

HEALTH CARE PROPERTIES

Quarterly



The four-story, 60,000-square-foot Superior Medical building is 50 percent leased to tenants including Boulder Community Health, Cornerstone Orthopedic and Touchstone Imaging.

Construction starts on 'synergistic' Superior Medical office building

by Jennifer Hayes

The next development piece of the Downtown Superior master-planned project is underway.

Sawtooth Development Group broke ground April 4 on Superior Medical, a four-story, 60,000-square-foot multi-tenant medical office building at Three Superior Drive in the Superior Town Center in Superior.

The project is adjacent to the Sports Stable, a 150,000-sf indoor sports facility, which includes 2 ½ indoor hockey rinks and three indoor soccer fields.

"The reason for this project really was Dr. Hsin, he was the visionary behind this," explained Matt Scoggins, project manager of Sawtooth Development Group. "Given the Sports Stable being right there and the anticipated 1 ½ million people coming in and out

of there every year playing everything from pickleball to lacrosse to hockey, he thought it would be a synergistic opportunity to bring in that kind of medical backstop for support."

Hsin is a physician at Cornerstone Orthopedic, which runs its Impact Sports, a sports performance and physical therapy facility, in the Sports Stable. Cornerstone Orthopedic also is one of the announced tenants at Superior Medical.

Boulder Community Health, which will offer urgent care and primary care, and Touchstone Imaging also are tenants in Superior Medical, which is 50 percent leased.

"I think we're very confident about what we are providing for the marketplace," added Scoggins. "We're excited about the traction that we've got and since the groundbreaking we've had

a really nice increase in activity in the project.

"It's been very well received and we couldn't be happier," he added.

Newmark Grubb Knight Frank's John Gustafson is handling the leasing and marketing of Superior Medical, scheduled to deliver in December. The third and fourth floors are available for lease at Superior Medical, which has space available from 1,500 to 28,343 sf. Quoted lease rates are \$25 per sf triple net.

Intergroup Architects designed the medical facility for which DSP Builders Inc. is the contractor. Superior Medical also features a four-story attached parking garage.

Superior Medical represents Sawtooth Development's first project in the Colorado market. Sawtooth Development specializes in designing,

developing, managing and selling or leasing residential, mixed-use, office, university, retail and industrial projects throughout the Western United States, including medical office buildings for the University of St. Augustine.

Pacific Medical Buildings is the development manager.

The MOB is the next significant development component at the 157-acre Downtown Superior project, which includes the Superior Town Center.

At completion, Downtown Superior will comprise up to 440,000 sf of commercial space, a 150,000-sf sports center, two hotels totaling 500 rooms and 1,400 homes. Ranch Capital is the master developer of Downtown Superior, situated at the southeast corner of McCaslin Boulevard and U.S. 36. ▲

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Impact

Rising construction costs impact development of senior housing and care properties

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Letter from the Editor

Looking for answers

There are lots of questions and not enough answers surrounding health care today.

However, within these pages of the latest edition of Health Care Properties Quarterly, a bevy of professionals from the health care and senior housing industry have contributed their



thoughts and expertise on the industry. And even a couple of answers too.

Recent reports from both Marcus & Millichap and Duke Realty give a glimpse of what is happening in

today's health care environment.

Marcus & Millichap explores the generational differences driving growth and advancement in today's medical office market. The report noted while the baby boomer generation has a huge impact on the current growth of the health care industry, the millennial generation, which has surpassed the baby boomers in size, is driving a major shift in the care delivery model and the way they approach, research and resolve issues.

Duke Realty outlines in a new white paper six major health care real estate trends to watch this year and their impact on patient care. It's predictions for the coming year include more health systems developing convenient micro hospitals, providers implementing expansions versus new builds as part of their real estate mix and health systems applying best practices from other

industries to their health care real estate strategies.

Additional articles look at factors influencing Colorado health care real estate, how to advise tenants in a changing market, ways to develop customer-friendly parking at health care facilities and how art in a health care environment can provide positive distractions.

The special section also includes the Senior Question of the Quarter, in which four construction professionals answer the question, "In what ways are rising construction costs impacting the development of new senior housing and care properties in Colorado?"

Within the pages of the senior housing and care section, The Highland Group shares the latest construction starts, openings and sales. Additional articles discuss the importance of proper budgeting and analysis in senior living, what to consider when designing high-rise senior communities and the evolving desires and expectations of today's seniors.

Overall it's a fantastic issue that speaks to the continued change in the industry and the questions and answers being asked about today and tomorrow's health care market.

If you would like to participate in a future issue or have news to share, please feel free to contact me.

Thank you for reading.

Jennifer Hayes

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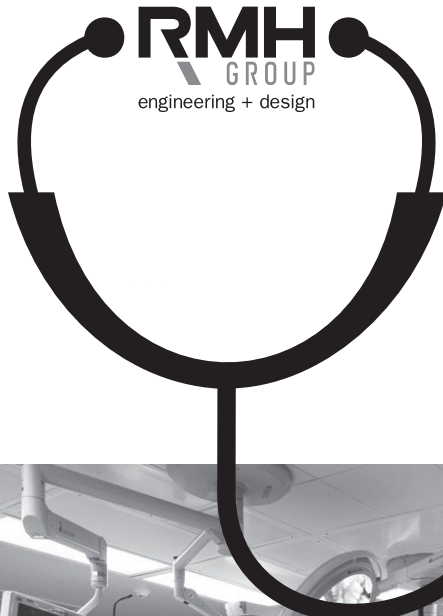
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Memorial Hospital North expands expansion



An artist's rendering depicts a new addition under construction at UHealth Memorial Hospital North.

UHealth Memorial Hospital North not only has broken ground on a major expansion to offer new, advanced services for patients – it has expanded the project beyond its original scope to meet demand in Colorado Springs.

Due in part to increased demand for health care at the campus, the project has grown from \$85 million to more than \$110 million, expanding the hospital to more than 110 inpatient beds.

The expansion and new tower at Memorial Hospital North will provide additional women's care and birth center services, including two cesarean section operating rooms, nine additional emergency department rooms, including two more trauma suites, two additional general surgery operating rooms and additional acute care and intensive care unit inpatient beds.

These services, some of which have expanded beyond the original scope of the project, will allow Memorial Hospital North to significantly expand the birth center, Level III trauma center and surgical specialties including an orthopedic and spine surgery program, according to UHealth.

"UHealth is committed to the Colorado Springs region and to providing the very best care to our patients. We have expanded the original scope of this project because the demand for specialized care has grown so rapidly," said UHealth Memorial President and CEO Joel Yuhas. "This investment follows more than \$130 million spent since 2012 in new technology, expanded facilities and additional services for the Pikes Peak region."

From fiscal years 2014-2016, inpatient admissions grew more than 60 percent at Memorial Hospital North, and births increased more than 20 percent. Outpatient visits tripled during this time, underscoring the need for further development.

"Memorial has become a true regional referral center, drawing people from throughout Southern Colorado and Northern New Mexico," said Dr. Jose Melendez, UHealth Memorial chief medical officer. "We offer the most advanced cancer and cardiology care in Southern Colorado, and Memorial is the only hospital able to provide comprehensive stroke capabilities for patients in Colorado Springs. We are excited about this expansion and about Memorial's future."

The design of the expansion will complement plans by Children's Hospital Colorado to build a full-service pediatric hospital on the UHealth Memorial North campus. The hospitals will collaborate to ensure the community has access to advanced adult and pediatric care on the same campus, and both projects are expected to be completed in 2018 or early 2019.

Memorial Hospital North opened as a small, community hospital in April 2007 and has since transformed into a

full-service hospital at 4050 Briargate Parkway.

Rangewood Medical Bldg. trades for \$2.19 million

A trust in Denver recently acquired a Colorado Springs medical office building for \$2.19 million.

The more-than-15,000-square-foot Rangewood Medical Building at 7560 Rangewood Drive was sold by NetREIT.

At the time of sale, the property was around 73 percent occupied.

"The buyers were able to buy on existing income and have some upside through leasing up the remaining vacancy," noted Dan Grooters of Newmark Grubb Knight Frank. Grooters and NGKF's Riki Hashimoto represented the seller. Cleve Schenck of Genesse Commercial Group LLC represented the buyer.

Constructed in 1998, the three-story facility features glass and steel frame construction. "It's a real, high-quality building near the Rangewood and Briargate areas with a solid residential base," added Grooters.

Rangewood Medical Building is home to tenants including dentists and orthodontists.

Boulder Community Health to grow in Erie

Boulder Community Health acquired 6.1 acres of land in Erie, where late this year construction will start on a two-story medical office building.

Boulder Community, a community-owned and -operated not-for-profit, will break ground on the 40,000-square-foot medical office building, which will include an urgent care facility that has an estimated completion date of fourth-quarter 2018.

"Boulder Community Health has served the residents of Erie for many years, now we will serve directly in the growing community," said Darryl Brown, chief business officer for BCH. "This property is strategically located to serve Erie and the surrounding communities."

"The addition of the BCH facility not only provides another service for our health-conscious, family based community, but provides additional employment opportunities for Erie," said Paula Mehle, economic development coordinator. "Erie is experiencing an increase in skilled service businesses moving in that will help our community to attract additional businesses including the retail and primary employers that Erie residents desire."

The property, adjacent to Erie Community Park and the Erie Community Center, is situated along the main corridor into historic downtown. In September, in response to a request from BCH, a zoning amendment was approved by the board of trustees to allow an urgent care facility as a per-

mitted use at this location.

The land sold for \$1.6 million

The Suites Loveland opens doors

One of the largest developers of health care properties in the country has wrapped construction on a Loveland post-acute property.

Hospitality-focused post-acute property The Suites Loveland recently opened. The facility, geared for short-term rehabilitation patients progressing from the hospital to home, is near the Medical Center of the Rockies at Centerra.

OZ Architecture completed exterior design of the 70-bed, 50,000-square-foot property. The exterior design reflects the building's Northern Colorado surroundings and the natural backdrop of the Rocky Mountains and Long's Peak. The design includes use of stone, fiber cement siding and warm earth tone finishes.

The general contractor was Meyer Najem and interior architect was American Structurepoint Inc. The property is owned by Mainstreet Capital Partners LLC.

Rocky Mountain Gastroenterology inks lease in Lakewood

Rocky Mountain Gastroenterology leased 4,890 square feet of space at Union Financial Plaza, 355 Union Blvd. in Lakewood.

It leased the space in the 44,000-sf building, which features a renovated lobby and "ample" parking spaces.

"This is a great location for RMG," said Eric Shaw of Pinnacle Real Estate Advisors LLC. "The quality of the building, ease of access and abundant parking will benefit the tenant."

Shaw, along with Pinnacle Real Estate's Greg Titus, represented the landlord, Westerra Credit Union.

Urgent Care Extra closes two deals across Colorado

Urgent Care Extra recently closed several deals across Colorado.

It paid \$1.2 million for 6480-6486 N. Academy Blvd. in Colorado Springs, a 6,902-square-foot retail property.

NAI Shames Makovsky's Bill Maher and Nathan Palmer of National UC Realty represented Urgent Care Extra in its purchase of the space. The seller was RIG Dublin Square LLC.



A Denver-based trust purchased the Rangewood Medical Building in Colorado Springs.



The 40,000-square-foot building by Boulder Community Health in Erie will include an urgent care facility.



Rocky Mountain Gastroenterology leased 4,890 square feet in Lakewood.

Health Care News

Urgent Care Extra also leased 4,991 sf of retail space at 500 W. Hampden Ave. in Englewood. Maher and Palmer represented the tenant in the transaction. The landlord was Landance LLC.

Generations impact growth, says Marcus & Millichap

Marcus & Millichap's 2017 Outlook Medical Office Report noted that generational differences are driving growth and advancement in today's medical office market.

The report noted that while the baby boomer generation has a huge impact on the current growth of the health care industry, the millennial generation, which has surpassed the baby boomers in size, is driving a major shift in the care delivery model and they way they approach, research and resolve issues.

The outlook noted that technological advances as well as the ability to search online for doctors, research treatment options and use web-based diagnostic and health tracking tools are placing a wealth of knowledge and information about personal health care into the hands of the patient. Millennial and future generations will further drive an emerging trend in the revitalization of health care, preferring quick access to physicians and more transparency from providers and insurance companies regarding coverage and costs.

Urgent/acute-care centers, retail clinics (walk-in centers often located in pharmacies and grocery stores) and stand-alone emergency departments are replacing primary care physicians and hospital emergency rooms as this generation strives for more efficient and affordable health care options, the report added.

Marcus & Millichap also noted:

- **Strong demographic trends support growing the industry, remains driver in investment activity this year.**

Institutional funds and real estate investment trusts are actively searching for larger deals and portfolios. Private capital is emerging as a major option in the \$5 million to \$20 million price tranche and could begin to take a larger share of transactions this year. A rise in crossover capital is also increasing competition for medical office properties as single-tenant retail investors target similar investment opportunities in this segment for higher yields. For-sale inventory is limited as medical office assets are in high demand with cap rates compressing over the past several years.

- **As the health care industry evolves, so do office design and building amenities.** The impact of an aging population and generational drivers on the design of medical office space has been realized in recent years as builders conform to the standards of a patient-centered approach to health care and advances in technology. Large health care providers are acquiring and expanding

services off campus and closer to residential areas, providing patients easier access to care.

- **Absorption is concentrated in newer properties with modern amenities and flexible design.**

The combination of reduced deliveries since the recession and strong demand from providers seeking space in recently completed medical office buildings has concentrated absorption in properties constructed since 2000. Vacancy at these properties has fallen more than 500 basis points since 2010, and constricting vacancy in these buildings will drive additional deliveries over the next several years.

- **Rent advances persist but growth is restrained by changes in the health care landscape.**

Hospital acquisitions of private practices and the move of outpatient services away from campuses and closer to where patients live and work are placing major medical providers in control of a large share of leasing activity. As a result, overall rent gains are trekking along at a modest and steady pace.

Duke Realty looks at health care trends to watch

Duke Realty released a comprehensive white paper on six major health care real estate trends to watch in 2017 and their impact on patient care.

The paper was written by Keith Konkoli, Duke Realty's executive vice president of health care, and Jared Stark, the firm's senior vice president of health care development.

Duke Realty's white paper noted:

- **More health systems will develop convenient micro hospitals.** Last year, the health care real estate industry saw an increase in the development of micro hospitals, and Duke expects this trend will proliferate in the coming years. Micro hospitals are smaller than typical hospital campuses and, thus, easier to navigate, but usually offer the same type of health care services found in larger hospitals. Micro hospitals also are usually more convenient and accessible because they are located in neighborhood settings and smaller communities where people live and work.

- **Health systems will continue to develop rehab hospitals to avoid readmission penalties.**

As things stand now under the Patient Protection and Affordable Care Act, hospitals still face financial penalties for above-average rates of readmissions for certain "preventable" conditions covered by Medicare. Because studies suggest that patients who receive post-acute or home care are less likely to be readmitted to acute care hospitals, more and more providers have been considering or are offering high-quality post-acute rehab services to reduce these penalties, according to Duke. Providers that are considering developing new rehab hospitals, especially those that have limited experience with this model, often find it beneficial to partner with an experienced rehab hospital operator.

- **More providers will implement expansions rather than new builds as part of their real estate mix.**

Health care facility expansions are expected to be more prevalent than new ground-up developments this year. While building new or replacement facilities sometimes is the best option in a health system's long-range development plan, expansions are an attractive alternative. They usually require less capital than new construction, and they enable the system to bring new and expanded services to market more quickly. A medical facility expansion also makes a great deal of sense if the provider already has the "ideal" location where there is a strong demand for new health care services and the site is highly visible and accessible and near other in-demand services.

- **The industry will continue to see changing attitudes toward site selection and challenges with "site neutrality."**

In the current environment, health systems are focused on providing expanded services in a lower-cost, higher-quality and more efficient manner. As a result, off-campus, multispecialty outpatient facilities near where people live, work and shop are more in demand. So providers have found it necessary to familiarize themselves with a different kind of real estate – retail – and identify sites with characteristics that are critical for a successful retail location. One of the most important issues related to health care real estate site selection is the "site neutrality" rule, which affects reimbursement rates for hospital-affiliated, off-campus facilities. This policy can have a big impact because it can substantially reduce Medicare reimbursements for health systems and hospitals that are considering acquiring physician practices or building new off-campus hospital outpatient departments that are more than 250 yards from an existing hospital campus.

- **Payment policies will continue to be top of mind rather than possible major changes to the PPACA.** Regardless of what happens with the PPACA, most health care providers are moving forward with the real estate strategies they developed during the past several years. Providers are most concerned about the payment policies being enacted by the Centers for Medicare and Medicaid Services. How Medicaid will be funded and distributed to the states is probably the most important issue. In addition, population health, bundled payments, risk sharing and MACRA (Medicare Access and CHIP Reauthorization Act) are more top of mind at the operational level than what might become of the PPACA. Providers don't see these policies changing and are adapting strategies for dealing with them.

- **More health systems will apply best practices from other industries to their health care real estate strategies.** For some time, hospitals and health systems have worked hard to



NexCore's Buck Creek Medical Plaza in Avon was one of five outpatient projects the firm completed in 2016.



Griffis/Blessing will manage the medical office building at 719 N. Cascade Ave. in Colorado Springs.

lower their failure and error rates, often by studying and applying best practices used by other industries. Now we're seeing more and more providers using the best practices of other industries, such as the general office, hospitality and travel sectors, commented Duke Realty.

NexCore leads way in outpatient projects

Denver-headquartered NexCore Group completed more square feet of outpatient medical space than any other developer last year, according to the Outpatient HRE Development Survey released by research firm Revista and Healthcare Real Estate Insights magazine.

In 2016, NexCore completed five outpatient medical buildings comprising 397,900 square feet and with a total construction value of around \$146 million, including the Buck Creek Medical Plaza in Avon.

"NexCore has had an incredible year doing what we do best – working hard, meeting challenges head on, collaborating with our partners and communities, and developing creative and innovative solutions that meet the demands of today's healthcare environment," said Todd Varney, NexCore managing principal. "We are proud to be recognized in this important inaugural survey, and congratulate the other companies who are also contributing to quality health care solutions."

The new Outpatient HRE Development Survey was developed by Revista and HREI.

For the survey, Revista, in collaboration with HREI, developed a questionnaire that collected data on all outpatient HRE development projects

started or completed in 2016 that exceeded \$2.5 million in value and that included at least 5,000 sf of new or renovated space. Data was gathered using surveys completed by the developers, as well as other sources, which was then verified by Revista.

For purposes of the survey, outpatient projects include all medical office buildings, outpatient surgery centers, dialysis centers, clinics, freestanding emergency rooms/departments, imaging centers, urgent care centers, retail medical buildings and other purpose-built medical buildings where outpatient care is provided.

In the first independently verified research project to look exclusively at those questions, Revista and HREI found that outpatient medical real estate development projects totaling nearly \$7.7 billion in construction value and 19.4 million sf were completed in 2016. Another 17.3 million sf of outpatient projects with a value of almost \$6.5 billion were started.

Griffis/Blessing to manage downtown MOB

Griffis/Blessing was selected to manage 719 N. Cascade Ave., a 2,397-square-foot medical office building in downtown Colorado Springs.

The building is 100 percent occupied by the Front Range Endoscopy Center.

The commercial property services team of Dixie Snyder, CPM, ACoM, portfolio manager, and Stephanie Simer, portfolio assistant, will oversee the daily performance of the property.

Griffis/Blessing manages more than 750,000 sf of medical office space.▲

Project Spotlight

UCHealth to help meet the need in Cherry Creek

by Jennifer Hayes

UCHealth's new facility at the intersection of First Avenue and Cook Street in Denver will bring additional health care options to meet the need for high-quality health care in Cherry Creek.

The five-story, 89,000-square-foot building, which will offer primary and advanced care, including cancer care, women's care, additional specialties, state-of-the-art imaging and an outpatient surgery center, is being designed and constructed through a partnership with Brookhaven Capital Partners.

"Early last year, we identified significant unmet demand for high-quality health care in Cherry Creek," said Robert Jacobs, founder of Brookhaven Capital Partners. "We conceived and designed a world-class medical office building to fit the neighborhood. 100 Cook addresses the key factors to success in this urban location: premier quality and construction, ample parking and convenience. We are extremely pleased to partner with UCHealth, a leading-edge health care provider, to lease our building. This will be our flagship asset."

"This new health center exemplifies UCHealth's vision for helping people live extraordinary lives by providing advanced care, close to home," Elizabeth Concorida, president and CEO of UCHealth, said in a statement announcing the project.

Designed by Denver-based Davis Partnership Architects, the building will be built by Swinerton Builders. Construction is expected to start in June with completion in late 2018.

Dann Burke and Naum Nasif of CBRE as well as Jeff Caldwell and Blake Hol-



UCHealth's five-story, 89,000-square-foot building was designed by Davis Partnership Architects and will be built by Swinerton Builders.

comb of Pinnacle Real Estate Advisors represented Brookhaven Capital Partners in the new development transaction.

Caldwell and Holcomb, Cherry Creek market specialists, first recognized the opportunity for development of the First Avenue and Cook Street site. Once the concept took form as a health care project with Brookhaven at the helm, Burke and Nasif, health care real estate specialists, were brought on board to devise and implement a strategy to present the opportunity to a select list of qualified prospective health care users, including UCHealth.

"The fact that this project came together the way it did is truly a testament to the quality of team," added Jacobs. "We had the expertise in place

to bring this idea to fruition and partnering with an exceptional organization like UCHealth ensures that this building will bring the value to the community that we envisioned from the start."

Design of the facility includes special attention to the alleviation of traffic and parking concerns, with the construction of 257 off-street parking spaces in a four-level underground parking garage – resulting in one of the largest parking ratios for any office building in Cherry Creek. Additional valet services will increase parking capacity to more than 300 spaces.

The parking entrance off of Cook Street is designed to keep traffic flow out of the nearby residential neighborhood – vehicles enter immediately

north of First Avenue and exit onto the alley and back to First Avenue.

"We wanted to set a new standard in design and architecture for Cherry Creek," commented Carl Luppens, development partner of Brookhaven. "We created a building that enhances the neighborhood while addressing the need for ample parking and traffic flows."

"Robert and Carl charged me with setting a new standard for quality architecture in Cherry Creek. I am very proud that UCHealth recognized that this elegant and innovative design reflects their advanced level of patient-centered medical care and their commitment to patients and neighbors," said David Daniel, principal at Davis Partnership. ▲

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Who's News

Ray Oborn joined **United Properties** as president of **Cherrywood Pointe Investment**, where he is responsible for expanding the firm's Cherrywood Pointe Senior Living communities.

Oborn is a member of United Properties' executive team and reports in to co-presidents Bill Katter and Eva Stevens. Though he is based in Denver, he has offices in both Denver and Minneapolis.

Oborn brings more than 20 years of experience in the senior living industry and a passion for improving the lives of seniors. He has worked with independent living, assisted-living, memory care, post-acute care and skilled-nursing facilities.

Most recently Oborn was senior regional vice president of operations for Brookdale Senior Living in the Rocky Mountain region, and was responsible for 80-plus communities in Colorado, Arizona, Utah, Wyoming, Montana and North Dakota. Prior to that, he was senior vice president of operations for New Perspective Senior Living, a developer and operator of senior housing communities in the Midwest. He also has worked for several other leading senior housing developers and operators, including Silverado Senior Living and Sunrise Senior Living, where he spent 10 years in various roles, beginning as an executive director of a community. ▲



Ray Oborn

Brian Spoerl joined **Opus Development Company LLC** as director, health care real estate development.

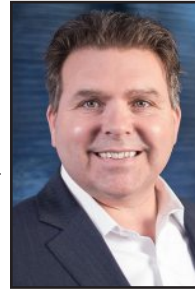
Spoerl will be responsible for sourcing new development and acquisition opportunities for Opus Healthcare across the country.

Spoerl comes to the firm with more than 20 years of commercial real estate and health care real estate experience. He is an expert on health care real estate development of medical office buildings, retail clinics and ambulatory care facilities and has worked closely with health and hospital system leadership on key issues involving capital planning, population health strategies and ambulatory service line expansion.

Most recently, Spoerl served as vice president of business development for a national health care and commercial developer based in Milwaukee, and in prior roles with HSA PrimeCare in Chicago and as an investment broker at Marcus & Millichap.

Spoerl graduated from the University of Wisconsin-Milwaukee with a Bachelor of Business Administration in real estate and urban development. ▲

Mike Wood joined **National Healthcare Realty** as executive vice president of design and construction.



Brian Spoerl

In this role, Wood will oversee all national design, construction and project management efforts for the firm's ground-up development projects.

Prior to joining the firm, Wood served as national director of health care market development for Oldcastle Inc., an international building products organization.

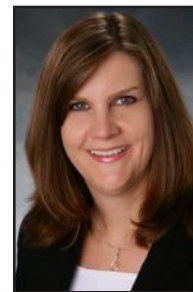
Wood holds graduate degrees in organization development, business administration and medicine, as well as undergraduate degrees in business management, physics and radiologic technology. He also is the current president of the Healthcare Institute as well as president of CAHED in Colorado.

He will be based in the in the firm's corporate office in Denver. ▲

Griffis/Blessing promoted **Patty Jones** from assistant portfolio manager to portfolio manager in the commercial services group. Jones will oversee a seven-building, 358,788-square-foot portfolio of medical, office and industrial property types. ▲



Mike Wood



Patty Jones

Bradley Kraus was named president and chief operating officer of **Spectrum Retirement**.

Jeffrey Kraus and John Sevo, who co-founded the Denver-based company, one of the largest privately held senior living owner operators in the U.S., made the announcement.

Bradley Kraus has worked for the firm for four years, most recently in the role of senior vice president of development. In his new position, Kraus will be responsible for overseeing all facets of the firm's day-to-day operations, including 33 senior living communities in 12 states, which employ a staff of more than 2,600.

Sevo and Jeffrey Kraus will continue to serve in their dual roles of managing directors and chief executive officers of Spectrum Retirement and its development arm, Spectrum Acquisition Partners, respectively.

Bradley Kraus is a graduate of the Cornell University School of Hotel Administration. Prior to joining Spectrum, he was a senior associate in the real estate practice of Cerberus Capital Management. He began his career as an analyst at Morgan Stanley, working in the real estate investment banking and real estate private equity groups. ▲

Pyms Capital Resources has been acquired by **Blueprint Healthcare Real Estate Advisors**. **Pamela Pym** and **Hayden Behnke**, formerly of Pym's Capital, will open Blueprint's Denver office. It has other offices in Chicago, Los Angeles, Washington, D.C., and Portland, Oregon.

Pym's is managing director and Behnke is senior associate. ▲

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INTERIOR DESIGN

Market Update

Four factors influencing health care real estate in CO

Colorado's health care industry continues to grow and be an accelerator for development and employment. Medical office leases are desirable and investors continue to seek health care real estate assets in Colorado and across the United States.

Colorado followed the national trends in 2016 for medical office with low vacancies, positive absorption and increasing rent rates along the Front Range. Vacancy is 10.2 percent, up from the previous year, and rents increased to \$27.15 per square foot full service gross.

A healthy health care real estate appetite is due to four primary influencers; health care systems monetization of medical office building assets, the perceived low risk with high benefits, strong health care demand and growth in health care employment.

• Health care systems' monetization. In the past, health care systems owned most of their on-campus and off-campus medical office real estate. Changes in health care reimbursement, aging facilities and the need to invest in the endless medical technology improvements have led to several organizations monetizing their assets.

In 2016, Colorado-based Catholic Health Initiatives monetized over \$700 million of their medical office portfolio totaling over 3.1 million rentable sf. Transferring the burden of real estate leasing, management and operation to a third-party frees up hospital management personnel and resources to enhance patient care.

Investment companies are interested in the ownership of medical real estate and are willing to offer attractive purchase prices, particularly for hospital-



Cheryl Powell
Vice president,
Rocky Mountain
Commercial
Advisors, Golden

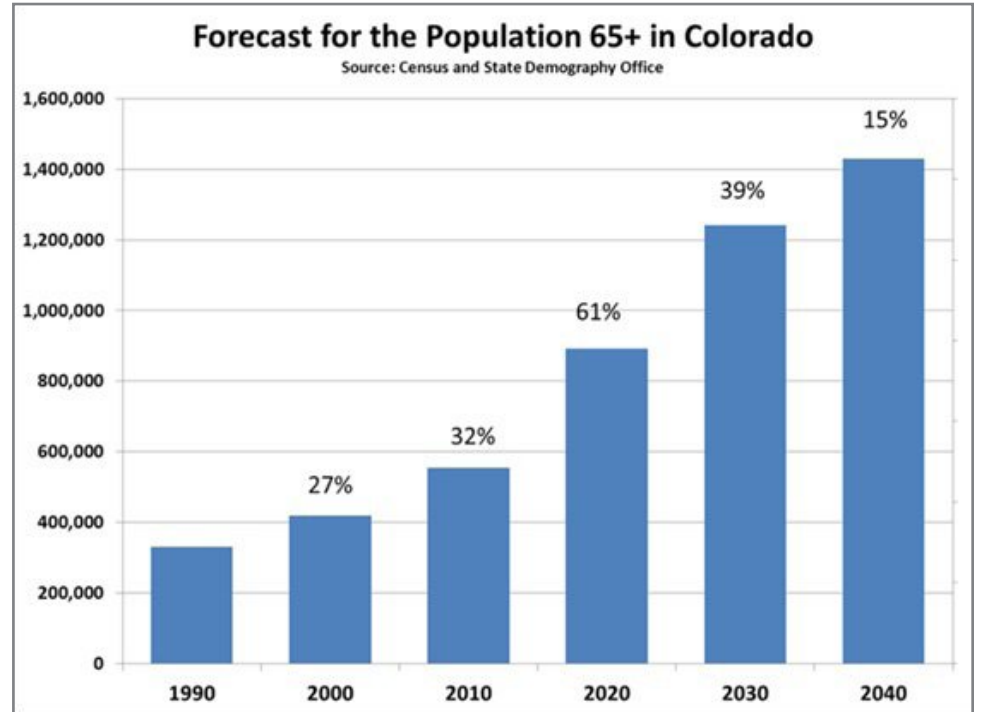
anchored leases.
• Perceived low risk and high benefits. Medical tenants often have financial strength, low risk and sign longer-term leases. One reason for a long-term lease is the cost of construction for the interior build out. A second reason is patients' loyalty is often based upon location, therefore the providers relocate less often.

Investor-owners are buying and developing traditional on-campus MOB's as well as off-campus facilities. Off-campus facilities can often provide a cost-effective extension of the hospital's services.

MOB assets are increasingly being viewed as long-term holds, with investors valuing their steady tenant base. One of the most important components of a MOB's success is recruiting the appropriate tenant mix. Understanding the tenant mix strategic plan provides increased value to providers due to shared referrals and patient satisfaction.

The financial strength of a health care system tenant adds additional value for both on- and off-campus facilities.

• Strong health care demand. The Metro Denver Economic Development Corp. reported in its January profile that by 2040 Colorado's population ages 65 and older is projected to double to 1.5 million. Concurrently, life expectancy in Colorado has increased from 77.2 years to 80.4 years since 1990.



This demographic shift toward an older population will generate increased demand for health services. Further, the expansion of the insured population in the state will continue to increase the need for health care providers and facilities development.

• Growth in health care employment. Health care accounts for the metro region's largest industry sector for employment at 9.6 percent. This is an increase of 5.4 percent in 2016 and is expected to grow by 43 percent by 2025.

The older population requires more health services and the new models of health care reimbursement have increased spending. This creates growth within the health care industry and in return this increases development of health care real estate and

continues the trend of investor interest.

Many nurses and physicians are among the baby boomers who will start to retire in the next three to five years. The federal government is predicting that by 2020 nurse and physician retirements will contribute to a shortage of approximately 24,000 doctors and nearly 1 million nurses. It will be important for the state, as well as individual communities, to ensure they can attract and retain a skilled workforce to meet these demands.

The influence of health care systems monetizing, the perception of risk and benefit as well and demand for health care services and employment will affect health care real estate for many years to come.▲



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Market Update

Building new medical space? Not quite yet

think everyone would agree that Colorado's real estate market has more than rebounded from the 2007-2008 recession. Denver is the fastest-growing city in the country. I've lived in Colorado my entire life. I remember driving from Boulder down to Sheplers Western Wear – past Colorado Avenue – there was nothing along Interstate 25 except for Gates Rubber Co. You really didn't see much until you arrived at the store. After shopping at Sheplers, we would go next door for lunch at the Hungry Farmer. That was the extent of our options.

Today there is barely a buildable site left in the Denver Tech Center. Downtown has added unbelievable amounts of new construction – lofts, retail and office space. I could go on and on about what's been built. The same holds true for Cherry Creek as well as other parts of Denver.

The situation for medical office is no different. Hospitals have sprung up, and close to them, medical office buildings. Overall, Denver's medical office market is robust – numerous health care operators breed a competitive marketplace.

Colorado Springs and Pueblo are a different animal than Denver. We've seen the construction of many standalone emergency medicine facilities, by UHealth as well as operators out of Texas that focus solely on such facilities.

In addition to UHealth and Centura, DaVita has become a major player in the Southern Colorado



Ted Link
Broker/owner,
Cascade
Commercial Group,
Colorado Springs

market. A long-time specialist in dialysis centers, it recently acquired Colorado Springs Health Partners as well as Mountain View Medical, giving the company a large piece of an integrated, multi-specialty practice market.

All three of these juggernauts have been actively purchasing physician practices. These physician groups often co-locate on facilities owned and operated by the acquiring health systems.

Freestanding medical office buildings are enjoying strong occupancy rates all over Colorado Springs – many are well past 90 percent occupied. A few standalone facilities are under construction now, all owned by the end-users. A group of internists up at Northgate, led by Dr. Rick Vu, is building a 14,000-square-foot building off of East Woodmen Road scheduled for completion at the end of 2018; it is reportedly 100 percent leased. Additionally, a group of dentists is building a 24,000-sf facility in Northgate.

Children's Hospital Colorado will be occupying a large building soon to be under construction on Memorial's north campus, set for completion in 2020. Once again, this space will be for providers working in the UHealth system.



Boldt teamed with Penrose-St. Francis Health Services, part of Centura Health, and The YMCA of the Pikes Peak Region to bring the Tri-Lakes Health Pavilion to Monument.

Boldt, a developer out of Milwaukee, was quite successful on a joint venture project with Centura Health at Lake Avenue and Venetucci Boulevard, at the south end of Colorado Springs. The building is 100 percent leased; in the building next door, Colorado Springs Orthopedic Group has occupied 20,000 sf, nearly half of the facility. Boldt's facility with Centura and the Tri-Lakes YMCA, just south of Monument, still has space available.

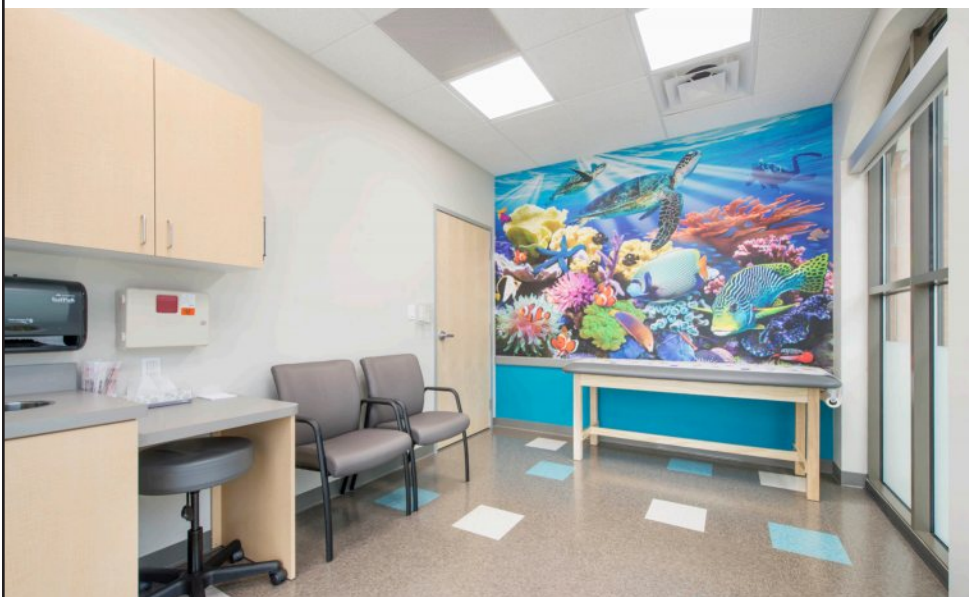
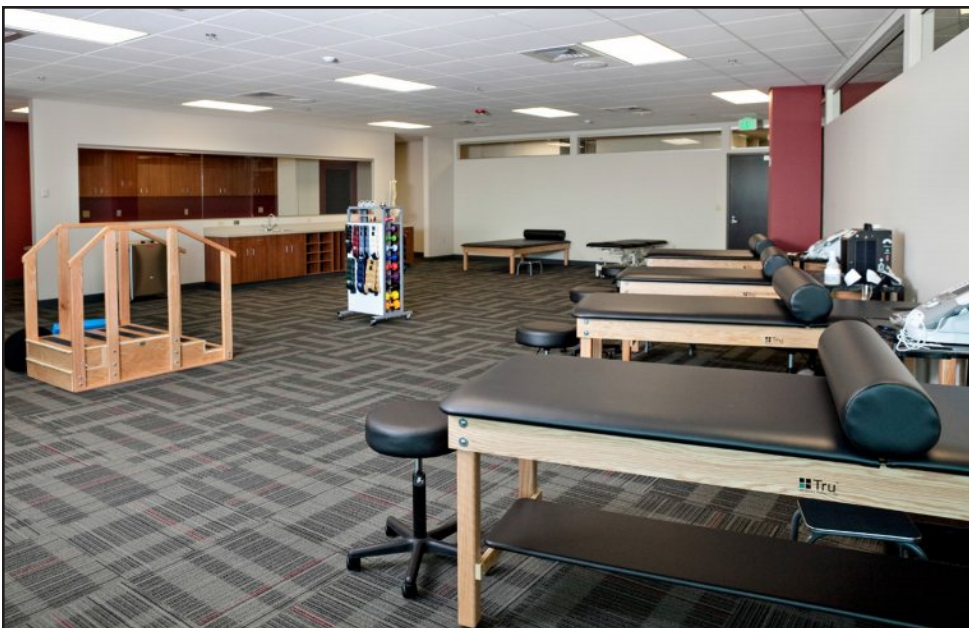
We will probably not see many speculative MOB's built in Southern Colorado because the demand is not quite as high as in other cities along the Front Range. Our top-end medical office lease rates are \$20 to \$22 per sf triple net, and to build a new building out of the ground, rents need to be in the range of \$26 to \$28 per sf triple net to justify the cost of new construction.

There will, however, still be a

demand for stand-alone MOB's. We can't forget physical therapists, psychiatrists, podiatrists, osteopaths, holistic medical providers and chiropractors. These providers will all need medical office space, as patients increasingly seek services from complementary and alternative practitioners.

When will the next speculative MOB's come on line in Southern Colorado? We are now projecting that timeline is likely 2019 or 2020. At some point, all the vacant space will be leased, and any large medical group will not have options in this market. When that time comes, somebody is just going to have to swallow the pill and commit to the higher rental rates to have new space.

In conclusion, market conditions are improving and lining up to be ripe for a new MOB, but the time to build is not quite yet.▲



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Broker Insights

Advising medical tenants in a changing market

Brokers log countless hours working with clients who are in the marketplace looking to relocate. No matter if the move is due to growth or downsizing, brokers try to educate clients on what the current market is bearing from the beginning. Moving any tenant has its pros and cons, however, moving a medical tenant can generate a totally separate set of issues.

Medical tenants are typically in a location much longer than other office tenants, therefore moving is often very difficult. The first thing a medical tenant must consider is its patient base. Such tenants will question the number of patients who will follow them if they relocate. They question which patients are elderly and need assistance, who relies on public transportation and who travels a far distance to come to their office. They will want to know if moving will add additional travel time to their patients' commute. Medical professionals also are concerned about losing a percentage of their patient flow. It is estimated a medical office could lose up to 5 percent of its patients simply due to a move. In order to get a move right, some medical professionals will ask their broker to provide mapping and demographic information. It is extremely important for a medical professional to look for a new office with good referral sources. Referral sources add to the attractiveness of the new building and the tenant



Terrence Pace
Broker, health care solutions specialist, JLL, Denver

feels the building is vibrant which allows them to continue to grow and prosper.

Outside of growth and patient flow, medical professionals also are concerned with the operational side of the new office. A medium-size, primary care office can utilize up to 12 exam rooms, each of which requires plumbing. Adding plumbing throughout a medical office can be very expensive. The cost to add plumbing to a new space starts around \$75 per square foot. Other medical tenants have different space requirements to operate their practice properly. For example, nephrology groups and surgery centers have a need for an independent power source, such as a generator. This is one reason landlords and tenants look to each other to contribute significant funds to improve the space.

Some medical tenants have been in their current space 10 to 15 years. The last time they changed offices the market was different. Just five years ago we were in a market in which landlord concessions were readily available. Some medical tenants hit the marketplace looking for six months abated rent and a full turnkey tenant improvement finish. Even with the

Medical professionals also are concerned about losing a percentage of their patient flow. It is estimated a medical office could lose up to 5 percent of its patients simply due to a move.

special requirements, some tenants do not feel they are getting a fair deal if the landlord does not make them feel wanted by providing landlord concessions.

The special needs of medical office users requires you have specific designations for medical office buildings. These special requirements go into consideration at the development stage of the build-

ing. There is a need for additional electrical power for a MOB compared to a standard office building. The typical MOB will need larger water taps to accommodate all the plumbing and water use that is required. Medical buildings require more parking stalls for medical tenants and their patients. The parking ratio in the Denver metropolitan statistical area ranges from four to five parking stalls per 1,000 sf for a MOB. Conversely, a regular office building typically is required to have two to three stalls per 1,000 sf for parking. Because of the special requirements of medical tenants, there is additional stress added to the building as well as the landlord.

When brokers are advising medical tenants in the market, they inform them of the changes in the market up front. There are advantages to being in a MOB and certainly to having medical tenants in your building. Medical tenants are more stable than most other tenants, and they typically stay in one location longer and do not like to move around. The same type of patients come to the building consistently for years. This helps to control foot traffic in and out of the building. Banks and investors look at medical buildings as better, safer investments compared to a typical office or mixed-use property. Although there are changes in the market, we believe the benefits outweighs the risk for the landlord and a tenant.▲



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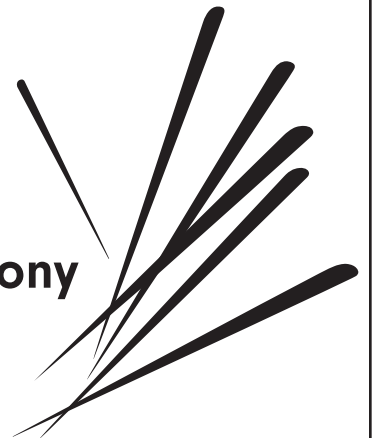
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Construction

Developing customer-friendly parking experiences

Real estate is a precious commodity in this booming construction market. Areas dedicated to parking are limited, and parking facilities should be designed to meet the ever-changing landscape of drivers and their vehicles. Contractors and developers have a responsibility to their health care facility clients, as well as those clients' patients, visitors and staff, to identify and implement cost-effective and pleasant parking solutions that meet current and future needs.

I know from experience that the first impression of a health care parking facility can set the tone for a customer's entire visit.

My father was recently hospitalized and I drove my mother to the hospital to visit him. As we entered the two-lane parking area, we found a long line of cars merged into one lane. The other lane was closed for construction work and the parking garage entrance was partially blocked while crews unloaded equipment.

My mother grumbled that, "This place is always under construction!" She was worried about my dad and now we had an army of parking challenges to work through before securing a parking spot and getting to his room. We arrived late to his room and missed part of the consultation with his doctor. As I worked through my irritation, I wondered how many other patients and visitors deal with this same issue each day.

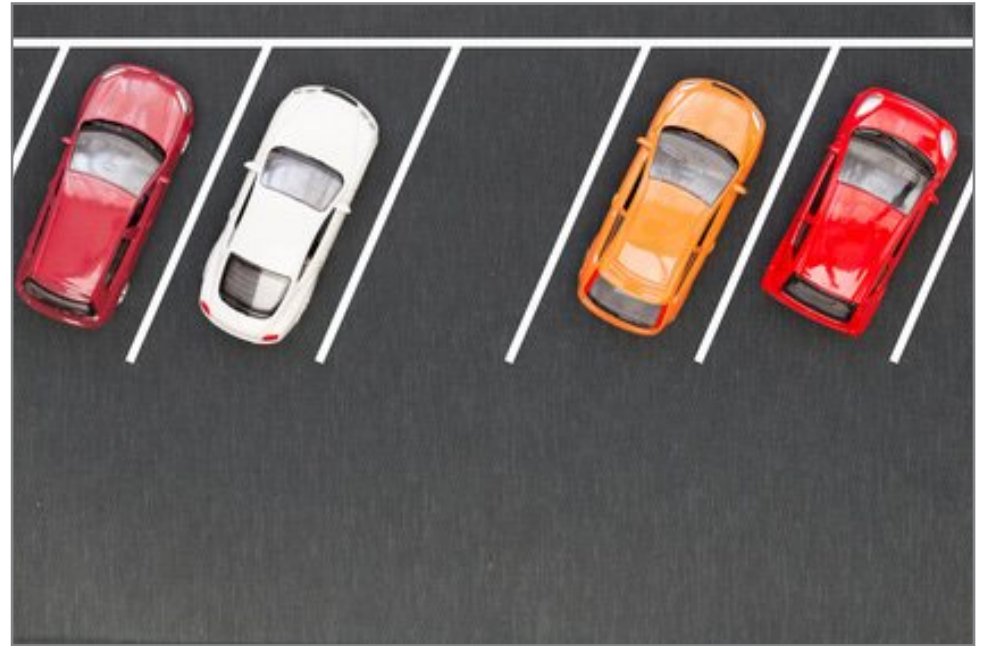


Brian Mulnix
Business development manager, Catamount Constructors Inc., Denver

Many health care campuses that are undergoing new construction or updating existing areas are adding amenities to enhance the customer parking experience, including complimentary valet parking at major entrances and electronic signage to communicate which

floors of a parking facility have available parking spots. Some health care facility parking areas even offer alternative-energy parking stalls, charging stations for electric cars, canopy parking and shuttle service. While the end result is terrific, the construction disruptions can be overwhelming for patients, visitors and staff.

Planners, developers and the entire build and design team add value by guiding their health care clients through the most efficient solution that addresses today's parking needs, anticipates future parking considerations and reduces parking facility maintenance. Contractors have the additional responsibility of allowing their clients to conduct daily operations with minimal disruption. Blocking a parking entrance during visitor hours is not considered "minimal disruption."



Contractors have the additional responsibility of allowing their clients to conduct daily operations with minimal disruption.

My recent hospital parking experience was highly irritating, but was good for me because it reminded me contractors play an integral role in providing pleasant and efficient customer parking experiences. We guide clients in their decision-making during the parking facility planning process. For example, we can reduce parking facility maintenance by using new and improved materials (i.e. long lasting and easy-to-blend paint). We can anticipate future needs, such as spaces for electric car charging and separate areas for valet use, and incorporate those

needs into the building process. And we can schedule crews to work during off-peak hours to enhance the customer parking experience during busy times.

Patients, visitors, physicians and staff all want to get in and out of health care facilities as efficiently as possible and they expect convenient, safe parking options. Health care providers want to offer best-in-class parking facilities that meet budgets and enhance the customer experience. The build and design teams are the forward thinkers and doers that can make it happen.▲










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Design

The art of storytelling in health care environments

In a health care environment, art can do plenty more than fill a blank space on a wall. A successful art program will provide positive distractions, enhance the design theme and aid in wayfinding. Two of our firm's recently completed health care projects received overwhelming praise due to their well-coordinated art programs. Here are three tips on how art can tell a story with a fairytale ending.

First, appropriate art selection for health care is crucial. Artwork selected for a patient setting must decrease anxiety and anger while alleviating boredom. Crisp and clear landscape photography can transport the viewer to a peaceful place or to a positive memory. In Colorado, we are blessed to be surrounded by majestic mountains with expansive views and amazing sunsets. Utilizing a combination of macro and micro landscape and nature images are a nice balance. Viewers can become lost in thought gazing at a mountain lake at sunset or filled with curiosity over an enlarged image of a rain drop trickling down a reed of grass. Stay clear of animals, blurry or busy abstract images as they may instill anxiety or confusion.

Two other factors for a successful art program include a strong theme and wayfinding attributes. Art can be the voice of a project that speaks in a dialect that all can understand. Art can speak volumes by pulling together all elements of a design theme and passively guide a visitor



Rebecca Brennan, RID, CID, CHID, EDAC, IIDA
Principal, Design Studio Blue LLC, Greenwood Village

to their destination. For the new Emergency Department at St. Joseph's/Candler Health System in Savannah, Georgia, the theme was subtle Savannah. We wanted to represent the historic city in an unusual way, with imagery and vantage points not typically viewed or experienced. Every photograph and art piece is a focus on something

of quality such as a unique perspective, sense of light, texture or color. In the waiting room, we highlighted the downtown skyline from historic rooftops and atop bridges and then led the patient along their journey to triage with photography of decorative ironwork found on gates and fences. Within the exam spaces, images of statues throughout downtown Savannah were hung, providing comfort and distraction to patients.

Similarly, at the new Henderson Hospital in Henderson, Nevada, the art is uniquely themed to each floor by subject matter and color. The second floor is themed earthly treasures, with a focus on the blues and browns of desert landscapes. The third floor theme is luminous skies, with imagery of the expansive canyons and endless sunsets in shades of rust and salmon. The fourth floor is themed desert blooms, with fresh,



An image of the St. Joseph's/Candler outpatient waiting room with artwork featuring the Savannah Bridge.

green succulent desert cactus. Again, we repeated and reinforced a theme with consistent imagery and color to guide patients, families and staff to their destination.

A photograph hung in a corridor doesn't independently create a pleas-

ant experience. It doesn't reinforce a corporate image, nor, tell the viewer which way to turn. However, with early planning, a strong theme and appropriately selected artwork, a happy ending can develop with your next design project.▲

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Senior Housing & Care

Question of the Quarter

Q: In what ways are rising construction costs impacting the development of new senior housing and care properties in Colorado?

Tony Burke

While rising construction costs in Colorado are certainly having a downstream impact on costs to residents and consumers, construction is still on a strong pace – partially because local home values have risen drastically. As a result, resident candidates can sell their homes at a premium in order to move into senior housing, even though the costs are rising.

While developers and health care providers coming from other markets may see Colorado's economy as daunting when trying to enter our market, developers and general contractors in weak out-of-state home markets seem attracted to Colorado's economy.

Regardless, developers are seeking to save money by finding lower-cost land in suburbs and nonpremium locales; and some may choose to pursue tax credits to provide desperately needed affordable senior housing, which also allows developers to build a more economical product.

The tight local labor market is a major contributor to rising costs: Busy subcontractors are charging more, and if a too-busy subcontractor fails to perform, schedules extend and costs rise. Responsible contractors don't take on more work than they can handle and are careful not to



Tony Burke
Construction manager, Pinkard Construction Co.

overload subs. Careful vetting of subcontractors is also recommended.

Locally fabricated materials influence costs in much the same ways as the local labor market. Responsible contractors are constantly exploring materials and labor markets to find reasonable options for owners and developers to mitigate costs. The recent trend of modular construction has entered the conversation for senior housing in premium markets.

If interest rates rise, it is likely that fewer projects will be built, regardless of construction costs.

Shawn Donohoe

The biggest issue affecting the construction industry today is finding and retaining qualified talent.

Now more than ever construction firms are faced with the challenge of finding qualified workers due to an aging workforce and the loss of skilled workers during the recession. A recent Bureau of Labor Statistics Job Openings and Labor Turnover Survey shows that nearly 200,000 construction industry jobs are unfilled across the country, a jump of 81 percent in just two years.

Lack of a skilled workforce is a



Shawn Donohoe
Business development, Catamount Constructors Inc.

problem for various reasons, but fundamentally there are just not enough people to build the projects we will need in the future. This squeeze in the labor market is increasing the cost of wages which in turn makes projects costlier and, potentially, unviable for development.

The construction sector must get more young people interested in working in the industry. Research shows that the construction sector has an image problem that deters people from entering the industry. This is especially true amongst millennials, who tend to view the industry as old fashioned and not very dynamic. For the last 50 years, the belief has been that college was the route to fulfilling careers and financial success: College equates to high wages; trade skills equate to low wages. Enrollment in technical colleges is dwindling and there has been a significant decline in apprenticeships.

As new technologies emerge and the population continues to grow, the need for more workers increases. The talent crisis will reach critical levels regardless of the type of project being built, senior housing or otherwise. The viability of a strong construction outlook depends on the industry's ability to dispel stereotypes of the construction industry in order to attract talent and remain competitive.

Larry Smith

Rising construction costs are making it more difficult for smaller,

independent private owners to be competitive. Even in markets where need has been identified, rising construction costs make pro formas on new construction or expansion difficult to work out. We recently had an experience where we were planning an expansion to one of our campuses in a market that had identified a definite need and we used traditional costs to work the pro forma. When construction bids came in 30 percent higher, it essentially killed the expansion.

While higher construction costs don't seem to have the same impact on larger, for-profit (usually publicly traded) companies, they definitely have an impact on smaller, nonprofit owners' ability to be competitive with new product, expansion and even upkeep of their properties. We have seen a 25 to 30 percent increase in just the cost to remodel apartments.

Ultimately, higher construction costs translate to higher rent rates that, in the end, makes senior housing less affordable to those in need.

Tom Kooiman

The higher costs for vertical construction are affecting all of our

Please see 'Question,' Page 20

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Senior Housing & Care

Senior housing and care construction starts, openings and sales

December 2016, January, February 2017

Construction Starts

Construction started in December on Windsong at Rock Creek, a new, 64-unit memory care property in Fort Collins. The general contractor is Brinkman Partners and the architect is Lenity Architecture. The property is owned by Drever Capital Management and Vista Pointe Development Co. It will be managed by Vista Pointe Development Co.



Trinity Lutheran Church's new 16-unit age-restricted apartment property, Trinity Commons, began construction in November. The property, located in Boulder, will be restricted to those who do not exceed 60 percent of median household income in Boulder County. The age-restricted apartments will be incorporated into a larger structure that includes 77 parking spaces and an additional 5,000 square feet of church space. The architect is Hartronft Associates PC and the general contractor is Fischer Construction Inc. The property is expected to open in mid-2018.

Bonaventure Senior Living, of Salem, Oregon, began construction of its new community in Thornton in January. The community will include 71 independent living units, 62 assisted living units and 25 memory care assisted living units.

Openings



Brighton Village II is a new 63-unit, income-restricted, age-qualified apartment property, adjacent to Brighton Village I in Brighton. The property opened in December and is funded with 9 percent low-income housing tax credits. The architect was Miles Lambert and the general contractor was Shaw Construction. The property is owned by HC Brighton Senior II LP, in partnership with Hendricks Communities, and is managed by the Brighton Housing Authority.



Water Valley Senior Living, a Good Samaritan Society community, is an existing 116-unit independent living community in Windsor that recently added adjacent townhomes. A ribbon cutting ceremony for the 40-unit Resort Villa Townhomes was held Jan. 25. The architect was Bas1s Architecture and the general contractor was Dohn Construction Inc.



Mainstreet-Fort Collins is a new 70-unit skilled-nursing and 23-unit assisted living facility that opened in January. The general contractor was Meyer Najem and the architect was American Structurepoint Inc. The property is owned by Mainstreet Capital Partners LLC and is managed by Eduro Healthcare.



Peregrine Landing at Aurora is a new memory care, assisted living community that opened in January. Peregrine Landing is owned by First Phoenix-Aurora LLC and managed by Peregrine Senior Living, headquartered in Syracuse, New York. VisCap Development LLC is the developer, the architect is Mudrovich Architects and the general contractor is Copeland Building Corp.

Rocky Mountain Assisted Living Wheat Ridge, a new 32-bed assisted living and memory care community, held a grand opening ceremony Feb. 16. The general contractor was Springfield Construction LLC and the architect was MA Architects. The property is owned and managed by Rocky Mountain Assisted Living.

Sales

The former Generations at Lowry assisted living building, on a nearly 10-acre parcel at 8505 E. Lowry Blvd., recently was purchased for \$16.5 million by Alliance Residential. Generations at Lowry had closed as an assisted living community in summer 2016. Alliance Residential, based in Phoenix, will reportedly demolish the existing building to make way for a new multifamily apartment building.

These listings of construction starts, openings and property sales are as reported by Boulder-based **The Highland Group**. For questions, contact info@thehighlandgroupinc.com or 720-565-0966.

Question

Continued from Page 19

senior care community clients. Sometimes higher-end facilities have more room to maneuver with their pro formas, but it is very consistent across the board that we need to be more involved early in the design process to ensure the budget aligns with our client's requirements.

The development community still has an opportunity to improve the process of general contractor selection, which will make



Tom Kooiman
Director of business development - Western Region, Brinkmann Constructors

the biggest impact on their final project cost and delivery. The selection should be based on the strength of the team. Who will bring you the best solutions and value engineering ideas and, ultimately, who will do the best job managing the design, the budget process and deliver the building your client wants? Our firm wants to be involved early, working closely with the client's architectural and engineering teams to evaluate site costs and building design options from Day One.

There are a lot of dollars to be saved as the developer, architect and general contractor together look at site layout options, infrastructure design, building structural design, MEP systems, finishes, etc. In this way, the senior housing being developed has the most cost-effective design when the general contractor goes out for bids from the trades. Controlled budget review at each stage of the design process eliminates the potential for a cost surprise at the end. It is never good for a new assisted living or independent living building to consider changes to key components of their building finishes to make a budget. ▲

MODERATOR COMMENTS



Elisabeth Borden
Moderator, The Highland Group

Our clients are using multiple approaches to balance their pro formas to accommodate rising construction costs. Some are raising planned rents to make up the difference. Others have scaled back their common area spaces. Some have increased their unit counts. All of these approaches have associated risks, but also can allow projects to move forward to completion. Those who work most closely with their general contractors from the beginning seem to be able to manage costs most effectively. Thanks to our contributors here for sharing their insights on this topic.

eborden@thehighlandgroupinc.com

Senior Housing & Care

Importance of proper budgeting and analysis

The importance of having a proper budget whether in a new startup, acquisition or management contract cannot be stressed enough. A budget is a comprehensive, formal, coordinated, detailed, quantitative plan that estimates the probable expenditures for acquiring and using financial and other resources for the organization over a specific time period. It provides us the valuable tools for planning, staffing, supplies, census and return on investment. All corporations to small individual businesses need to provide a realistic annual budget to determine the most efficient and effective strategies for making money and expanding its asset base. Budgeting can help a company use its limited financial and human resources in the most efficient manner to provide services to the senior living population.

A good and thorough understanding of how the budget process works is a must for the individual community leaders to use as tool to manage their department managers and staff on a daily basis. Budgeting also allows the business owners to assess the manager's performance during a specific time assigned. It is of great importance because the manager's compensation is quite often tied with the manager's performance during the year.

There are different kinds of budgets that fall into various categories. The financial budget in most



Dave Kolbet
Director of finance,
Vivage Senior
Living, Lakewood

cases includes the capital expenditure budget. A capital expenditure budget relates to purchases of plant, property or equipment with a useful life of more than one year. A cash budget includes the balance sheet and cash flows set during a specific 12-month budget period. Census is the greatest factor to help the management team meet their goals on a daily, monthly and annual basis. If the marketing and sales teams do not network with other providers, hospitals, chamber of commerce, senior groups in the community, purveyors and general public, census will not increase to meet the revenue projections.

- **Communication.** Corporate goals must be understood by all and the best source of information will be their community leaders. Each executive director works with his team to develop a budget he feels can be met using past and present performance. The budget is reviewed with the corporate staff and adjusted or approved as needed to meet realistic goals.

- **How do budgets help?** Using budgets, dashboards and data matrix helps to alleviate potential problems, which allow management to make



Mark Osweiler
Senior vice
president, WellAge
Senior Living,
Lakewood

adjustments before significant losses are realized. Managers can make immediate changes to staffing, supply inventory, census, etc. This gives managers an opportunity to open doors to develop innovative ideas and services adjustments. During changing economic conditions, managers may increase activities in one area and reduce in others to meet overall budget goals.

- **Projections.** Companies must provide a realistic projection and not overly ambitious goals by using an up-to-date market study. Inflating budgeted sales figures or using the wrong sales forecast or rents that are too high will cause problems. Overstating sales projections will lead to problems with other departments' financials such as cash flow, income statement and balance sheet.

If managers are not given the chance to participate in preparing for the budgets, the employees will perceive the budgets as being too difficult to follow. The leadership must maintain supportive and cooperative relationships with staff of all levels. This will lead to increased productivity, satisfaction and morale. Using good communication in the budget-

ing process will help ensure corporate goals.

- **Goals should be challenging.** Goals need to be financial and nonfinancial, challenging and reachable to encourage everyone in the company to be part of the present and future goals and successes. A good leader emphasizes not only financial goals but also how important nonfinancial goals are to the company's success. Using historical data is important in helping to gain an understanding of how to meet future economic goals. Identifying and engaging all employees to participate must be done in a genuine, respectful and professional manner.

Businesses should conduct monthly meetings with the community staff to discuss any variances in their financials, fix if inaccurate and make necessary adjustments.

An accurate budget is extremely important in starting off any company with a proper financial foundation. Even using the best processes, calculations, history and market studies, things can change quickly. Using daily, monthly and quarterly benchmarks help every company increase or reduce as needed. Having community-level managers in the development of the budgets gives them a personal interest in succeeding and fulfilling the company goals. Staying involved with local and state organizations as well as elected officials keeps the company ahead of the competition. ▲

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Senior Housing & Care

Considerations when designing high-rises for seniors

When we think of high-rise buildings, we often conjure images of office buildings, luxury hotels and flashy condos in the heart of busy cities like downtown Denver. High-rise buildings are not only for tourists and professionals, however, but also are home to senior living communities across the Denver metro area and in other urban settings. Building codes define “high-rise” as buildings in which the highest occupied floor is more than 75 feet above fire department access – usually between six and eight stories. When it comes to designing high-rises for the aging, it’s important to keep these architectural considerations in mind.

• **Resident flow.** Movement and flow throughout a building are important factors in how people utilize a space, especially for seniors. For instance, residents living in skilled nursing and memory care units generally do not move between floors as frequently as independent and assisted-living residents. Where travel distances are longer, resting points should be considered. Designers must reflect on where to locate amenities and services in order to keep residents comfortable and cared for.

• **Visitor and staff entry control.** Access control is another important consideration for any senior living community. Visitors should be directed to the reception area and not allowed free access to all levels of the community, with separate elevators or access controls for staff and resident circu-



Jami Mohlenkamp
Principal, OZ
Architecture,
Denver

lation. Generally, access control will affect where elevators are located and how high or low they go. Architects often work within constrained site parameters where the more efficient design solution may be to place parking directly underneath the building. In this case, the elevators may extend under-

ground.

• **Kitchens and dining areas.** Kitchens, dining rooms and common areas are often located on the first floor, with senior residences on higher floors. For those in independent living situations, movement between floors is usually not an issue. Sometimes, however, smaller kitchenettes and even full commercial kitchens exist on the highest floors, which can be convenient for residents with mobility issues. There are additional pros and cons to each:

First-floor kitchens. Infrastructure and ease of plumbing are the main reasons for locating a commercial kitchen on the first floor. Receiving food and equipment is more efficient at ground level, with loading docks and commercial refrigeration units within easy access. Generally, having the kitchen connected to the dining room is the most sanitary option, and locating the dining room on the first



Darrin Jensen
Senior project
manager, OZ
Architecture,
Denver

floor encourages visitors and staff to congregate in a central location.

Top-floor kitchens. On the other hand, there are benefits to locating kitchens and dining rooms on higher floors. The sweeping views can create a certain “sizzle factor” that adds to the overall experience, especially in scenic

locations like Colorado. A common amenity at the top floor allows everyone to share the best views. Additionally, technical requirements like venting a kitchen hood are more easily accomplished the closer you get to the roof. Plus, taller buildings often are constructed with a dedicated freight elevator for kitchen deliveries.

• **Plumbing, ventilation and mechanical logistics.** Plumbing and kitchen ventilation always are a consideration, but especially in a high-rise. Building codes require a kitchen grease hood ventilated all the way to the roof, through a shaft from the first floor to the top floor. Likewise, a grease trap must drain in line with the sanitary sewer system. For top-floor kitchens, this means a dedicated draining system that extends all the way down to the ground. Typically, drainage pipes take up less space going down than ventilation shafts going up.

Like any high-rise, a fire pump,

domestic water pump and circulating domestic water loop are required to circulate water to facilities and residential rooms throughout the building. Another mechanical requirement in high-rise buildings is a ground-level fire command room of at least 200 square feet, approved by the local fire department for use in emergencies.

• **Outdoor amenity design.** One often defining characteristic factor of high-rise buildings is their location in densely populated urban areas, especially cities with rapidly growing populations like Denver where vertical construction is more attractive. Unlike apartment buildings, there are few private outdoor balconies in senior living residences. Instead, residents are invited to step outside their rooms to a shared outdoor space. On the first floor, this can foster socialization as well as more opportunities for natural vegetation as opposed to a rooftop space. On the other hand, some developers make a point to locate outdoor common areas on the rooftop when another use is desired on the ground floor. For skilled nursing or memory care units where mobility may be restricted, a smaller outdoor space on the roof can work well.

Designing high-rise buildings for senior living communities requires many of the same considerations as any high-rise building would, but an understanding of the levels and varieties of acuity helps designers craft spaces fitting the particular needs of aging residents in Colorado and beyond.▲

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Senior Housing & Care

Senior housing: Understanding the new wish list

Each new generation of seniors comes to the senior living market with a very different and evolving set of desires and expectations. We are now seeing the second half of the silent generation as the dominant market customer for the service-enriched (independent living, assisted-living) market. This is a consumer whose ideals for retirement are more closely related to the baby boomers. Maintaining their connections to the at-large community, a focus on health and wellness, less age segregation, diversified educational opportunities, and more and newer technologies are all on the wish list. So, what are some of the strategies for senior housing that we should be considering as designers and providers of these environments?

Maintaining Community Membership

Industry surveys show that each newer generation of older Americans have less desire to be segregated and more desire to maintain connections and involvement in the community at large. I have observed that some of the best performing projects, and those that are able to attract a wider age group, are those that are located in the mainstream of the community, whether it's suburban or urban. For example, we recently completed a project in Lone Tree that was strategically located in the heart of a suburban town center. The site location affords residents immediate access to a variety of retail and restaurants, a performing arts center, a library, hospital and a host of



Johnathan Sims, AIA
Principal, Lantz-Boggio Architects, Englewood

other community amenities. This project is experiencing an extremely high presale and lease-up performance from a more diversified age group. This is principally attributed to the fact that residents have numerous and ready options for community participation and all-age interaction.

Consistent with the new desires for community connectedness, nondwelling amenity spaces within the building should be designed to be versatile and flexible enough to accommodate a variety of functions that could include the community at large. We should be thinking about establishing the senior living environment as a community destination. While hosting community activities is a change in the way we traditionally operate senior housing, providing these flexible spaces will allow operators to adapt to changing demands and preferences of newer and coming generations.

Fitness, Health and the Outdoors

Architecture is a powerful tool in setting expectations. Large, well-appointed fitness centers are associated with health, fitness and vitality. Surveys show that prospective residents rank fitness centers among their top priorities

when considering a senior living community. Placing these functions in prominent locations within the development, and creating an all-age non-senior image, along with the inclusion of holistic health and spa services, is an important strategy that aligns with evolving lifestyle preferences in America.

Evidence-based design studies prove that daylight and access to the outdoors offers significant benefits to overall health and well-being. Also, we have evolved to a more outdoor lifestyle in America. This all points to the fact that responsive design should include consideration for improved outdoor spaces and opportunities in our built environments. Outdoor exercise areas, covered activity decks, outdoor lounges and dining areas, fire pits and extensive walking paths are all successful design practices that are proven to be responsive to today's newer generation of residents.

Less Age Segregation

As we provide for the current market, and prepare for the coming baby boomer generation, we should be considering the "apartment for life" concept that allows residents to age in place. These could be in intergenerational developments or age-restricted buildings that are strategically situated in community mainstream locations. A variety of a-la-carte health and convenience services are delivered to the residents in their home. While all this directly relates to new generation preferences, it also closely aligns with new

and coming health care policy, which promises to continue to direct funding toward outpatient health services.

Another consideration that supports this concept for the next generation is that lack of financial resources among the boomers. Residing in market-rate apartments, or staying at home and accessing health care and concierge services from the community, is often a less expensive alternative.

Technology

The new senior is tech savvy and demands competent and current technologies to be made available to them. Access to the digital marketplace, social media, educational opportunities and concierge services are on the technology wish list. Much like the goal to be responsive in the programming and design of our buildings, we must be positioned for digital responsiveness.

Conclusion

As architects, we learn early on that the best buildings are those that are most responsive to the needs, desires and expectations of its occupants and users. This is especially true in designing for seniors. Understanding the wish lists for new and coming generations of seniors, and providing fresh and innovative design responses, should be our goals. It is the dynamic of consumerism we must focus on, and it's not a static exercise, it requires understanding, innovation and ambition for us to continue to provide successful and thriving environments.▲



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