufficient consumer interest in continuing care at home contracts and further demonstrating the addition of the contracts will not have an adverse impact on provision of services to existing contract holders of the ILUs. They also have to submit a copy of the notification sent to existing notice to anticipate the impact that the community will have on the existing residents and their resources and prove that such a notification has been distributed. The materials that meet all requirements established by the New York State Department of Health and Financial Services.

There are some specific requirements about the contract itself. we defined the continuing care at home contract to mean a single contract to provide a person with long-term care services and

---

supports based upon the person's needs and coordinated by a case manager, which shall include services provided to the person in his or her residence and services of the community's nursing facility, adult care facility, and affiliated facilities.

The contracts have to include the following: A statement describing the circumstances under which a contract holder may move onto the campus either into independent living, adult care facility or nursing home. A statement as to whether and under what circumstances transportation will be provided to continued care contract holders, and a statement describing the mechanism for monitoring continued Care at Home contract holders. It also has to include a statement describing the method by which the community will determine the policy for access to available ILUs between a continuing care at home contract holder who wishes to convert to a continued care contract and somebody else who has like a deposit on a continuing care ILU.

It also has to include a statement describing any applicable geographic limits of the continuing care at home contract services and the policy that would be followed in the event that a continued at home contract holder relocates to a different residence outside the geographical limits covered by the continuing care at home contract. So affordability is a big issue here since these people aren't living in the community, they can move. We don't prescribe what has to happen other than the contract has to state what's covered and what happens under those circumstances. And then there has to be a statement describing any applicable policy that would entitle a continuing care at home contract holder to select adult care facility or skilled nursing so the placement in the facility is not part of the community.

So, now that we've gone through all that, what are the next steps? Pursuant to 4602(2)(j) CCRC Council shall have the power and duty to develop guidelines for applications for certificates of authority. So we need the feedback of the Council since we have somebody interested to assist us in developing this application process since we have an applicant who is interested in applying and we want to make sure that the Council receives all the necessary materials that they want to see in order to approve one of these applications.

There have been some questions that have risen from potential applicants regarding the type of care home model that they can operate under Article 46. Some examples are, how to handle refundable entrance fee contracts and refunds, portability of service, limits on geographic area of service, and required services.

And, of course, this is just in public health law now under Article 46 there are no regulations that were obligated with this so new regulations would be required to support, could be required to support care at home contract type and the Council would have to provide input to DOH to develop those regulations and propose them under the proposed reg structure. DOH would be the entity proposing the regulations for the contracts and the Council would be required to adopt the regulations.

So our recommended next steps in this process – for the next meeting of June 14<sup>th</sup>, we're recommending a presentation from a CCRC that is interested in implementing Care at Home contracts be made. They expect they are willing to do that. If they feel that they're going to be

---

at the process where they're going to be able to further commit to it and since it's an existing CCRC it will kill two birds with one stone, they can do a presentation on the CCRC as well. We need to discuss and recommend materials to be required in the submission of the application and we need to identify potential areas of discussion and clarification for Care at Home contracts as they start coming in from the applicants or potential applicants. That's for the next meeting.

And then October 18<sup>th</sup> meeting which is our final meeting of the year, we hope to resolve any remaining issues with the Care at Home applications and identify implementation issues so they can be resolved because the current people interested, the current CCRC interested in hoping to apply in 2019.

So that was kind of a lot of stuff but does anybody have any questions?

Alicia Liable-Kenyon: What are some of the anticipated impacts it will have on residents? So is it going to make their monthly costs go up or down? Is it going to impact their ability to secure placements?

Michael Heeran: That's all things that have to be demonstrated in the application. We just state that they have to when they apply, demonstrate that it will not have an adverse impact. So they would have to demonstrate that they have capacity to serve whatever number of contracts they're applying to and services that they're applying. They have to talk about who will be providing those services and when the people have to come on campus. They are going to have to make sure they have placement and capacity to serve them, not to displace those services that would be needed by ILU residents. So that's part of the application process. How they do that is what they have to do in the application and describe this is how many applications we're intending to go out with as a maximum and here's how we're going to serve that population in light of the current population we serve.

Alicia Liable-Kenyon: Okay. So they're going to come to us with the post positive impacts right? So has anything been done to sort of look at the other side of what are the potential negative impacts?

Michael Heeran: That's why we want to discuss this before the applications come in and I think that's where the Council can come into play. We're asking for your assistance in that because every application is going to come forward with the most positive light. That's the nature of our application and we're giving enough lead time over the next couple of meetings to think about it as a group and that could be something that the Council requests for us to do is to go out to other states like Florida and Ohio where it's been offered and maybe look at some of the impacts that its had and see if there's any negative impacts that we need to have the applicant address in an application process. Again, and Public Health Law kind of roughly describes what they have to do which is a lot of financial stuff or whatever but what we're looking for this kind of input so we could come up with some ground rules of what we want to see as a group to present. So that's good, thank you.

---

James Sheehan: So to follow up on your thought with respect to Ohio and Florida, we'd like to know, at least I'd like to know how long has it been in operation? What the pluses and minuses are. If they are State Comptroller or State Department of Health or whatever the regulator is. What their experience has been. Whether there's academic scholarship work on these programs. Is it very different from the entities we talked about before?

Michael Heeran: I can reach out to Leading Edge. I know there was a white paper and I know my partners at DFS have been looking at this because they know they're going to have to deal with it so we've been trying to find reference material we can provide. I know there was a white paper by Leading Edge of Florida. We spoke with Kendal in Ohio so we can see if we can get maybe a presenter here to talk about the, that was helpful for us. When this bill was passed it kind of took us by surprise, I get a call one day, and that's what I did. I got on the phone and who could talk to me, what's going on, what is this? So we can deal with it. So we can do that, arrange for some speakers and again that's why we're throwing this out here now at this meeting. We've got a couple of meetings. We don't want to do this at the time an application comes in.

James Sheehan: One of my concerns is that Leading Edge I have great respect for them but I'd like to hear from somebody who's a little bit more detached from the industry to say we've looked at this. How long has Ohio and Florida had this arrangement?

Michael Heeran: I don't know about Ohio because their regulations, I don't think Ohio is very heavily regulated on their CCRCs. Florida actually has been a while and we do actually, down at Kendal on Hudson we do have somebody who's come up from Florida and worked in the industry and she's willing to talk to me about it. I've talked to her about it as well. So we can reach out. It's been a while because it was in existence long enough for Florida when I looked at it in operation it actually passed new laws to address some of these concerns that when I look at this okay they, they have shown that there are some issues here. They're the ones who brought up the limitation issue and capacity issues. So we actually, when the chapter amendment was done, we looked to Florida and the laws that they have on the books to address these issues because we wanted to learn from their experience, and I can try to reach out to people in Florida, the regulatory oversight group down there to see if they can provide some impact.

James Sheehan: One other issue that concerns me looking at this, you have a requirement as it stands under the statute that notice be given to the residents, but it doesn't way what their formal participation in the process would be and I assume its not just coming for 3 minutes to CCRC Council its something more substantive what the organization has to get.

Michael Heeran: Again, the Council has the ability to advise us on what to put in the application process and what the application needs to demonstrate if its minutes from resident council meetings that have occurred where this has been discussed or whatever. That's what we're looking to you as a group to help find now. Maybe Harriet can give us some input as to what happens at a community as far as the communication goes and guide us in that direction as well. I know resident council members, I meet with them when I got to every CCRC. I always meet with residents and that's the group I usually meet with and they're usually pretty on top of what's going on. If they're not getting the results and the communication and input from

---

management, they certainly let me hear about it. So again, we would look I think for that to be defined in the application process. Maybe a presentation of minutes from resident council meetings to see where it's been presented or things like that.

Harriet Barnett: I will reach out to the person that came up from Florida and see what her opinion of this is and then report back to you. And also see if her council has been involved in any of this kind of discussion. Are there other states beside Florida and Ohio?

Michael Heeran: I think there's a few other states off the top of my head, its been a long day I can't remember sorry.

Harriet Barnett: No, but the more information that...

Michael Heeran: Sure I'll look to other states. Florida and Ohio, Florida was the one that jumped out at me because they grappled with this by passing another set of laws to deal with certain issues. So that jumped out at me because there was law in the books and at the time we were looking at this we had to come up with a chapter amendment to work with this. But I'll look at some other states now. It's been a couple of years. This was back in 2015. So I'll go back and see what's happened in the last 3 years. I know in Florida there is only a couple that do it, I think its in Northern Florida but I'll get some input on that.

Harriet Barnett: Because it's a whole other concept and I think we have to be careful because if somebody brings in an application that we have something in place.

Michael Heeran: And it's a different concept than the model that's approved. It is authorized under Public Health Law and we have to deal with it but there is, I think the Department of Health and Steve is to my left, we had concerns when this bill came through about how would this impact the communities? How would we deal with this? And we did try to put some things into the law to help protect that but we do need more input.

Mark Hennessey: You know one of the things that could be helpful is to just take a glance at the bill jacket for the bill that was passed and see if there were memos in supporter opposition and just go through that. Because that may give us a sense to answer Councilman Sheehan's question about what's the downsides? Or have there been identified downsides that people have been publicly stating? Because I think it would be helpful to hear and also just helps us get further public input. One group AARP is a great group who might have some view on this that could be helpful so as to understand sort of that public aspect of things. So we possibly may call them in or ask if they'll come in and talk with us about it.

Steve: I love the concept of limiting the capacity simply because as someone who operates a look alike, growth for communities is in homecare. And so you can see the CCRC shifting their focus into where their growth is.

Michael Heeran: Yeah and that was the purpose of whatever trigger we put as we go forward on the approval we'll have to know how to cap things. I think the intent was to keep a CCRC a

---

CCRC under the traditional model, allow this supplemental contract type but not have them become a de facto long-term care insurance company and then crowd out, losing sight of their mission.

Mark Hennessey: And you know based on some of the comments we heard earlier, based on this idea of going in and sort of pirating territory from home care agencies and the way that they are very specifically set up on the basis of geography, we've got to sort of match those things against each other as well as obviously the impact on long-term care and things of that interest. Yeah so great comments. So is the homework here come back next time with some input information from all the folks here and some stuff you've been asked for Mike?

Michael Heeran: I have some homework as well have a more robust discussion now that we've laid out the requirements we can have a robust discussion on the issue. And again, the potential applicant has agreed to come and talk about what they're thinking about and what they see and we'll take it from there.

Female: Just to follow up on what Mr. Hennessey said, will you be able to send us a link to the bill or the bill language?

Michael Heeran: Absolutely.

Mark Hennessey: Right. Next on the agenda is a report to the Council on two CCRCs for which the Council has requested a routine reporting. Mr. Heeran the Department of Health will lead the discussion.

Michael Heeran: I need more water. There's two CCRCs that the Council has requested that the Department provide additional reporting to them on a regular basis; one is The Knolls so I'll start with that. Members of The Knolls were willing to be here today but we had a very, very full agenda and I was concerned about time so I did work with them on a presentation. If there is further questions from this they are more than willing to answer them and provide answers that we can even post to the web or they could come back in June and provide their responses. But they were more than willing to come see the Council, its just this was a pretty full agenda.

We have some good news from The Knolls. Their occupancy continues to climb due to good sales activity. They are now at 69.2% occupied an ILU which is 83 independent living units out of 120. They have approximately 20 to 22 apartments ready to sell 5 of which are models and they experience about the average cost of renovation for each of these at \$21,000. They are currently in the process of renovating 11 more which will make most of their apartments at that point ready for sale. Again, this is fixing them up from the previous operator. they have over 700 leads and 34 hot warm leads and 7 deposits 10% deposits made and 6 of those deposits actually have closing dates so that's great news, that's what we like to hear. They're expecting move-ins there of those 6. And the last 5 and 6 sales that they had have been couples who have been contracting for some of their larger apartments which is again good news for the CCRC. And on another positive front, the average age of the new residents is in the late 70s. I believe we heard in the presentation earlier another CCRC was happy talked about how happy they were

---

to get new residents in below 80. That's something that in the past few years in the industry we've heard a lot of concern about was the average age of new residents being over that 80 mark. So for those who were involved in this process with Westchester Meadows, the community at that time due to bankruptcy had a very high number of residents over the age of 90 so even if they're not gaining units just the attrition factor of replacing residents who are in their 90s with people in their 70s is a positive even if they're not growing in actual occupancy. They are now starting go budget, based on their own experience at the facility instead of relying on the previous operator's experience. And they reported that that's a big positive for them. They're using their own contracts and experience to set their budgets and they're able to come in a little bit better with their budgeting. They are still running a cash deficit on a monthly basis but expect to break even on a monthly basis during 2018 and they even expect to come out at a break even point for the entire year of 2018. The reserve requirement under our agreement was increased to 25% at the end of 2017 and at the end of 2017 they were meeting the 25% reserve requirement as was required on our approval. They actually are in the midst of a \$6,000,000 capital investment into the facility. This was also a part of what they had proposed to us and the work is ongoing. They're getting a lot of permits and so forth. They've actually put in private showers in 10 of the skilled nursing rooms. They're starting to renovate common spaces throughout the CCRC and the dining room and café is being updated as well. They, for the first time, triggered refunds under the new refund kind of language that we approved and their 7 1/2% refunds that are guarantees of the original amount that the CCRC contractors had prior to the bankruptcy. They were all for \$57,000 and they had three of them triggered. They paid two and will pay the third at the end of the month. So they're paying their refunds as we approved them to do. Conditional refunds which is the rest of that refund that the person was originally due they will be paid when certain financial ratios have been met. The facility reports that the biggest impact they feel that they'll have on that, meeting those conditional requirements is some unexpected cash outlays that they're experiencing. They had a big cash outlay for a gas leak and they also experienced some out of pocket expenses that they didn't anticipate because of the shape of the ILUs when they took over the facility. That all impacted cash on hand and the ratios for the conditional payments are based on cash on hand. But they do expect to still pay those but they think those are the factors that will determine when that happens is unexpected expenses and those expenses are maintenance type expenses, they can't come out of the \$6,000,000 capital investment fund.

And lastly, they reported that the residents appear to be happy, will report that the Department of Health has not received any complaints from any of the residents at the CCRC. The CCRC is required to regularly report to the creditors and the creditors appear to be happy with the results so far and \_\_\_\_\_ has reported they really thought that they did this and its been a positive experience for both them and the residents. Are there any questions about The Knolls and the report I just gave?

James Sheehan: Are you going to give us a text of that?

Michael Heeran: You tell me what you want and I'll provide it.

---

James Sheehan: You're reading it from a text, I think it would be helpful. In 3 months we're going to have another discussion about The Knolls and I just want to make sure I have this.

Michael Heeran: And it will be in the transcript as well but I'll provide it. This is written. I actually wrote it and then had updates this morning e-mailed to me. So it was a work in process.

Mark Hennessey: You had mentioned that some of the conditions of ILUs were worse than they had expected. Any further detail on that? I mean so something was presented as one thing by the seller and when they got there it was different or what was the situation?

Michael Heeran: So I went down there after the bankruptcy and actually walked through the facility with them when this happened. The bankruptcy sale happened, they didn't have a chance to inspect the entire premises upon coming onto the premises there were some concerns. We talked about them and I went down and I believe Warren Youngs was there as well somebody from DFS went as well. Just some of the conditions weren't great. Some of the heating systems needed to be replaced. The previous operator had altered some of the independent living units to use as offices. They were used as computer rooms. So that wasn't expected. They expected to get ILUs that were ILUs. Some of them had been stripped of faucets, toilets, things like that. So those kind of things where they had looked through a sample of they didn't go through every single one and when they went through every single one they found that there were some things that needed to be addressed. So they've worked to do that but that's a cash outlay and it was an unexpected one. So that affects cash on hand.

Mark Hennessey: Any other questions on the presentation? Okay so next presentation I think is on Glen Arden right?

Michael Heeran: I'm going to start by giving the Council an update on things that have happened with Glen Arden. I'll start though cause I want to explain some things that happened since the last CCRC Council meeting and before I do that I'm going to double task here because of the presentation. I think Beth can steer the presentation once I get it all set. Beth you can take control of this correct oh Debra I'm sorry. Sorry about that.

So I just want to give the Council a brief report on some things that have happened since the last Council meeting regarding Glen Arden. DOH and DFS started to have biweekly meetings with the CCRC so that occurred starting in November. The first week of November and the CEO, CFO and Chair of the Board routinely attends those calls. The parties discuss occupancy levels, sales activities, current cash position, staffing and long-range plans for the CCRC. We talked regularly besides those meetings we still have ongoing conversations outside the meetings with the CEO and the Board Chair. I would say its pretty comfortable that we talk at least weekly and that's both the DOH and DFS make themselves available and I usually talk to the Board Chair weekly as well and that's both on the phone and by e-mail and phone contact. As a result of the monthly reporting when we started the process and some of the follow up we discovered there were some irregular pricing of the units sold as we started to review the sales and we did some further investigation and uncovered that there was a practice of discounting independent living units beyond what was approved in the Letters Benefit so I believe in the last presentation that

---

was made there was discussions of a Latter Benefit discount that had been approved by the Department of Health and we found that the actual pricing that was being put in place on the sales went beyond that. So, as a result, we issued a letter that told the CCRC they had to stop the unapproved pricing and the incentive practices. It was on the entrance fees and the monthly fees. We did allow them to continue with approved Latters Program as we approved it and we did instruct them to rerun the actuarial study that had been submitted to DFS to account for the unapproved pricing which had been going on. So they had to because it was not reflected in the current actuarial study. An updated actuarial study was received by DOH and DFS last Friday and we have not had a chance to thoroughly review that as of yet but it should show the impact of what had occurred.

The CCRC was told that they could reapply for a discount program and some new pricing if they so choose once the revised actuarial study was submitted. They did reapply for some selective one time incentives we did approve them to do that such as there was a referral bonus to current residents to get a month off an entrance fees and moving type expenses. And this is pretty normal type incentives that are approved by the Department for CCRCs.

On January 12, 2018, DOH issued the CCRC a statement of deficiencies related to disclosure statement that was in use with contracting with prospective residents. The DOH found the disclosure statement didn't accurately state the current financial and compliance conditions at the CCRC. The DOH found that certified financial statements that were being presented and the company that disclosure statement included information that was inaccurate due to subsequent events that had occurred at the CCRC. So, DOH required the CCRC to update the disclosure statement to address these concerns. We felt they were material enough that they had to be addressed before they continued to use it. There was actually an interim statement that was approved that did a little better job of disclosure while we worked on fully addressing the issues and on February 2, 2018, DOH approved the revised disclosure statement for use. We will note that DFS still has some outstanding issues of concerns with that disclosure statement and we're working on it and working with the CCRC but we didn't feel that they were material enough to prohibit its use. And DOH and DFS will work with the CCRC to address all outstanding issues that are still with the disclosure statement as we move forward with some of the other contracting issues.

Mark Hennessey: Does anybody have any questions before the presentation by Glen Arden? No, but if before you start your presentation you would just state your names for the camera and for the captioning that would be very helpful.

Paul Ernenwein: Sure my name is Paul Ernenwein and I serve on the Board.

Debra Zambito: Debra Zambito, CEO.

Scott Piotti, Comptroller.

Mark Hennessey: Working or no?

---

Debra Zambito: There we go. Just quickly we're going to go over some current occupancy, marking, highlights of the actuarial report, financial highlights, resource support of Glen Arden and long-term planning.

Our current occupancy this is as of yesterday independent living is 97, 65.5%, the enriched housing at 24, 85.7% and health care center at 35 which is 87.5%. So I'll take you from the recap of 2017 where we ended the year back to where we are now with 97. So we ended the year with 101 units occupied and 21 sales, 19 move-ins and 2 deposits in 2017. Our 9 move-outs as follows, we had 6 deaths, we had 2 permanently placed, and we have 1 move out to another facility due to the need for secured memory care unit.

So 12/31/17 we ended up with 101 occupancy that's how we ended the year, we're now at 97. We had one move-in January, we had another move-in in February. We had one move-out as a result of death and then we had 5 permanently placed move outs so that brought us from the 101 to where we are today of 97.

I can give you a quick update on our marketing and sales where we ended the year, we ended the year with a Lead Databased Presentation with Glen Arden having a 65% conversion rate. That includes both initial and subsequent presentations. So it appears high and it is high but that's the reason. We were very second half of the year loaded in terms of actual sales coming through on a very small number of presentations. So that is I would say unusually high 65%. And then, of course, presentation to closing we were running, I think when we last met at 9% and as we ended the year with an average of 9.8%.

So looking forward in 2018 in terms of Lead Generation, what our marketing plan is we launched a new website on March 1<sup>st</sup> that includes capabilities of a blog. We have video testimonials from our residents. It's mobile friendly. It can be accessed from any type of device. There is a call to action on each page. It's working out very well. We've got a lot of very positive feedback and we will be, obviously you'll see later in one of the slides what we're doing with that new website.

Our referral program we use that with both resident and professional referrals that would be from local real estate, perhaps attorneys, etc. and of course, our resident referral program we've had quite a few, that has worked very well for us. So thank you for giving that back to us in terms of the incentive.

We have digital campaign we introduced, E newsletters go out monthly. They are e-mail blasts. We also are now on social media; we're utilizing Facebook, LinkedIn and Youtube. We are involved in a pay per click campaign and A Place for Mom. I don't know if that's a familiar term to you but its an on-site, it's called A Place for Mom and it really works great for marketing. We have gotten a lot from them. We got quite a few leads and prospects from them.

Also community outreach; we are adding a part-time outreach person to ensure maximum results from this effort.

---

Our Direct Mail campaign. We have our purchased list in the latter part of the year, actually December and then of course, into January from Senior ROI, I'm sure another familiar term in place. Age and income qualified lists for Orange County, Sullivan, Rockland and Sussex Counties. We also, in addition, purchased an Adult Child List from Senior ROI. So, all adult children living in the Orange County area that have age and income qualified parents living elsewhere so it makes a lot of sense. It's not uncommon for the adult children to be helping mom and dad find a place for their future.

We are also continuing to host 1 to 2 marketing events per month; one is typically an educational type event and the other is a lifestyle event or more entertaining type.

So some of the challenges I think pretty similar to what we experienced and talked about at our last meeting. Age of the community. There are some areas that are in worse condition than others. When I say poor condition, that not only the exterior or physical but also some of the infrastructure is suffering. Lack of a secured memory care unit space that seems to be a challenge in our area. We have luxurious enriched housing common space also nonrevenue producing and we, at this point do not have a fee for service option. So regarding the lack of secured memory care unit, there are very limited places in the area that have any secured memory facilities at all not so much even with an actual unit but more so with even a daycare program that is able to serve that population. And there is a huge need in our area for that. So it's a huge need right now that's not being met either from an actual secured place overnight or an adult daycare type of assistance.

Our actuarial report as Mr. Heeran mentioned was completed and sent to the Department last Friday night. Some of the highlights of that report, in 2018 our ILU census is set at 88 to account for 13 permanent placements. So we took those 13 permanent placements right at the beginning of the year so that the report is sent up so that we account for them really for the full year. We assume a net 3 increase each year based on a fill rate of 15 sales per year. Our sales trend for the previous year 2017 was much higher, our fill rate was higher but obviously with not being able to use the incentives that were in play and were in use in 2017 clearly we're taking a conservative approach as to what we're able to trend for this year, 2018.

Our unit capacity assumes that 4 St. Lawrence units are more appropriately classified to Erie/Hudson units and we will probably refer to them as a unique Hudson. They meet the bedroom bath combination as well as the square footage more aligned with an Erie/Hudson. The entrance fees and the monthly service fees of all existing residents on our existing roster were hard coded into the program into the report for amounts that were actually paid. So entrance fee amounts hard coded monthly service fee so that when the projections are done on our existing roster, it's not pulling from a fee schedule which I believe is what happened with the previous report is they had accounted for some of the monthly service fees that were apart from the fee schedule as well as some of the entrance fees. But it was still pulling on all the projections from the approved fee schedule for that period of time which created an inaccurate picture.

Our marketing expenses, we kept them flat. We did not increase those because we are making a change in our ad agency or our marketing agency that we're using. We actually had a very high

---

retainer fee that we were paying monthly and we needed to have more marketing dollars within our control so that we can choose how it should be spent as opposed to a flat retainer fee and then various charges on top of that for specific events and for specific types of marketing. So we've broken it apart. Right now we're going through a proposal process of having somebody that is totally focused on the digital piece and doing all of the website and digital marketing and using a different firm on an ala carte basis for the Direct Mail where we can control costs for creative work, costs for direct mail, mailing, printing, etc. things like that. So it's a big number.

Operating expenses, the majority of our expenses at this point with this level of occupancy are fixed. So I could increase another 10, 15 apartments and other than maybe some impact very small impact in food cost there would be no change in any of our expenses.

Capital expenditures I think an initial question was pointed out and concern or comment was pointed out from the actuarial report it did not show capital expenditure of any significant amount being put into the community to maintain curb appeal and marketability and clearly, given our situation, we are at this point looking very short-term, doesn't make a lot of sense to at this point create a long-term capital improvement project but we certainly feel that when we are more stable financially we absolutely will re-evaluate and look towards an opportunity to put some major capital into the facility. So it needs it. We're not ignoring it. But we need to look more short-term now before that can become a real project for us that we would have our sights on.

Mark Hennessey: So before we start asking questions, there's more?

Debra Zambito: I was going to go into some financial highlights. Talk a little bit about the most recent statement cash flows, some resource support. And then long range what's in store for us long range.

Just some high level financial...

Mark Hennessey: Let me just pause for a moment.

Male: Did you want to take questions on this or did you want to wait until after?

Mark Hennessey: So folks I think we're going to move into Executive Session to discuss the financials stated as an actual motion but I'm sort of clarifying where we're going. Then we'll come back and have additional questions on your presentation.

James Sheehan: Were you going to do a financial presentation to this panel was that the idea before the Executive Session or after?

Mark Hennessey: I think we're going to have them talk about the financial situation in the Executive Session if that's appropriate for folks on the Council.

---

James Sheehan: I have some concerns about the, there's public report information which is generally with the public and I guess there are certain two sets of issues; one is the disclosure and the second is the discussion. Why would the disclosure be in Executive Session?

Mark Hennessey: Because it may impact the financial condition of the organization and so... go ahead Council Member Sheehan.

James Sheehan: This is a not for profit organization and required to file an IRS 990 with both us and the state and information for DFS and that's all public information that's supposed to be transparent. Now this is obviously going to be more current than that. Why don't I reserve my concerns about that until we have the Executive Session and we should decide what to do about it.

Mark Hennessey: I appreciate that. so at this point I would entertain a motion to move into Executive Session pursuant to paragraphs F and H of §1 of the New York Public Officers Law §105 to discuss the financial history of the corporation as well as a settlement's impact on that history. May I have a motion? Moved by Council member Barnett. May I have a second? Moved by Council member Stubblebine.

And now I'll take a vote anyone approve the move into Executive Session say aye.

(Chorus of ayes) all those opposed nay? Alright

James Sheehan: I abstain.

Mark Hennessey: Now we don't have a quorum.

James Sheehan: Oh I can't sorry okay. Let's go ahead.

Mark Hennessey: Okay so that's an aye. Okay. So I'm going to ask that individuals who are not employees of the Department of Health or DFS and are not people here from Glen Arden would please excuse themselves and would ask that the recording stop please.

So we just exited Executive Session. I thank everybody for the discussion and I want to take up the matters that we have before the Committee or the Council right now that are voting items? Because I would like to. So our last agenda item is the adoption of the 2018 CCRC Council meeting schedule. The schedule has been discussed with Council members previously. Can I get a motion to adopt the meeting schedule? Motion is moved forward by Council member Stubblebine. Can I get a second? Council member Barnett, thank you. And now I'd like to take a vote. All in favor of adopting the minutes or adopting the meeting notice and meeting schedule say aye.

(Chorus of ayes). All opposed? Okay motion carries.

I'll just ask if there's any additional new business from anyone on the Council.

James Sheehan: I'm concerned where we are at this stage and how we're going to address the launch in Glen Arden situation and that's not a motion. The question is, what should this Council do and what should the Department of Health do moving forward? And I look to Mr. Heeran to start with to say whether the Department has a view on that subject.

Michael Heeran: I think the Department will be issuing a statement in deficiencies related to this disclosure statement and as part of that they will have to stop marketing activities until that disclosure statement is resubmitted to the acceptance of the Department of Health, the Department of Financial Services as to financial condition and prospects of the CCRC.

James Sheehan: Does the Council need to vote on that or the Department has the authority?

Michael Heeran: The Department has the authority.

James Sheehan: So I think its very important that that happen forthwith.

Mark Hennessey: And I would just definitely do that. Another thing I'll say also in response is that it is possible we may need to reconvene a little more quickly than the schedule so I'll ask for everybody's patience in that regard and we will continue, obviously the Department will continue it additional work to oversee what's going on.

James Sheehan: One mechanical question, can we do telephone meetings or we have to have in person?

Michael Heeran: No, it has to be in person. We can try to do teleconference for anybody but it becomes very difficult to do that.

James Sheehan: Like video conference.

Michael Heeran: Video conference if you'd like to do that.

James Sheehan: So we could do video conferences.

Michael Heeran: You have to be seen and heard at the same time.

Mark Hennessey: And you have to be accessible to the public, the location that you are coming from.

Michael Heeran: So if we do it in New York City we have to make the New York City site open to the public so they can comment as well.

James Sheehan: Okay.

---

Mark Hennessey: So having said that, there's no additional new business we need for the Council. That concludes our business today. Can I have a motion to adjourn this meeting of the CCRC Council? Moved by Council member Barnett. May I have a second. Council member Stubblebine. So meeting is adjourned. Next meeting of the Council is June 14<sup>th</sup> unless necessary sooner in the OGS meeting room on the Concourse of the University Plaza in Albany. If an ad hoc meeting is held prior to that date notice will be posted to the Department of Health Public Meeting website and e-mail sent out to people to sign up for the list serve. If you need instructions to sign up for the list serve please see staff here in the room after the meeting or you can e-mail us at [ccrc@health.ny.gov](mailto:ccrc@health.ny.gov). Thank you very much for your time.