

HEALTH CARE PROPERTIES

Quarterly



Taking flight

Memorial Hospital North's expansion at its existing site is a recognizable trend in Colorado Springs – the decision to build and expand at existing facilities versus committing to build new facilities.

Development soars, pushing Springs medical market to take flight

We're back! The Colorado Springs medical office market is doing great. Colorado Springs continues to experience a decline in vacancy rates as the second quarter is ending with a total vacancy rate of 7.16 percent, down from 7.54 percent at the beginning of the year. As predicted, the first half of 2017 continues to show positive absorption along with increasing rental rates. It has been a long road to recovery; just four years ago the vacancy rate was 21.46 percent.

While these numbers are an important synopsis for our region, the main focus and conversation among health care systems and hospitals revolves around the looming uncertainties of new legislations and the future of the Affordable



Laura Lynch, CCIM, CPM
 Managing director,
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 Commercial,
 a Cushman &
 Wakefield Alliance,
 Colorado Springs

Health care systems are

Care Act. These uncertainties will impact future building plans and leasing structure, and set new trends that will inevitably change the way patients receive care along the Front Range.

The first recognizable trend in our area is the decision to build and expand at existing sites rather than committing to newly built facilities. An example of this is the \$110 million expansion of the Memorial Hospital North. Health care systems are

as expense conscious as ever, and locating all departments centrally creates cost efficiencies. Ultimately, for community members, this is a positive change as each expansion is located on a campus with proven success and will allow for centralized services to be delivered more quickly and cost efficiently in the future.

Additional considerations for health care operators include leases, which are now under scrutiny after the Financial Accounting Board published a new Accounting Standards Update in February 2016. Prior to the recent update, leases for health care assets were classified as "operating leases," which had a minimal influence on the balance sheet of the tenant. In two to three years, depending on whether a

company is public or private, entities will be under tougher scrutiny and likely will have to classify their leases as "capital leases," thus treating the lease as debt on the balance sheet. Classifying leases as a capital lease has incentivized health care systems to consider purchasing property instead of leasing. Developers have been quick to recognize the change and are building sites with lease-to-own opportunities.

Developers also have been able to recognize another growing niche in the MOB market: rehabilitation hospitals. Post-surgery patients are typically left with few affordable options. Hospitals also are faced with high readmission penalties for patients that were reemitted to the

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Breaking, buying

Colorado's health care market has seen a number of big buys and big builds

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Crystal ball

Making health care decisions in an uncertain environment

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Stuck in the middle

The dilemma of providing senior housing for the middle-income market

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Letter from the Editor

Activity stays steady

Everything from medical office properties to assisted living senior facilities to hospitals remains an attractive asset class as evidenced by the new construction and sales volume seen across Colorado over the last quarter.

UCHealth continues to grow in the state, most recently breaking ground on a more than \$310 million hospital. The 360,000-square-foot facility with an adjacent 85,000-sf medical office building housing a two-story medical cancer center is underway at Town Center Drive between Lucent Boulevard and Highlands Ranch Park.

The facility, slated to open in early 2019, will generate between 500 and 600 construction jobs and, once complete, UCHealth Highlands Ranch Hospital will provide approximately 400 permanent health care positions.

While hospital development continues across the state, there too continues senior living facility development. Additionally, since the start of 2017, there have been a significant number of senior living sales, including Harbert Seniors Housing Fund I LP's acquisition of the MorningStar of Wheat Ridge community and Haverland Carter LifeStyle Group's purchase of the

recently completed Ralston Creek Senior Living Facility in Arvada.

And don't forget about Healthcare Trust of America Inc.'s \$2.75 billion acquisition of Duke Realty's medical office assets, which included four Colorado properties, and the medical development platform of Duke Realty Corp.

It's a busy time for health care and senior properties. A number of professionals shared their thoughts on the outlook and trends facing the industry in this issue of Health Care Properties Quarterly.

Features include insightful pieces on physician-owned medical office buildings and sale-leasebacks; the difficulty of making health care decisions with health care's uncertain future; the impact energy-efficient lighting and network technology is making on facilities today; a discussion on factors impacting senior housing starts in Colorado; the middle-market dilemma – seniors who have been denied access to senior housing because they earn too little or too much for current models of housing; the changing atmosphere of food service in senior facilities; and a partnership between students at Metropolitan State University of Denver and Eaton Senior Communities.

All in all, it's a great issue. And, as always, thank you for reading.

Jennifer Hayes
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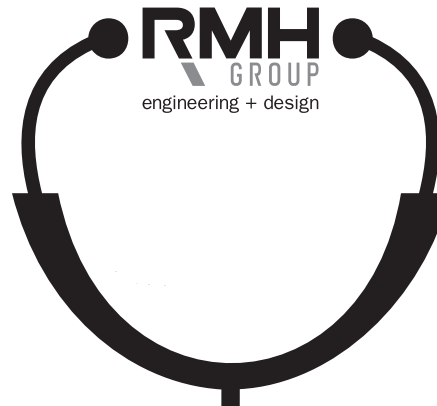
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Health Care News

UCHealth breaks ground in Highlands Ranch

UCHealth recently broke ground on a more than \$310 million hospital designed to bring innovative, leading-edge care and advanced medicine to residents in Highlands Ranch.

UCHealth Highlands Ranch Hospital will span approximately 360,000 square feet – with an adjacent 85,000-sf medical office building housing a two-story cancer center. The full-service hospital will open with approximately 72 inpatient beds with room to expand.

The six-story hospital, located at Town Center Drive, between Lucent Boulevard and Highlands Ranch Parkway, is slated to open in early 2019.

“As construction begins at the site of the future Highlands Ranch Hospital, we look ahead with great anticipation to the unique and advanced health services we will be offering to this community and beyond,” said Diane Cookson, president and CEO of Highlands Ranch Hospital. “Every detail of this facility has been designed with patient care as the top priority so that we may provide the very best experience and best care for our patients.”

The hospital will feature a birth center, including C-section operating rooms and Level II neonatal intensive care unit, intensive care unit, operating rooms, Level III trauma center and emergency department, advanced cardiac services, and complete imaging. UCHealth will partner with both community physicians and with the University of Colorado School of Medicine to provide care at Highlands Ranch Hospital.

“UCHealth Highlands Ranch Hospital will operate under an ‘open medical staff model,’ which means that the physicians already practicing medicine in the community will be working alongside our University of Colorado School of Medicine faculty to offer patients a comprehensive approach to healing,” said Dr. Tom Purcell, chief medical officer of Highlands Ranch Hospital. “This collaboration along with our connection to the University of Colorado Cancer Center will offer patients access to advanced clinical trials and innovative treatments, right here in their backyard.”

The new medical campus will occupy 33 acres of the newest Shea Properties development on the last vacant property in Highlands Ranch. The master plan for Central Park spans nearly 100 acres and is organized around a future public park, which will have an urban feel and will include a special art element. UCHealth is building on land owned by the Englewood McLellan Reservoir Foundation.

Shea Properties and Shea Homes will complete the remaining portion of the development, with Shea Properties introducing a mix of 280 rental townhomes and apartments east of the retail village and Shea Homes introducing a single-family home community with 200 houses nearby.

The health campus will generate a significant economic impact for Douglas and Jefferson counties, including 500 to 600 construction jobs at the site. UCHealth Highlands Ranch Hospital will provide approximately 400 permanent health care

positions when it opens for an area of Colorado that is projected to increase by more than 25 percent by 2025.

The hospital will have room to expand in the future as the needs of the growing community change. Mortenson Construction is the general contractor on the project and is supported by EYP Health, BSA Life-Structures, Datum Engineers, Galun Snow, Affiliated Engineers Inc., Kimley Horn, The Lund Partnership, BHA Design Inc., RK Mechanical and Encore Electric.

Fund acquires first Colorado MOB assets

Anchor Health Properties, a national full-service leasing, management, development and investment firm focused on health care real estate, acquired a three-property portfolio of medical office assets in metro Denver on behalf of Chestnut Healthcare Partners.

Chestnut Healthcare, a core health care real estate equity fund focused on the acquisition of medical office buildings, is co-managed between Anchor Health Properties and Chestnut Real Estate.

The investment marks the fund’s first foray in Colorado as Anchor Health Properties continues its expansion into the Western United States.

The portfolio included Cherry Hills Medical Plaza, 3535 S. Lafayette St. in Englewood, 21,605 square feet; and Highlands Ranch Medical Plaza I at 9330 S. University Blvd. and 9331 S. Colorado Blvd. in Highlands Ranch,

22,365 and 17,723 sf, respectively.

According to public records, the portfolio sold for \$18 million.

“We are excited about the opportunity to acquire several best-in-class outpatient medical projects in the Denver marketplace as directly owned investments in our Chestnut Healthcare Partners Fund,” said James Schmid, chief investment officer of Anchor Health Properties. “The high growth demographics of the Denver area lend themselves well to increasing medical services. The barriers to entry in the building submarkets and proximity to key medical demand drivers should further enhance the investments over time. We hope to build on this portfolio to pursue other medical acquisition and development opportunities across Colorado.”

Capital One provided secured debt financing for the transaction. Real-Source Group facilitated the sale on behalf of the seller, Dick Siegert of Foothills Real Estate, who developed the buildings.

Lakewood medical office building trades for \$2.19M

A Lakewood medical and general office building recently sold to R.W. Properties LLC.

The buyer paid \$2.19 million, or \$143.29 per square foot, for the 15,284-sf building at 10895 W. Asbury Ave.

MJB Management LLC sold the building. It was represented by Joshua Cohen of John Propp Commercial Group.

The buyer was represented in the

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Health Care News



R.W. Properties LLC purchased the 15,284-square-foot building.

sale by Mark Wilson of Commercial Property Advisors.

The building, situated on a 1.3-acre site, is home to tenants that include several dentists, an audiology center and other professional services.

Hammes explores ambulatory network of the future

Hammes Co. President and Chief Operating Officer Chris Kay recently outlined planning principles for an ambulatory network of the future in which health care is delivered to achieve better outcomes while using resources more efficiently in a white paper.

The paper emphasizes that as health care leaders plan for the future, they must create a flexible built environment that supports an effective and adaptable strategy rooted in five planning principles: thinking beyond the primary service area, adopting

a design-neutral approach, making room for virtual care, using predictive analytics for site selection and building for access and efficiency.

“The Hammes concept of a future ambulatory network encapsulates our understanding of how health care systems can thrive in the ever-evolving health care environment,” said Kay. “This ambulatory network of the future is a strategic planning model that accounts for the deep trends reshaping the health care industry, and the true center of health care delivery will soon be a coordinated network of ambulatory care points.”

Key points from the paper include:

- Thinking beyond the primary service area. The ambulatory network of the future is the hub of a care delivery system, and health care leaders must broaden their geographic focus and think beyond their existing primary service areas

as a result. By thinking in terms of population health, health care systems can identify the total health and wellness needs of people in a region and the types of care delivery solutions the network should include.

- Adopt a design-neutral approach. Meeting today’s needs while also aligning with the ambulatory network of the future requires an adaptable design. This design-neutral approach ties into a flexible and operationally neutral template that adapts to new technologies, scientific advances and novel delivery processes as they evolve.

- Make room for virtual care. Virtual care, still in its early stage, requires a complex balance of traditional site-based care and virtual care requirements. Virtual care will reduce or change the need for many clinical spaces, including exam rooms, as the concept gains acceptance and increases in popularity. An increase in the

use of virtual care also will lessen the demand for facilities for specialty care, with dermatology and psychiatry at the forefront.

- Use predictive analytics for site selection. Predictive analytics use rich data sets to model complex consumer demand and individual behavior. These tools help leaders understand regional patient populations and plan access points within an optimal ambulatory network.

- Build for access and efficiency. Patient-centric health care requires access and efficiency at all touchpoints throughout the care continuum. Design and process must work in tandem to ensure easy access, short wait times and quick throughput, potentially in a hybrid medical office or clinical research building that allows physicians to add their greatest value to the ambulatory network.

Gershman Mortgage arranges financing

Gershman Mortgage recently arranged and closed a financing structure for a medical office building at 36 Steele St. in Cherry Creek.

It was the second leg of a previously closed purchase and renovation of the space completed in 2016, where two prominent plastic surgeons were brought together in a single space. The new financing facility provided just over \$6.5 million of combined permanent fixed-rate debt.

“The appreciation of medical office space in desirable and constrained districts such as Cherry Creek continues to appreciate rapidly in the Denver market. We were able to leverage the existing practices’ strength to boost the combined loan to value and provide higher

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The building at 36 Steele St. was the subject of more than \$6.5 million of combined permanent fixed-rate debt.

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Health Care News

Continued from Page 5

permanent loan proceeds at an attractive rate and term,” said Michael Thomas, vice president of Gershman Mortgage.

Healthcare Trust closes on Duke Realty’s medical assets

Healthcare Trust of America Inc. closed on its previously announced \$2.75 billion acquisition of Duke Realty’s medical office assets, which included four Colorado properties, and the medical development platform of Duke Realty Corp.

Included in the acquisition were SCL Health facilities in Aurora, Northglenn, Littleton and Westminster.

HTA is the largest dedicated owner and operator of medical office buildings in the United States.

“This transaction solidi-

fies HTA as the dominant owner and operator of medical office buildings located in key, gateway markets in the United States,” added Chairman and Chief Executive Officer Scott D. Peters.

MorningStar of Wheat Ridge changes hands

Harbert Seniors Housing Fund I LP acquired a pair of senior living communities, including MorningStar of Wheat Ridge.

Confluent Senior Living, a subsidiary of Denver-based real estate investment and development firm Confluent Development, sold the Morningstar of Wheat Ridge and MorningStar of Albuquerque communities for an undisclosed price. Confluent Senior Living co-developed each community with its operating partner, Morning-

Star Senior Living, which will continue as operator of both properties.

Holliday Fenoglio Fowler brokered the deal on behalf of the new owner.

Located at 10100 W. 38th Ave., MorningStar of Wheat Ridge comprises 58,000 square feet. The development, completed in March 2016, features 64 assisted living and memory care suites. It was fully leased by February and is 96.9 percent occupied.

“We’re thrilled with the successful sale of two quality senior living assets,” said John Reinsma, managing director of Confluent Senior Living. “These sales represent the strength of our senior living portfolio, with the projects fully stabilized and primed for a smooth transition of ownership

fewer than 12 months after completion.”

The Wheat Ridge and Albuquerque communities represent Confluent’s first sale of senior living assets to Harbert Seniors Housing Fund. The HFF investment sales team was led by senior managing directors Ryan Maconachy and Chad Lavender. HFF’s debt placement team was led by director Sarah Anderson.

Harbert Seniors Housing Fund I LP is sponsored by Harbert Management Corp. HMC, together with its sponsored funds, owns, develops and manages multifamily, office, industrial, retail and self-storage properties throughout the United States.

Pathfinder Partners says hello to Shalom Village

Pathfinder Partners, a San Diego-based firm specializing in opportunistic and value-add real estate investments, paid \$16.13 million for a 104-unit independent living community within the Shalom Park Senior Living Campus, a nonprofit rental continuing care retirement community at 5240 Park Circle in Aurora.

Pathfinder partnered with Hillcrest Development Group LLC, a Denver-based company with experience in operating senior communities, on the acquisition.

The community, Shalom Village, which Pathfinder will

rebrand as V-Esprit, is situated on approximately 15 acres and comprises 60 apartments and 44 patio homes averaging 1,050 square feet. The property was acquired from Shalom Park, the Colorado nonprofit organization, which owns the balance of the Shalom Park Senior Living Campus. V-Esprit residents will have shared use of the campus amenities, including the wellness center, exercise facilities, salon, bistro, swimming pool and spa.

Additionally, the new ownership plans to invest \$3 million into the renovation of the community, including converting four of the one-bedroom apartments into a clubhouse and cardroom, and renovating and modernizing the theater room, library, communal dining area and leasing office. Pathfinder also plans to renovate the apartment interiors to include new hard surface countertops, flooring, cabinets and appliances as well as update all finishes, fixtures and paint, according to Mitch Siegler, senior managing director of Pathfinder Partners.

Siegler noted the property marks the company’s first senior living acquisition and was an appealing buy on multiple levels. “The community is ideally located in a beautiful, peaceful setting just 15 miles south of downtown Denver. Colorado con-



MorningStar of Wheat Ridge was one of two senior living communities sold by Confluent Senior Living.



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Health Care News



The for-profit Ralston Creek Senior Living community will become the nonprofit Ralston Creek Neighborhood.

tinues to be a highly desirable submarket for Pathfinder, and V-Esprit represents another terrific value-add investment opportunity.”

Blueprint Healthcare Real Estate Advisors’ Pamela Pym and Hayden Behnke were the lead advisers on the transaction and positioned the offering as either a value-add or conversion play. The community sold above original asking price.

Haverland acquires Ralston Creek Senior Living facility

Haverland Carter LifeStyle Group, a mission-driven, faith-based New Mexico nonprofit, purchased the Ralston Creek Senior Living facility at 11825 W. 64th Ave. in Arvada.

Formerly a for-profit community, the name will be changed to Ralston Creek

Neighborhood and will become a nonprofit assisted living and memory care

affiliate of Haverland Carter LifeStyle Group.

“This acquisition is in per-

fect alignment with HCLG’s not-for-profit mission of offering senior housing and health care options,” stated E. DeAnn Eaton, the CEO of HCLG. “The experienced leadership of HCLG will benefit the residents and employees of Ralston Creek Neighborhood.”

“Our focus, as we evaluate opportunities presented to us, is to protect our assets while we grow business,” Eaton added. “This project met our goals as it offers no construction risks, excellent design and an ideal location in an expanding market.”

“Certainly going into Colorado has us expanding our geographic presence, but also has us diversifying by adding another freestanding

assisted living community to our existing Life Plan Communities,” Eaton said. “Our strategic plan is to seek new opportunities to provide care and services beyond our existing boundaries.”

HCLG also operates two Life Plan Communities (continuing care communities) in New Mexico and an assisted living and memory care community in Oklahoma City.

Milestone Retirement Communities sold the center for \$46.95 million, according to public records. It opened in 2016.

LGBTQ community planned in Louisville

Elisabeth Borden, principal of The Highland Group Inc., is heading up a group of Boulder County near-retirees who are planning an intentional living community targeted to LGBTQ people, friends and family age 50-plus.

The community is envisioned as an accessible, low-maintenance setting. The 12-unit condominium building will be located in Louisville and comprise two-bedroom, two-bath condominiums of 1,133 square feet. The elevator-served building will include residences with private garages and lofts.

A 12-month construction period is expected with move-ins around late 2018. Pricing is anticipated around \$400,000 to \$430,000 and some units may be available on a rental basis.▲



The 12-unit condominium building will feature two-bedroom, two-bath units.

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Leasing

Physician-owned MOBs and sale-leasebacks

Sale-leasebacks, transactions in which business owners sell and then lease back real estate assets, have been growing rapidly in the health care sector. Performing a sale-leaseback allows companies to free up equity from real estate assets, raise capital to reduce debt, invest in core business and strengthen balance sheets. These types of transactions are customary practice in many commercial real estate industries and specialties, including health care.



Cheryl Powell
Vice president,
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Health care. Costs, related to operating a medical practice or health care facility, continue to increase while physicians continue to be apprehensive of what the Affordable Care Act will mean to their future.

As a result, they seek other means to influence their future and this includes

The benefits of sale-leasebacks:

- Reinvest in the company.
- Retire debt.
- Improve credit rating.

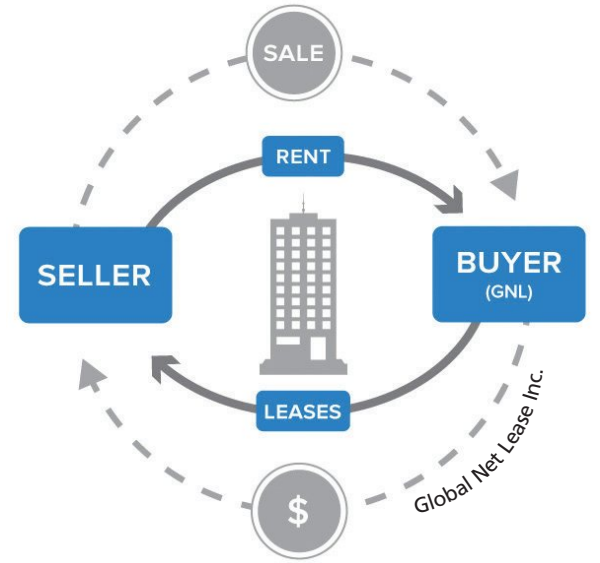
their commercial real estate investment.

Physicians, or health care systems, may consider owning ambulatory surgical centers or medical office buildings to provide the flexibility, efficiency and income they sought to impact their future. They may look at owning independently, with a team of physicians or as a joint venture with an investor to purchase land and develop a medical office building, or buy an existing asset.

The reality of managing a property, in addition to a health care practice, can present challenges. One option to help manage these challenges is to sell the asset and lease it back, a sale-leaseback. By performing a sale-leaseback, the physician group can sell the property and lease back its space at the same rate it has been paying. Then the physician group can use the proceeds for other investments with higher returns.

Investor interest. The relatively high performance and steady cash flows of MOBs have made them a much sought-after property type for institutional investors and real estate investment trusts. Many are seeking an entry point into the Colorado health care real estate market and seek off-market sale-leaseback properties.

Physician-owned buildings are attractive to investors for three reasons: They traditionally have strong financials, the rents are higher and the leases are long-term. The average cap rate for an MOB purchase in the United States is 6.7 percent. Colorado is hovering



around the same cap rate.

ASC real estate is considered less risky than other investments because the properties are anchored by medical tenants and thus are worth a premium price. Medical facilities with long leases are trading at historically low cap rates and thus significantly increasing value.

Risk vs. reward. During sale-leaseback transactions, buyers and sellers must balance risk-reward factors when making such decisions. The physician's risk lies in a lack of analyzing the entire package and not fully understanding how it impacts their business strategy. When utilizing a real estate team that specializes in health care real estate, three factors should be considered:

- 1) Will the influx of the sales profit outweigh the rental payments?
- 2) What is the new lease term and does it match the business strategy?

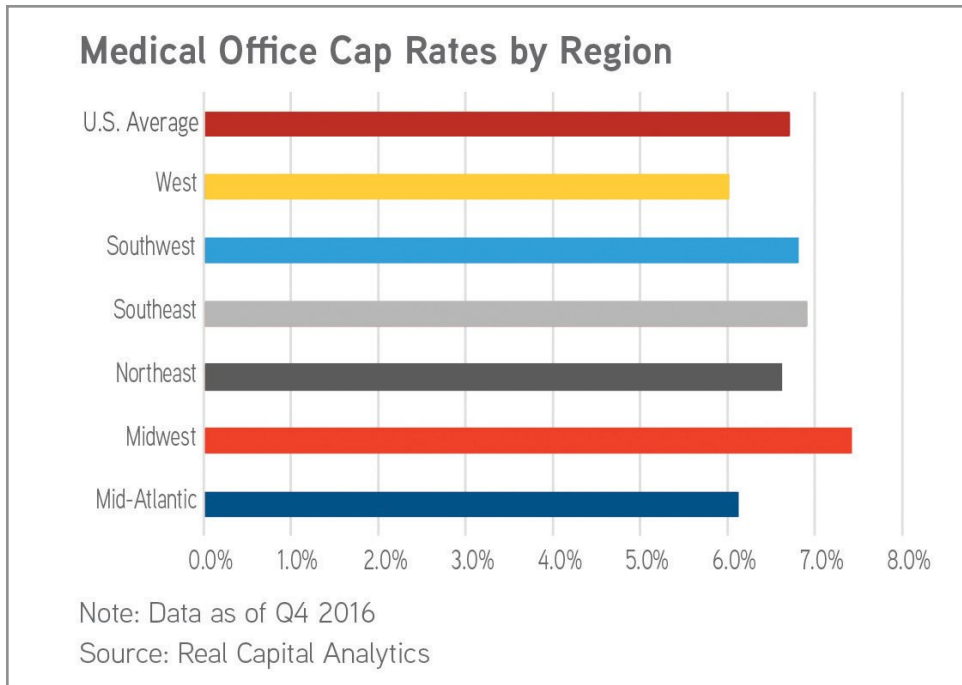
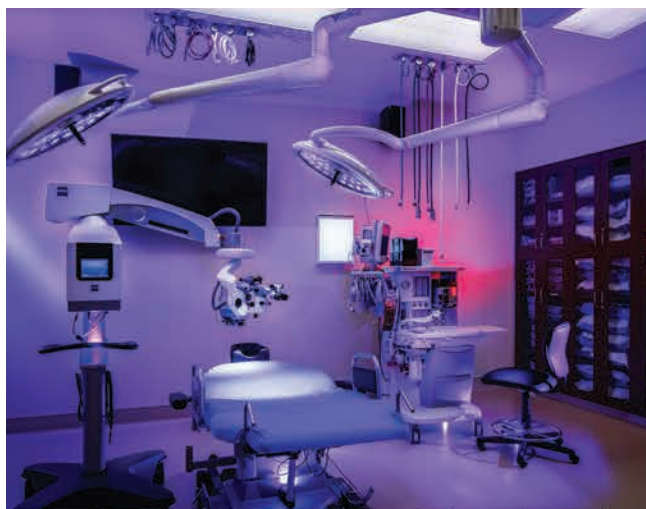


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Health Care Resource Directory appears in each issue of Health Care Properties Quarterly and is distributed with the Colorado Real Estate Journal and appears online at www.crej.com. If you would like to be included in the Health Care Resource Directory, the cost is \$150 per year. Please contact Lori Golightly at lgolightly@crej.com or 303-623-1148 ext. 102 with any questions or to reserve space.

Broker Insights

Health care decisions: Speculation to calculation

Health care is in a state of extraordinary change; as a result patients, providers and payers alike face a serious problem, uncertainty.

In this period of macro-instability, our nation's providers and health care executives have little concrete information to rely upon when guiding their strategic decisions. Lease terms, strategic relocations, operational cash flows, hospital alignment and more are all victims of this uncertainty. The ability to accurately forecast the future of health care is tough.

The inelastic nature of health care demand serves as one of its primary value points for investors and providers alike.

Considering how difficult the next few weeks are to predict, how can even the most informed physician or CEO make reliable decisions? Furthermore, how can health care developers, financiers and innovators



Samuel White
Associate broker,
Healthcare Practice
Group, Cushman &
Wakefield, Denver

bring services to the community when the very definition of health care revenue is a topic of debate? In our effort to strategize more effectively, we've begun to see immense value in big data and physician-based data. Data helps physicians make more informed decisions, because they rely

upon the two most reliable foundations of health care: demand for services and the production trends of providers themselves. Ultimately, these two core datasets enable health care decisions to transition from thoughtful speculation to reliable calculation.

Regardless of the Medicare Access and CHIP Reauthorization Act, Better Care Reconciliation Act or the future of Medicare and Medicaid, demand for services provides a reliable and predictable forecast for future growth. The inelastic nature of health care demand serves as one of its primary value points for investors and providers alike, yet the threat to reimbursements drives uncertainty for any strategic decision. Utilizing access to big data, we have found a basis of certainty for our tenants, asset owners and capital markets players alike.

The approach to underwriting a tenant's ability to fulfill its obligation, or to its margin considerations, is an understanding of how many procedures may be in demand for the term



Stuart Thomas
Associate vice
president,
Healthcare Practice
Group, Cushman &
Wakefield, Denver

of its occupancy. Now, decision makers who are capable of drawing calculated conclusions regarding the number of procedures needed for five and 10 years into the future for any specific location are well-situated for success. Any range of specialties, inpatient and outpatient procedures alike, are

now calculated forecasts, which may give practices a head start in the race for value-based care. In turn, providers may be able to justify long-term leases and investors to justify compressed cap rates in today's market. That, in conjunction with physician data, enables reliable and calculated decision-making.

The demand for health care is a reliable benchmark from which we can guide strategic decisions. However, the performance of practices and their individual physicians ultimately drives revenue for any party invested in health care. Demand estimation data in conjunction with the full breakdown of every U.S. physician's Medicare volume from the past three years allows us and health care providers to dramatically improve one's ability to underwrite risk. Data such as a physician's Medicare payments, charges, hospital and ambulatory surgery center affiliations, and more are an invaluable component in enabling calculated decisions. Physi-

cian tenants, health systems and medical office building owners alike may understand their competition, their patient base and themselves far better than before.

Tenants can strategically locate within any market knowing that the security of their revenue is upheld by calculated metrics instead of thoughtful speculation. Building owners can now mitigate risk via the understanding of every tenant physician and their immediate patient access. Investors are capable of underwriting opportunities across the entire nation with never-before-seen precision. All the while, health care participants, providers and patients alike are exposed to unprecedented turmoil via health care legislation. Despite that uncertainty, investors and providers are still forced to make lasting decisions, which may only be optimized by the use of effective data and market knowledge.

Does this all boil down to analyzing data? We think so.

Ultimately, health care legislation is only accountable to the people and communities it impacts. Until we all have a clear vision of what lies ahead, our capacity as health care real estate brokers to guide effective strategy decisions will default to the two core principles of our industry: demand for services and physician volume. These guiding principles and the data that unlocks their potential may be some of the only reliable factors in guiding health care's future. In the end, the capacity to make calculated decisions enables the well being of our communities as a whole.▲



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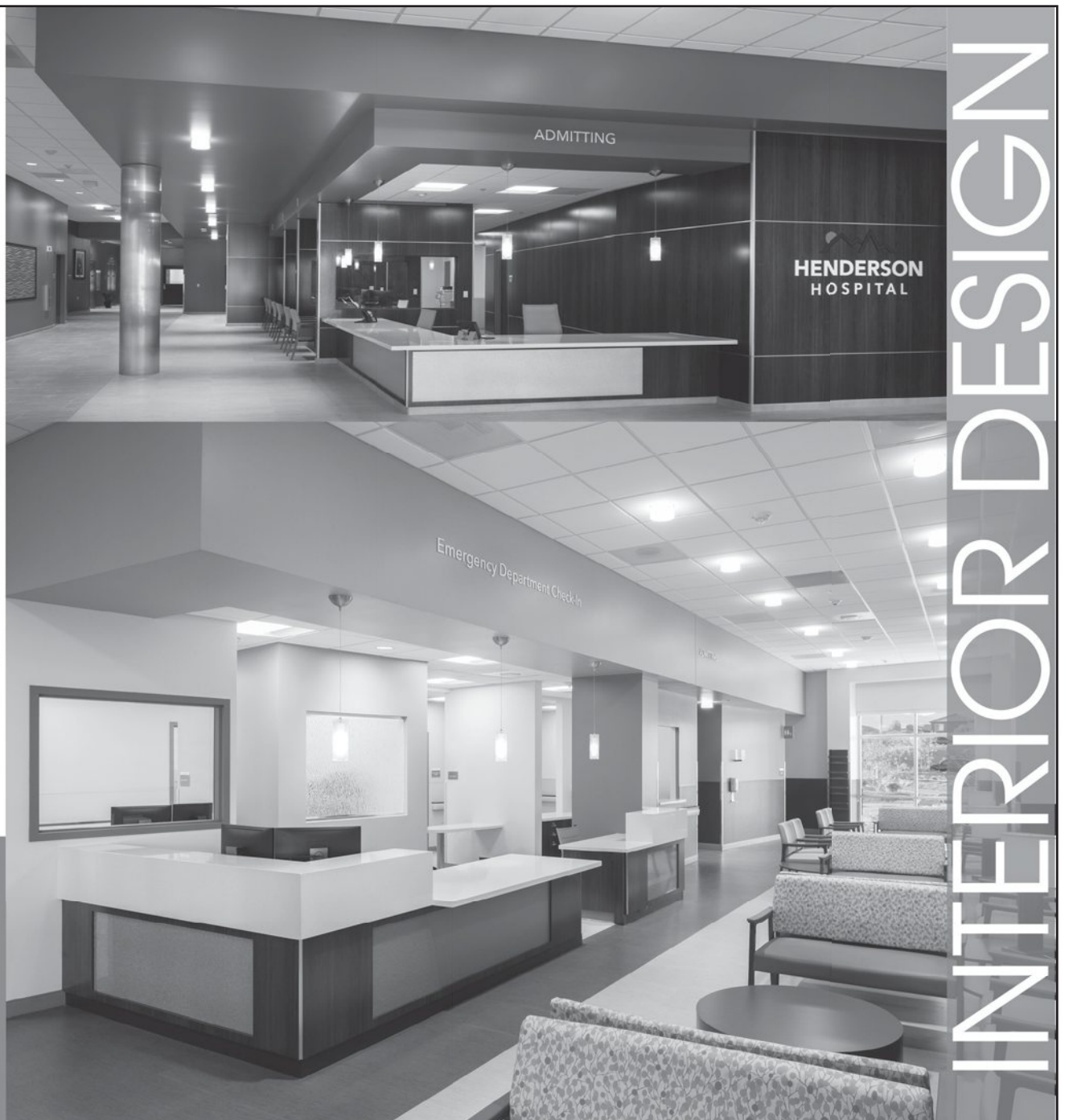
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Sustainability

Fit your health care facility for the future with LEDs

Hospitals and health care facilities have the enormous responsibility of providing continuous, high-quality care while managing their costs. Energy costs, in particular, can become a substantial burden for this sector in order to meet the long operating hours and specialized needs. Fortunately, however, there are easy methods for increasing your facility's energy efficiency. Investing in energy efficiency can help to free up funds to implement other innovative solutions to meet the changing demands in health care.

Installing energy-efficiency lighting, for example, provides a unique opportunity to cut costs, while impacting patient satisfaction and staff performance. According to the U.S. Department of Energy, lighting accounts for as much as 42 percent of the electricity used in health care facilities. Due to recent developments in light-emitting diode technology, facilities can achieve long-lasting energy reductions and superior light quality with rapid paybacks. For example, electric customers of ours can see as much as 75 percent of the total project cost through 2017 covered through rebates for certain LED solutions.

The characteristics of LED lighting offer a wide array of benefits, starting with their unprecedented lifespan. With the expected useful life of 30,000 to 50,000 hours or even longer, facilities can expect to significantly reduce their maintenance and replacement costs. Additionally, LEDs are less prone to breakage, provide instant-on performance and are controllable in nature. These benefits allow lighting manu-



Reid Beauchamp
Market outreach
specialist, Xcel
Energy, Denver

facturers to manipulate the light to provide the optimal illumination across environments.

Here are a few key areas that can benefit from LED technology:

- **Waiting rooms and lobbies.** First impressions are important. Lobbies and waiting areas with the right light can give patients

and visitors the warm welcome they need. This subtle but noticeable difference can be the differentiator that impacts patient retention.

- **Stairwells.** Modern LED lighting works to distribute light widely and with greater vibrancy than fluorescents. A well-lit stairwell ensures proper light levels when occupied and helps to reduce avoidable accidents. Additionally, the controllable nature of LEDs allows for dimming features to drastically reduce energy consumption while unoccupied.

- **Operating rooms.** High-quality lighting is a necessity in operating rooms. The superior performance of LEDs can provide crisp illumination exactly where it's needed, while improving color rendition and reducing waste heat.

- **Nursing stations.** These key areas require proper lighting for administrative work, the exchange of information and visitor assistance. Research has indicated that 57 percent of nurses report shadows as impacting their visual performance. LED lighting can

provide a balance in the quality and quantity of light – improving workplace satisfaction and patient care.

- **Patient rooms.** Lighting is a crucial component of a healing environment, and we have strong emotional and biological responses to it. Studies have shown that natural lighting has a significant influence on our biological clocks. Without an abundance of natural light in many hospitals, modern LED lighting can help to replicate the feel of sunlight. These LED fixtures

energy-efficient LED lighting has multifaceted benefits for employees and patients alike. When coupled with cutting-edge sensors and control technology, LEDs allow for even deeper energy savings and benefits, like occupancy sensing, daylight harvesting and load shedding. This level of control and customization empowers facilities to create the right healing environment for them – increasing patient experience, retention and satisfaction across the board. Fewer accidents and errors,

Due to recent developments in light-emitting diode technology, facilities can achieve long-lasting energy reductions and superior light quality with rapid paybacks.

bring the reality of full color control, helping to match earth's natural light patterns and qualities throughout each day – recalibrating patient's biological clocks and improving their sleep when compared to fluorescent light.

- **Parking and outdoor areas.** Bright, reliable outdoor lighting enhances safety for visitors, patients and staff, and is especially important for hospitals, which operate around the clock. Modern LED area lighting creates a vibrant, uniform and safe lighting solution for parking lots and outdoor areas.

Upgrading health care facilities with

reduced energy waste and a decreased maintenance burden are additional advantages. While the upfront costs of upgrading to more efficient lighting can look intimidating on paper, current rebate offerings make updating a wise investment that will pay off in the long run.

Xcel Energy is offering through year-end free services to qualifying health care facilities, including a lighting assessment, a recommendation report and project support, along with 30 percent bonus rebates on the latest high-efficiency lighting solutions. For more information, visit xcelenergy.com/lightingefficiency.▲

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Technology

MEP-T: Network technology as the fourth utility

It's no secret that technology's role in health care is increasing and evolving with every passing day. Meanwhile, with the exception of building information modeling and various mobile technologies, buildings are mostly being built in the same manner as they were 10 to 20 years ago. Technology and low-voltage-related systems used to be an afterthought because of their minimal impact on the building operations and systems. Take, for example, an ultra-high-tech computer chip factory built in Denver in the 1980s. At that time, it embodied some of the latest technology. However, the factory had three low-voltage systems: access control, video surveillance and fire management. A factory of this complexity today could potentially have more than 30 systems to operate various controls, security, sensors and other systems.

The industry often references "MEP" as mechanical, electrical and plumbing due to the intense nature of these scopes and considering they range from 30 to 40 percent of most health care project budgets. Given the growing cost and need for low-voltage technology, soon "MEP" will be known as "MEP-T" with the technology network as the fourth crucial utility.

Health care organizations are investing less in mega projects and more on infrastructure and technology (as well as outpatient and physician integration). Many renovation and expansion projects are experiencing the challenges of interfacing with existing low-volt-

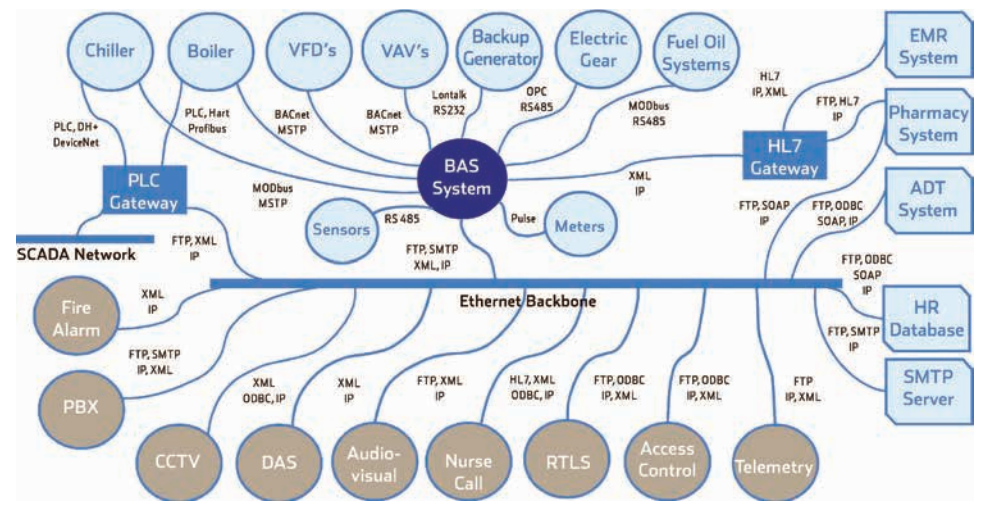


Paul Boucher
Director of systems integrated solutions, JE Dunn Construction, Denver

age infrastructure or implementing entirely new infrastructure. A health care provider must consider the cost-benefit analysis of salvaging existing infrastructure or building new infrastructure to accommodate the rapidly advancing technology systems.

Historically, low-voltage systems have been provided by specialty subcontractors that work underneath electrical, mechanical, security and door subcontractors. These scopes of work often are executed in a silo. However, if these systems are not carefully integrated from the beginning of the project, an influx of low-voltage coordination and clash issues will surface. These late-coordination issues typically increase project cost and schedule during installation, commissioning and turnover. Considering all systems in an MEP-T approach can minimize these clashes and solve a problem before it becomes one.

Through research and project results, we have found that an MEP-T integrated approach to delivering low-voltage systems during construction can save roughly 8 to 27 percent, depending on project complexity. Low-voltage systems are becoming an increasingly valuable portion of the overall project budget. Based on 10 health care



The figure shows an example of a protocol mapping one-line diagram that describes various technology systems and provides physical, network and application layer protocols in a simple but effective communication tool for the team members to understand.

projects across the country, low-voltage accounted for roughly 5 to 10 percent of the overall budget, so savings are significant.

How to Approach the Fourth Utility

For all health care organizations beginning new projects, the T in MEP-T should be just as much of a discussion topic in the schematic design phase as the structure and envelope. Facility operators will need time to thoroughly assess their infrastructure, understand evolving and available medical technology, review technology matrix dependencies and predict future growth of the facility.

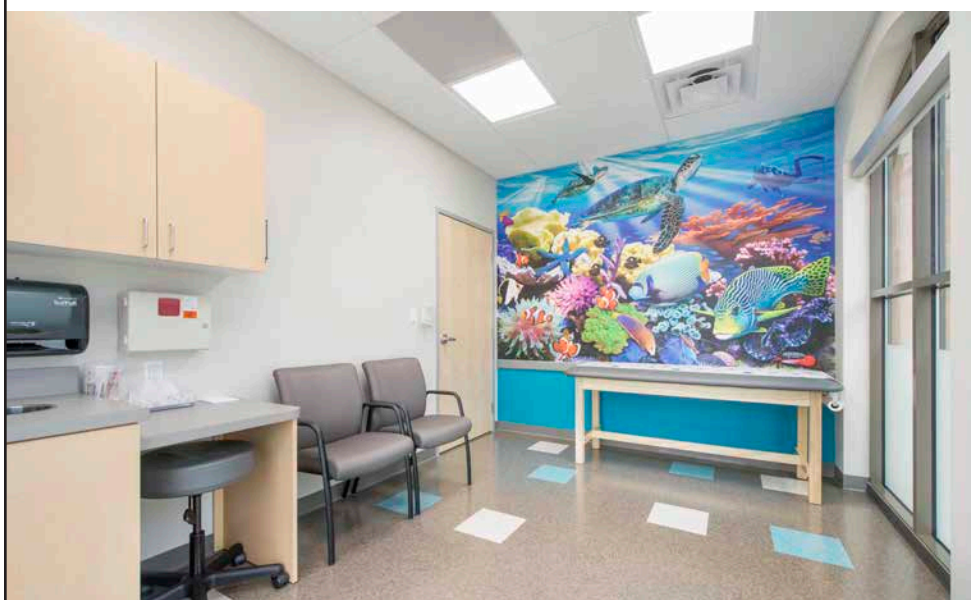
JE Dunn has taken a fully integrated approach to incorporating network systems prior to construction commencing on several proj-

ects, the Banner Harmony Hospital in Fort Collins and at the St. Joseph Catholic Health Initiative Replacement Hospital in Dickinson, North Dakota. Both large-scale hospitals (north of \$50 million and more than 150,000 square feet) saw the value in approaching all low-voltage systems in a comprehensive approach, as the fourth utility of the hospital.

The project team should properly account for these technology considerations early in the budgeting and construction planning. Early emphasis placed on technology will help vet coordination challenges up front and reduce downstream issues and increased costs.

Teams should be asking questions related to interoperability for central

Please see 'Boucher' Page 23



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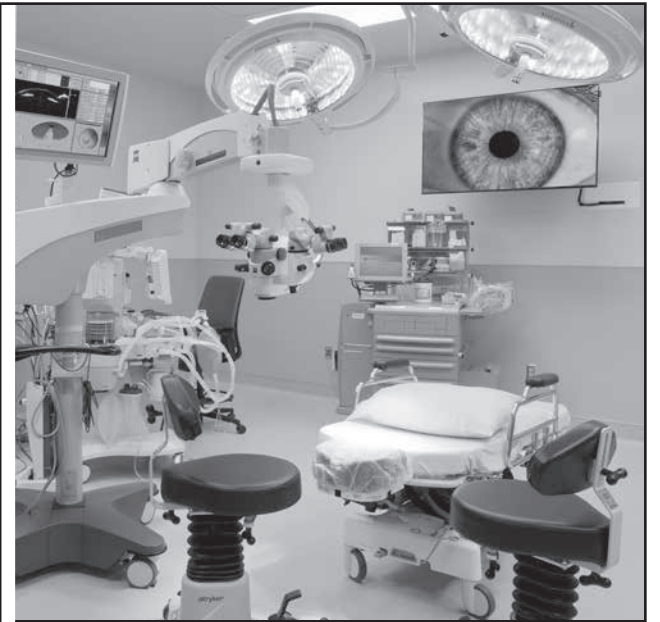
Poudre Valley Hospital NICU



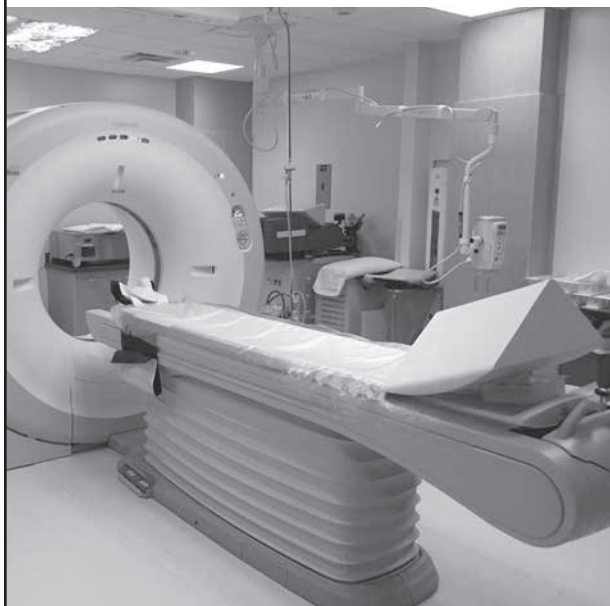
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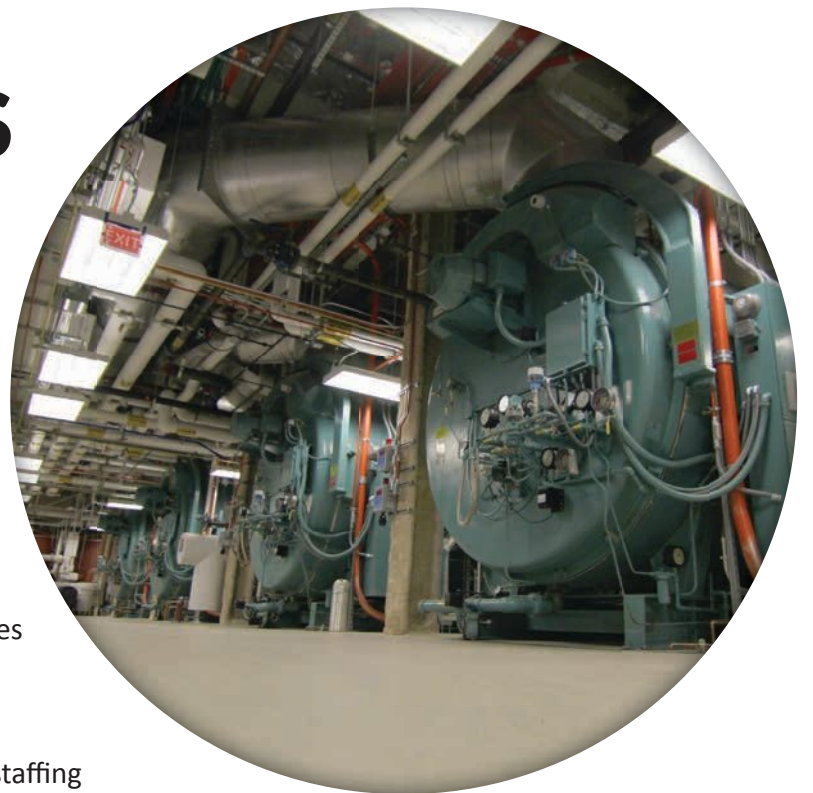
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During renovations, we understand that a facility needs to continue operating, and we work to minimize our impact and protect the comfort and security of patients and staff.

From early construction through building operations and maintenance, we've got a solution:

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Construction

Common traits of the best health care contractors

While we can make numerous assumptions, no one really knows what the repeal of the Affordable Care Act will mean for the future of the United States health care system. We do know that hospitals are watching their budgets more than ever. It's an uncertain time, but one factor is certain: Contractors have the opportunity to be an invaluable partner to health care clients by being knowledgeable, resourceful, competent and predictable partners.

Contractors can help ensure long-term relationships with health care clients by demonstrating knowledge and resourcefulness of research and trends in health care design and construction.

The Joint Commission Resources organization is a leader in researching and defining current and future trends in the health care industry. JCR, which regularly updates the Planning, Design, and Construction of Health Care Facilities publication, notes the strong link between the design of health care settings and outcomes experienced by patients, staff and families. Specifically, the design of hospitals contributes to medical errors that affect both patients and staff, including falls and infection, as well as slowed patient recovery time and high nurse turnover.

According to JCR, "Well-designed, supportive health care environments can not only prevent harm and injury but also provide psychological support and aid the healing process. It has now become imperative to rethink facility design as a critical ele-



Brian Mulnix
Business
development,
Catamount
Constructors Inc.,
Denver

ment in bringing about change in the way health care is provided and experienced in health care settings."

Contractors, acting as trusted partners to their health care clients, play a crucial role in understanding the connection between health care design and patient/staff outcomes, and utilizing that understanding to guide their health care clients through design and construction.

Further, health care institutions increasingly rely on lean operations methods to reduce waste and improve the quality of the patient and staff experience, thereby improving quality and helping to reduce costs. Examples include integrating clinical delivery of care to shared and open spaces, as well as incorporating mobile technologies throughout the facility. To be resourceful and efficient partners to our health care clients, it's important for design and construction teams to be knowledgeable of lean operating processes and incorporate them into project design and construction work.

Health care facilities rely on their contracting teams to be competent in common health care practices, including infection-control, safety precautions and daily operational activities. The construction team must have experience working inside a hospital environment. Mistakes on the con-

struction site can cause delays, have dastardly health issues, be detrimental to finances and destroy a reputation.

More than 50 percent of all common mold-related hospital acquired infections are caused by maintenance or construction-related work, according to the Infection Control University organization. To reduce the overwhelming number of HAIs that occur annually, the Centers for Disease Control and Prevention recommends that all personnel working in a health care facility have infection control training and follow proper protocols.

During this unfortunate age of active shooters and similar life-safety concerns, construction firms also

efficiency also includes being helpful to our clients during project down time. For example, if the construction crew needs to wait three hours on a particular conference room to be open and available for construction work to begin, the crew can offer themselves as resources to facilities management for appropriate small project needs.

Critical knowledge needed for contractor teams to be trusted partners to health care clients includes: thorough understanding of the health care facility, its operating guidelines, the standards for clean working environments, project timelines, short- and long-term goals for the client and hospital daily operation hours, cognizance of noise, indoor/outdoor foot

Contractors, acting as trusted partners to their health care clients, play a crucial role in understanding the connection between health care design and patient/staff outcomes.

must be acutely aware of the specific badging procedures of each health care client. All contractor personnel on the jobsite should be badged, familiar with the facility and facilities management staff, and maintain good working relationships with construction and hospital teams.

Demonstrating competency and

and vehicle traffic, and parking needs for patients and families.

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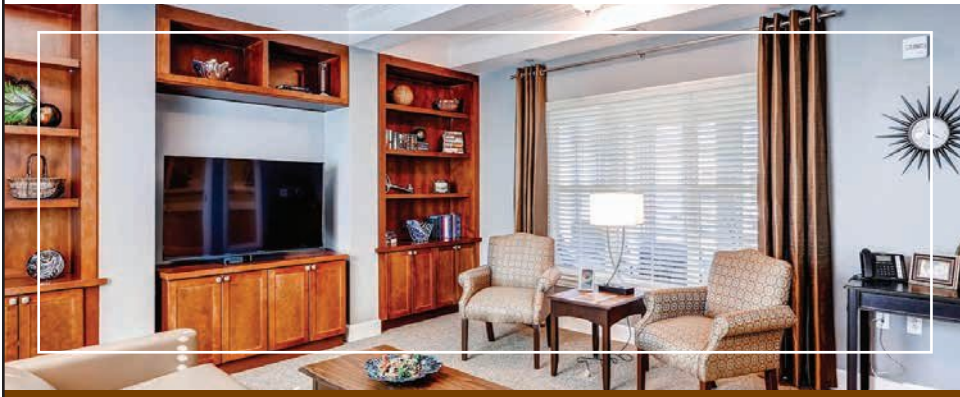
Kimley-Horn excels in the overall project development process to make our Healthcare Clients successful.

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- ☑ **Documentation**
Our engineers and planners develop solid documentation of the design and construction work anticipated for the project and deliver on timelines that are often unmatched. We take deep pride in making our clients successful.
- ☑ **Field Services**
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Senior Housing & Care

Senior housing and care construction starts, openings and sales

March, April, May 2017

Construction Starts

Legend Senior Living is an independent living, assisted living and memory care property in Broomfield that began construction in February. The property will include 20 units of independent living, 67 units of assisted living and 20 units of memory care. The property will be owned by Legend Senior Properties LLC.

StoneGate Skilled Nursing is a 50-unit skilled-nursing facility in Longmont that began construction in March. The general contractor is SCI Construction and the architect is Stephen Jordan. The property will be owned by SG Development LLC.

Columbine Health System's campus in Fort Collins is a community that includes independent living, assisted living, skilled nursing and additional health services. Construction of Columbine Patio Homes, a 34-unit rental patio home expansion to its existing campus, began in March. The general contractor is Beacon Construction and the architect is r4 Architects. The patio homes will be owned and managed by Columbine Health Systems and build-out is expected to be completed by May.



Oakridge Crossing is a 110-unit income-restricted, age-qualified apartment property in Fort Collins that began construction in April. The developer, McDermott Properties LLC, received disaster recovery funds, 4 percent low-income housing tax credits and state housing tax credits to develop the property. The general contractor is Brinkman Partners and the architect is Lewis Himes Architects. The property will be managed by ComCap Asset Management Inc.



Construction of Eben Ezer Lutheran Care Center's new 54-unit assisted living and 20-unit memory care building in Brush began in April. The new building will take the place of the existing 54-unit assisted living building once construction is completed in February. The architect is OZ Architecture and the general contractor is Fransen Pittman General Contractors.

Windsong at Northridge is a 52-unit, stand-alone memory care community that began construction in April. The architect is Lenity



AP Partners broke ground on Lakewood Senior Living, a high-quality continuing care community that will include 109 independent living units, 96 assisted living units, 42 memory care units and 72 skilled-nursing units. The architect is Lantz-Boggio Architects and the general contractor is Shaw Construction. Integral Senior Living will manage the property.

Architecture and the general contractor is Brinkman Partners. The property will be co-owned by Drever Capital Management and Vista Pointe Development Co. Vista Pointe Development Co. will manage the property. It is expected to open in late spring.

Openings



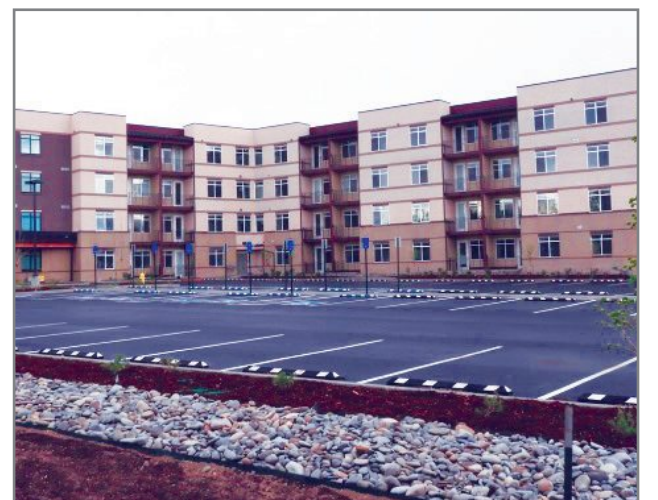
Accel at Golden Ridge is a new 120-unit skilled-nursing transitional rehab and care facility in Golden. A ribbon-cutting ceremony was held March 9. The property is owned by SG Development LLC.



The Suites at Fitzsimons in Aurora is a 100-bed sub-acute/rehab facility that opened in March. The general contractor was Brinkmann Constructors and the architect was OZ Architecture. The owner is Mainstreet Capital and the operator is Eduro Healthcare.

Village at Belmar is a new community in Lakewood that opened in March. Village at Belmar offers 60 independent living units in quadplexes, 72 assisted living units and 24 units of memory care. Development of the property was a joint venture between Blue Moon Capital Partners, providing the institutional equity; GH Phipps, the general contractor and co-developer;

and Ascent Living Communities, co-developer and operator of the community. The architect was Rosemann and Associates.



The Highlands is a new 64-unit, age-qualified, income-restricted apartment property in Grand Junction that opened in May. The architect was OZ Architecture and the general contractor was Shaw Construction. The property is owned and managed by the Grand Junction Housing Authority.

Sales

In March, HCP Inc. sold two of its Brookdale properties to The Blackstone Group, a New York-based company. Brookdale Denver and Brookdale Highline, both located in Denver, were sold to The Blackstone Group at a price of \$23 million and \$4.5 million, respectively.

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.

Senior Housing & Care

Senior housing: The middle-market dilemma

American Family Financial statistics show that nearly 40 percent of people today are not saving or have saved too little for retirement. The average American started his retirement savings too late, those between ages of 55 and 64 have acquired on average \$104,000 in retirement savings. This equates to monthly investment income of about \$300 a month, according to Investopedia.

What will the average American do when they decide to retire? Today's senior independent living communities, especially those constructed during the recent senior living construction boom, cater to the affluent, the top 15 percent. As providers, we have continued to create more elaborate environments to meet higher market expectations of higher income seniors. We have focused on interior design, which offers hotel-like appearances and services, dining experiences that feature multiple venues and made-to-order, chef-prepared menu choices, better health and wellness facilities, and larger units. On the other end of the income spectrum, government-based assistance in the form of tax credits and Medicaid provides for the bottom 20 percent of the market. So, how do we provide for the middle market, the nearly 65 percent of the middle-income market, who have been denied access to senior housing because they earn either too little or too much for current models of senior housing? While the mixed-income approach to senior living has had limited success, the issue remains: How do we solve the middle-income senior living market crisis? How do we, as providers and designers, address this issue to create a new



Jeremy Keimig, LEED AP BD+C
Principal,
Lantz-Boggio
Architects &
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model for the largest population in the senior generations?

• **Construction cost.**

The cost of construction remains one of the main influencers in the price seniors pay for their housing. These construction costs continue to rise, nearly 4.5 percent per year for the last four years, according to Turner Construction building cost index. The cost of living continues to rise, yet the

income for a middle-income senior cannot keep up. The delta between high- and low-end senior living communities contains only a 20 percent construction cost variance between them, based on a recent publication by Weitz Construction. While reducing construction cost is one answer, it does not go far enough in creating senior housing for the middle-income market, but perhaps it is one of the ingredients in the magic formula.

• **Location, location, location.** The current and next generations want to be centrally located and part of the action. There are proven, positive effects for seniors living near transit hubs. AARP has promoted transit-oriented living since 2012. With cities like Denver, Seattle and Minneapolis developing their transportation systems, population and density continue to grow around new transit hubs. Convenience to restaurants, medical services and other community amenities could reduce the need for providers to offer these servic-

es and thereby reduce the cost of living in these senior communities. Rose Villa in Portland, Oregon, has created its own town concept, allowing both residents and the outside community to coexist on the same streetscape. Utilization of the community infrastructure adds revenue to the community and lowers the cost to the senior residents.

• **Tiny house.** One significant way to lower the cost of construction is to build less square footage. The range of independent living apartments in a senior campus today averages around 1,200 square feet. Perhaps IKEA and HGTV's Tiny House Nation have it figured out – pack more function into less space. Increased flexibility within a unit, multiple functioning rooms or efficiency-rated suites, ranging from 750 to 1,000 sf could net an average of a 300-sf reduction per unit, thereby allowing greater density within the building, which would lower construction costs and monthly rents.

• **App lifestyle.** With so much technology at our fingertips, one can rent a house in the mountains for a weekend or request a ride, anywhere. Companies like Blue Apron offer a perfectly portioned and healthy meal delivered to one's door. One can have an unlimited variety of goods delivered in less than two hours (thank you Amazon Prime Now!). Imagine the possibilities, food service for an entire senior community, allowing each to order all of their meals from an app. As found at some schools, local restaurants and merchants can prepare meals in the morning and deliver them on the same day. Utilization of transportation systems could reduce some overhead. Buses, for example, could take large groups of seniors shopping instead of

operators purchasing a community bus and the cost of a full-time equivalent. Building on the ideas of companies like Uber, Air BNB, Blue Apron and Amazon for a senior community, we can break the standard models of service by outsourcing and connecting independent living senior to the greater city. Upcoming generations of seniors will be well versed with this style of living. Fewer full-time employees will be required because of these outsourced services, thereby lowering operational costs and living expenses.

• **Multigenerational experiences.** Surveys in America show each new generation of seniors has less desire to be segregated. It is time to break down generational barriers. Encouraging college students to live with independent living residents allows them to share in the costs of living and to take care of some of the residents' needs, such as cooking, cleaning and transportation. Integration of adult daycare and child daycare provides benefits to staff, seniors and children who can be engaged in daily activities. Can these be programmed into senior living to lower operational costs?

• **The challenge.** We in America are the most creative, innovative and entrepreneurial society on earth. When there is a demand, our free enterprise system will satisfy that demand. It will only happen if we focus on the enormity of the need, and invent new environments and living solutions that are responsive to retirement economics in America for all seniors. We must create new models for the middle-market senior; new models that are groundbreaking in all aspects of location, building design, technology and operations.▲



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Senior Housing & Care

Converting existing bldgs. into senior living spaces

Building senior living communities relies on adherence to a stringent set of requirements in order to comply with state and federal building codes and licensing, as well as to create spaces that are comfortable while being private and secure.

When choosing sites for senior living residences, designers and architects often collaborate with developers and operators on new out-of-the-ground construction, often in suburban or less densely populated areas with space for construction. If the desire is to construct a community in an established neighborhood, the only option may be to convert an existing building. Potential buildings for a conversion could include former office buildings, retail stores or medical facilities.

Because many cities are experiencing rapid population growth and subsequent development, more developers are seeking buildings that they can repurpose and convert to senior living residences. Our senior living practice has devised a series of adaptive reuse tips for selecting the best existing spaces for senior living residences, taking into account the building's location and community integration, the building's condition, and its existing layout and utilities.

Choose the Right Location

Successful site selection has a lot to do with location. Because there aren't many undeveloped multi-acre sites available in urban or dense areas, more senior living developers and operators are choosing to repurpose older buildings that originally



Jami Mohlenkamp
Principal, OZ
Architecture,
Denver

were built with a separate purpose in mind.

Community integration is key, and a successful senior living residence often will be complemented by what's located around it, since conversion sites may not always be located in areas conducive to senior living. Ideal locations usually include a mixed-use environment within walking distance containing a grocery store, restaurants and retail. Buildings in industrial areas or office parks may be less convenient, feel more isolated and have safety concerns for the residents.

Depending on the acuity level of residents, a location close to existing medical care facilities often outweighs the proximity to retail and grocery stores. Independent living residents may be more drawn to amenities like retail and restaurants, while assisted living will benefit more from proximity to medical facilities. An ideal building for a conversion might include multiple services on the first floor, such as retail shops, restaurants and even medical offices, with the opportunity for conversion to residential apartments above.

Consider the Building's Condition

When looking at an existing building that may be converted, there are several things to look for to keep the conversion financially viable. Care

should be taken to verify that the building's structural system is in good shape, and can support loads for common areas and amenity spaces. A conversion will also trigger code updates that could include fire ratings of structure and walls, fire sprinkler updates and egress compliance.

Converting an existing building can be efficient compared to building from the ground up, however, some buildings have to be renovated so extensively that they pass the breaking point of being worthwhile. Care should be taken early in the selection process to verify the building has the components necessary to make a conversion successful.

Assess the Building's Structure

There are a few key components that are important to think about when converting an existing building to a senior living residential community. First, consider the floor-to-floor height. There should be about sufficient height between each floor to constitute an effective living space. Converting older buildings may present challenges with ceilings that are too low, while converting warehouse spaces may present challenges with ceilings that are too high.

Likewise, be sure to pay attention to the building's windows. Office buildings or former retail space with floor-to-ceiling windows may need to be renovated to a more homelike setting. It's better to find buildings with punched opening windows, ideally spacing that works well with bedroom and living room dimensions.

If the building is multiple stories, consideration should be given to the size of an existing elevator. Senior

living communities often provide an elevator capable of carrying a stretcher, and an existing building may not have a big enough elevator cab. Some multiple-story buildings do not have an elevator, and a retrofit to put one in may prove too costly.

Consider Existing Utilities and Equipment

It's also important to take a look at the existing utilities, such as water, gas and electrical service. Consider that an office building probably has a few central restrooms and low water demand, while a residential building will have higher daily water usage. Converting a building into individual apartments and adding a commercial kitchen will increase the water demand, and an increase in water tap size may be required.

Similarly, the existing gas and electric infrastructure may affect the success of a conversion to a residential use. Many office buildings already have high electric uses, but an engineer should verify the power capacity based on the intended program for the community. The gas service may need to be increased with the addition of a commercial kitchen or additional HVAC equipment.

It is becoming harder to find sites of the right size without looking farther away from established neighborhoods and urban cities. While architects and designers may find challenges in converting buildings to senior living residences that were previously used for office or retail, the benefits can be many, including integrating seniors into the fold of urban communities, as well as choosing to follow the sustainable practice of adaptive reuse. ▲

1997 FLASHBACK

World Population: 5,898,688,337 • Titanic, Jurassic Park, and Men in Black were the three biggest films of the year • First DVD players arrive on the market in the U.S. • South Park premiered as the most controversial show on television • The Spice Girls were the biggest pop group in the world • The Backstreet Boys made their debut with breakout hit "Quit Playing Games (With My Heart)" • Teletubbies made its debut—much to the annoyance of parents everywhere • The first book in the Harry Potter series, *Philosopher's Stone*, by J.K. Rowling was published • Steve Jobs returns to run Apple Computers • Mars Pathfinder lands on the surface of Mars • YAHOO! Mail was launched on the 8th of October • Tiger Woods becomes the youngest golfer to win the Masters at 21 • The Green Bay Packers win Super Bowl XXXI for the first time since 1967 • The Dow Jones Industrial Average closes above 8,000 for the first time • "Simpsons" becomes longest-running animated series in cartoon history.

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20

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25

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Senior Housing & Care

Why are Colo. senior housing starts leveling off?

According to a recent Bankrate.com survey, Colorado ranked as one of the top states for both retirement readiness and senior happiness, making it the second-most attractive state for retirement in the country. This enthusiasm for our colorful state is shared by institutional investors and senior living operators looking to capture the demand for this market.

These factors, combined with our steadily growing population of people living beyond age 85 (projected to triple from 7.3 million to 21 million by 2050), are keeping the senior living industry in motion. In Colorado, the State Demography Office projects that by 2030, Colorado's 65-and-older population will be 77 percent larger than it was in 2015, growing from 719,000 to 1.27 million. Colorado has been one of the nation's top markets for future growth of senior housing.

As the economy rebounded from the 2008 collapse and baby boomers began retiring, construction of retirement and assisted-living housing began to sprout again. Development teams focused on building new facilities and expanding their operations. Recently, though, construction starts nationally have leveled off, according to data from the National Investment Center for Seniors Housing & Care. Our 2017 supply has exceeded demand and absorption rates have cooled in this hot market.

Factors contributing to this cooling period are: increased construction costs (partially due to labor shortages), traditional banks tightening construction lending, increased competition, challenges in adjusting to continuum of care needs, buyer budgets and buyer demands.



Shawn Donohoe
Business
development,
Catamount
Constructors Inc.,
Denver

A major factor for this cooling period is the increasing demands and expectations from residents, families and regulatory bodies. Operators are researching ways to adjust to the changing demands of the baby boomers that will transition into senior living in the coming decades, while balancing the implications of a new administration on the health

care landscape. These factors present challenging opportunities. In the past, assisted living was an attractive option for banks as it is tied to health care and the perception that users can't defer the decision to move into such a facility. But now, the impending cuts to Medicaid and Medicare are casting doubt on the future user's ability to afford that level of care.

Another contributing factor to the cooling period is the ability of buyers to afford senior housing options. Those most exposed to the housing shortfall are those who grew up assuming that the pension system their parents enjoyed – generous income, retirement in their mid-60s – was the norm. The reality is most now presume they will work until their 70s and will receive limited support from the state.

According to a study published by Ryan Cooper in August 2016, less than half of families have any sort of retirement account, and the percentage has actually fallen by 4 points since 2001.

The average account size has barely budged since 2000. The percentage of employers offering such accounts fell from 61 to 53 percent from 1999 to 2011. The homeownership rate has plummeted to the lowest level since 1965. And real median income has fallen by 7 percent since 1999. Most of this is the result of the recent Great Recession.

Based on these market dynamics, affordable senior housing is expected to experience the most growth in the near future. In fact, the report Housing and Care Facility Needs Forecast, Gaps

not only due to the aging of the population. There is now and will be a growing need for a greater proportion of rental housing suitable for age 50-plus; more urban/walkable housing and less suburban/car-dependent; more multi-family/shared housing; more housing suitable for multigenerational families; more affordable housing; and more physically accessible housing."

While Colorado has a long road to addressing the future needs of seniors, our 300-plus days of sunshine, abundance of cultural activities and walkability in urban areas are draws to this

Operators are researching ways to adjust to the changing demands of the baby boomers that will transition into senior living in the coming decades, while balancing the implications of a new administration on the health care landscape.

and Opportunities published in August 2016 by The Highland Group states, "Overall, the existing housing inventory in most Colorado communities is largely based on past housing needs, when there was a greater proportion of families with children, and a lower proportion of older households. The existing housing inventory across the state will increasingly be a mismatch with the age and income mix of the population,

aging population. Americans' priorities for selecting a retirement location are weighted heavily toward cost of living and health care. Colorado ranks relatively high on both. So, while Colorado does not offer as warm of a climate for seniors as Florida or Arizona, our great state offers lifestyles which translate into healthy aging, and that can't be replicated by those traditional retirement areas.▲

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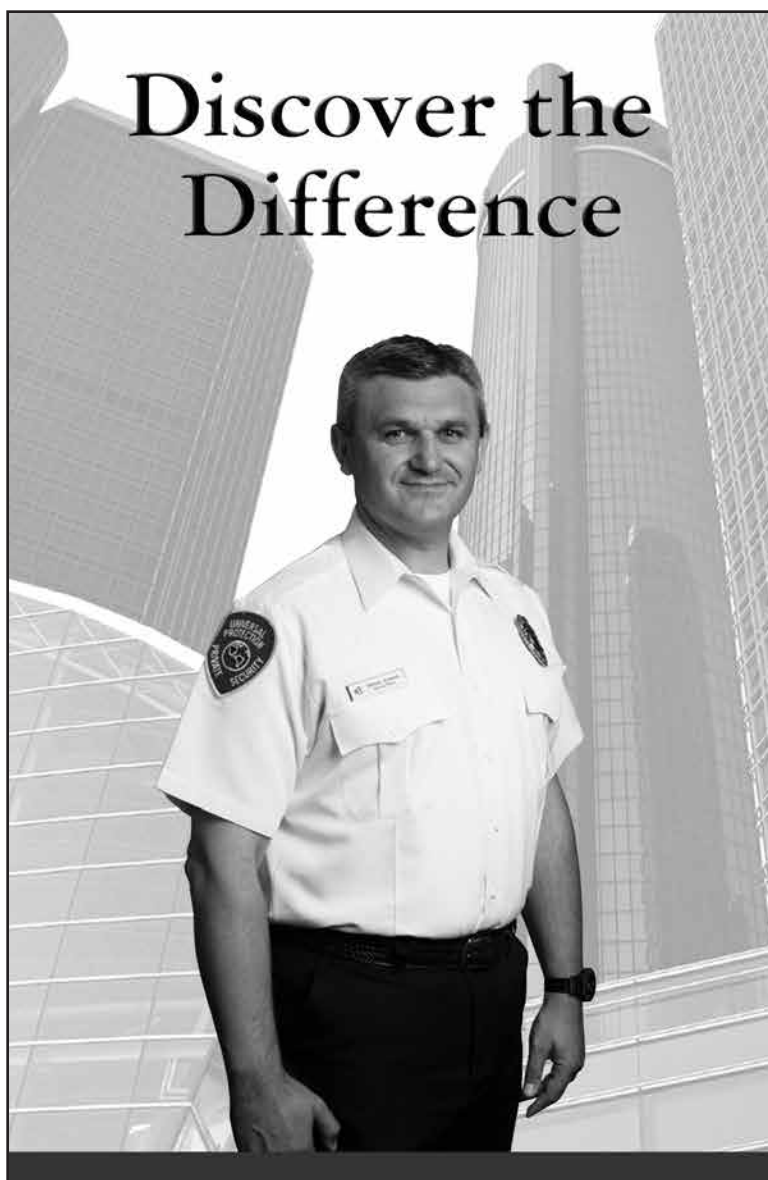
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Senior Housing & Care

Integrating technology into senior living communities

As a grandmother myself, I greatly enjoy seeing the amazing technology my 12-year-old grandson uses to enjoy life and make his world exciting and mentally challenging. Technology in the form of devices, applications and communication tools has become a key unifying force among the generations. The number of older adults using the internet and related technology devices is increasing. According to data from the Pew Research Center, nearly 60 percent of seniors go online and 77 percent have a cell phone. Although seniors have been slower to adapt to technology than younger generations, their tech prowess continues to grow.

State-of-the-art technology services often are a prerequisite for many seniors when evaluating housing options. With technology now a requirement, senior living communities are focused on identifying the needs and expectations of current and future seniors, which includes building and upgrading facilities with technology in mind. For many newer communities, incorporating technology is a given, but this puts pressure on existing communities to upgrade their facilities as they seek to attract residents.

Installing Wi-Fi connectivity is one key way communities are creating technology options for seniors. In a 2013 Ziegler CFO Hotline technology survey, almost 74 percent of the chief financial officers surveyed said that their senior living organizations had invested in internet connectivity in the past 12 months. Internet access is a huge priority for seniors, because it allows them to keep in touch with friends, see pictures and videos of children and grandchildren, and communicate with family members locally and across the globe.

A majority of senior living communities have integrated technology programs into residents' daily routines as a way to keep seniors connected, mentally active and physically safe. It's no surprise that seniors have Facebook accounts to connect with grandchildren, or use iPad apps to enjoy Scrabble, solitaire and other games to keep their minds engaged. Starting with blogs, personal websites, and chat and messenger sites, seniors have quickly expanded into Skype, FaceTime and Google Hangouts as a means of virtually attending their grandchildren's birthday parties, chat with their friends or join a new online club.



Nancy Schwalm
Chief business development officer, Vivage Senior Living, Lakewood

offering, providing tech-savvy residents with a place they can go to meet and mingle with others while browsing the internet. These cafés, along with traditional computer rooms, also can be excellent settings for ongoing technology training sessions provided by community management to keep residents current on topics, ranging from how to

Technology also assists seniors in remaining socially connected within their housing community. Internet cafés have become a senior living community's popular design

tor response time to resident's request for assistance, and monitor who has come and gone from a resident's room. This data is a great tool for staff accountability and also to help reassure family members that their loved ones are receiving excellent services and attention.

On the business and operations side, operators and managers are using software and technology to track inquiry management, referral source management, sales cycle strategies and outcomes, and all key areas of market intelligence. Immediate access to customers through online chat centers has created positive impact to customer management and occupancy results. Technology is an important part of any senior living community and will only grow in its value and positive impact to the community's success.

While technology is often used for life enrichment, many senior living communities are incorporating advanced technology to improve efficiencies and create a safer environment for residents.

use social media to online shopping.

While technology is often used for life enrichment, many senior living communities are incorporating advanced technology to improve efficiencies and create a safer environment for residents. E-call systems and senior alert systems are a given and have advanced greatly over the past 10 years with many new technology options integrated with smartphones, staff pagers, e-mail and text systems. Many skilled-nursing facilities are using sensory patches to monitor how often a resident turns while in bed. This technology helps nursing staff determine when assistance may be needed during the night. Medication and chronic disease management are now all supported by countless applications and technological devices as a means of resident self-management and care engagement.

In assisted living communities, technology is used to track staff members, moni-

Implementing a robust technology platform in a senior living community can be expensive and often requires a professional "tech team" to guide the right purchases. It is an investment that will assist to position a community competitively for the future. Before making purchases, it is important to create a strategic technology plan and involve a solid operating partner that can assist to identify technology that is essential, value-added and will be incorporated into routine operations and resident life.

Denver has just launched a great new resource, which is part of the San Francisco-based, international technology group, Aging 2.0. The Denver chapter, led by Karen Brown, will serve to bring seniors, senior service providers and technology companies together to share new technology developments and resources available to support senior wellness, independence and service delivery.▲

Senior Housing & Care

The changing atmosphere of food service for seniors

Often in health care settings, particularly long-term care facilities such as independent or assisted living and nursing homes, mealtime can be the highlight of the day: a time when conversations and laughter fill the room, when friends and families meet, and when staff can connect with residents. It is an irreplaceable and unique social hour that stems from human nature of community bonding over food.

Beyond just impacting the culture and social climate that heavily affect the minds of potential residents, it's also a necessary element for proper sustenance and nutrition, which can be critical when caring for the elderly.

Recently, the attitudes to food service in health care have shifted. Strides are being made elevating food offerings far above and beyond the preconceived molds of infamous plastic trays and green Jell-O. Today's senior societies feature fresh, local ingredients from on-site gardens served with a side of presentational flair.

These changes are happening with strong intent and purpose, as patient care and nutrition are top priorities, can become powerful marketing tools for drawing in potential residents and even assist in employee retention.

• **High-quality food, local ingredients and executive chefs.** If you can't shake the Jell-O taste out of your mouth, our first trend will revive your taste buds. Our No. 1, most influential trend in health care is focusing on fresh and local food, and made-to-order concepts. Implementation of this trend vastly varies depending on the level of care provided, size and location of the facility, and many other factors, but the goal remains the same – delicious-tasting food with high nutritional content.



Al Moller, LEED AP
Principal, Ricca Design Studios, Greenwood Village

For those who strive for a hospitality or resortlike model of health care, a sit-down restaurant style of food delivery is becoming increasingly popular. Leather-bound menus, tablecloths with flowers and executive chefs moving from table to table are not unheard of.

Further removing the monotony from scheduled meal periods, these restaurants are successful at creating unique experiences throughout the day. For example, breakfast can be more informal with buffets and limited a la carte options; for lunch, transition into made-to-order items from the grill; and dinner could be a more formal atmosphere with chef's tasting courses and other specials.

If residents are more independent and physically able, marketplace-style serveries that dominate other industries like corporate and higher education are becoming increasingly popular. A series of stations or microrestaurants fight menu fatigue by catering to all genres of food, ranging from homemade falafel and pita to wood-fired pizzas and gourmet salads. Transforming the dull dining hall into a lively place of action benefits more than just the food program. The smells, sights and stimulation created have been proven to engage seniors' senses and stimulate appetites.

To increase variety even further, the platforms can be specifically designed and outfitted with adaptable equipment, resulting in platforms that have the potential to serve pancakes and eggs in the morning then change to a made-to-



Lauren Bartos
Director of marketing, Ricca Design Studios, Greenwood Village

order grill in the afternoon. Steps can be taken in the design process for future modification, making it easy to adapt new trends and concepts in the future. If your make-your-own sushi station never catches on, you could modify it to become something more favored.

A simpler approach that still showcases farm-to-table creations is adding a mobile food cart for chef demonstrations and food tastings – either during the meal periods or as a separate event.

Other successful implementations include on-site gardens from which the produce is being harvested and incorporated into meals. These gardens can double in their purpose and be used as a community outreach and inviting them into garden with residents, as an example.

Some facilities are taking on larger commitments by hosting on-site beehives for harvesting honey, chickens for farm-fresh eggs and even goats for specialty cheeses. Again, community outreach can be leveraged here for educational sessions or selling the surplus as a unique fund-raiser.

• **Variety, variety, variety.** If we haven't mentioned it enough yet, variety is key for these long-stay establishments and the food service programs should be designed with that in mind. Another popular avenue, especially for facilities with multiple buildings, or on large campuses, is a decentralization of food service. Rather than one big main dining area, multiple smaller outlets are being introduced for around-the-

clock foodservice options and added levels of customization. For example, a café with light breakfast foods and upscale coffee could be added as supplementary outlet to your main dining area, or an after-hours grab-and-go option could be introduced. In assisted and independent living situations, small grocery items or packaged grab-and-go options are available for residences to purchase and eat at their leisure. Often, offering selection and variety in food choices can make the transition easier for newcomers into long-term care.

Inviting outside vendors in also is becoming increasingly popular. Some facilities are partnering with local ice cream shops, cafés, bakeries and juice bars to lease out space within their buildings. This approach also is a great way to connect with the local community and offer an added perk to visitors.

• **Double duty: Delighting residents and staff.** Obviously, residents and their families are top of mind when considering food service options for a new-build or renovation but consider the impact on employees as well. Your food program aids in supporting healthy meals to your residents and acts as a marketing tool for outreach, but it could also be shifted to be used as a recruitment tool. Offering fully prepared, healthy meals to eat on-site or to take home to employees' families is a huge perk that can enhance benefits packages to set you apart from other facilities.

The modern and evolving landscape of health care food service is opening windows of opportunities for senior care facilities to differentiate themselves, showcase specialty ingredients and promote nutritional well-being – catering not only to residents but also to their families, employees and local communities. ▲

Lynch

Continued from Page 1

hospital due to preventable conditions. Rehab hospitals are full-time care facilities with state-of-the-art equipment in private rooms, rehabilitation spaces and even dining areas.

The most notable developments of these newer facilities are taking place in Denver, with the hopes that more will find their way to Colorado Springs.

The changing world of health care real estate is complex for patients,

health care systems and commercial real estate industry folks. Health care systems and hospitals are ultimately a needs-based industry; but while they are caring for patients, the incentive for efficient operations by consolidating locations is

impacting where patients are able to receive care. The legislative agenda before Congress will further impact the medical office market and establish new financial considerations for providers and patients alike. Stay tuned. ▲

Powell

Continued from Page 8

3) What is the estimated future value profit compared to the factors considered in the first two questions?

If successfully analyzed, the rewards gained from executing these transactions are great, as described above, as benefits. The ability for physicians to reinvest into their core business not only alleviates the challenges of managing a property in tandem with

a health care practice but also enables practice growth and positive future planning.

Several successful sale-leaseback transactions that have happened in Colorado include a record-breaking single-tenant, medical office, sale-leaseback that occurred in 2015. A 56,349-square-foot MOB, the Urology Center of Colorado, sold for \$623.79 per sf. The elevated value was due to many factors, including a strong ten-

ant, fantastic location, long-term lease and high rents. Additionally, Englewood-based health system Catholic Health Initiatives sold 52 medical office buildings, totaling more than 3.1 million sf, to Physicians Realty Trust for \$725 million. At the time, the buildings were nearly 95 percent leased with the remaining lease term averaging 8.6 years.

Sale-leaseback transactions can be complex and multifaceted commer-

cial real estate transactions. For this reason, it is strongly recommended that physicians hire a team that specializes in health care real estate. This team should include a commercial real estate broker, an attorney and a certified public accountant. Understanding all risks and benefits associated with the structure of both the sale and leaseback allow both parties to carefully determine if this is the right strategy for their future. ▲

Boucher

Continued from Page 14

monitoring and control. It is critical to ensure new technology is both efficient and scalable. By striving for convergence in technology systems, it will generate a lower total cost of ownership for the technology investment. This ultimately will maximize

the return on that investment.

Organizations need to ensure that construction managers have the proper expertise on technology systems. Extensive expertise and management will better orchestrate this process. Consider integrating all technology scopes under one management source to ensure all systems are being considered through-

out each subcontractor scopes of work to eliminate silos. This integrated approach will reduce challenges for both organizations and project teams. It also will provide a central point of accountability for the entire technology system.

Ultimately, this fourth utility isn't just a trend reserved for health care. In the

future, every device manageable from doorbells to toasters will be connected to the internet. The trend in technology and integration is truly skyrocketing. How well we plan for the integration of these technology systems will setup organizations from health care providers to construction managers for success. ▲

Senior Housing & Care

Healthy partnering: College students and seniors

Magic. I've thought about it over and over, and magic is the best word to describe it. When two people meet and change each other for the better – to me, that's magic.

It's the essence of the partnership between Metropolitan State University of Denver and Eaton Senior Communities, a senior living center in Lakewood. For the last six years, MSU Denver students studying health professions have been interning at Eaton – in both clinical and management roles.

Let me give you a firsthand account and see if magic doesn't come to mind. A couple of years after this collaboration began, I was attending a fund-raiser at Eaton. I took a seat next to one of the residents – a sweet, gentle lady in her 70s. After we exchanged pleasantries, she began telling me how the MSU Denver interns had helped her. "They truly have improved my life," she said. "Now I'm more active, I do more things. I eat better. I've lost weight, and I've even lowered the amount of medicine I take."

It was wonderful – such a moving moment. I had always suspected this partnership was something special, but after hearing this lady's words I knew it was magical.

But the magic almost never happened – the whole partnership was in jeopardy – at the very start.

Why? Students were wary. They, like many, immediately conjured images of gray walls, dim lighting, depressed people, bland food, bad odors – and all the other senior residence stereotypes.

I personally knew it wasn't true at Eaton. I'd been there. It's an astonishing facility. The staffers are there



Dr. Emily Matuszewicz
Chair, Department of Health Professions, Metropolitan State University of Denver

because they want to be. It's their life's calling. The staff and management are innovative, always brainstorming and testing ways to make life for residents not only better, but amazing. And, when that happens, the residents are there because – yes – they want to be there. Not many senior facilities can say that.

I knew Eaton had a bus it uses to take residents around Denver. I suggested Eaton come to MSU Denver, pick up a few of our students and deliver them at Eaton's doorstep: a fieldtrip with a hidden agenda.

It worked. After the students saw Eaton, getting them to sign up was a cinch. So far more than 20 students have interned there. In fact, today it's one of our most popular options among students.

One of those former interns – and now an Eaton employee – is Kate West. She admits she had her own reservations about interning there.

"While I grew up with my grandparents in my life and a very positive model for aging, I had also visited nursing homes to sing as a child," she told me. "They were sad and lonely places and I feared that Eaton would be the same. I remember when I walked through the doors for my interview, one of the first things I noticed was that it didn't smell and it

was decorated so nicely."

West, who's a resident services coordinator at Eaton today, adds that her internship dispelled the myths on aging and helped her cultivate "a deep love for working with aging adults."

West also believes the MSU Denver-Eaton partnership is special primarily because of the intergenerational interaction. "The interns and residents learn from each other, and that leads to powerful conversations and relationships. Both the students and residents get to make a difference in each other's lives, and that's the most valuable learning experience possible."

Many MSU Denver interns at Eaton serve as wellness coaches and work one-on-one with residents to improve their health via yoga, walking and nutrition. Other interns studying health care management work in Eaton's administration to develop their business skills.

Of course, with aging baby boomers, the field is ripe with employment opportunities – one of the key reasons we launched the program. Potential employers regularly tell me they need students with soft skills, and I think that's a big part of what our students are getting – real-life, hands-on experiences that develop those soft skills that are critical in any work environment.

Honestly, it's hard for me not to overemphasize just how transformational this has been for students.

And Eaton's CEO, David Smart, says the same about the residents. They're clearly benefitting, too. A formal study showed positive outcomes at practically every measure: They have better health – both physical and mental – are more engaged, active and fulfilled

with a renewed sense of purpose.

Smart adds the program also has reduced operational costs (interns are providing important services at low cost and healthier residents require less spending) and opened doors to better finances because of increased grant money – vital in an increasingly competitive market for senior living residences.

The partnership has been so successful, LeadingAge, a nonprofit that works on aging issues, gave MSU Denver and Eaton a \$50,000 grant to create a guide to help other communities around the United States replicate the collaboration.

So sure, plenty of business and economic benefits are blooming. But for me, and I think for the students and residents, and certainly the staff at Eaton and for MSU Denver, it's all about the magic of people helping people.▲



Hayden Behnke
Blueprint Healthcare Real Estate Advisors

This month we hear from MSU Denver about a collaborative effort between its students and Eaton Senior Communities that is producing a valuable cross-generational experience for all involved. In addition, this effort is being recognized as an effective private-public partnership

model to reduce costs and improve health outcomes.

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