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MIDDLE GROUND

A Creative Solution to an Unmet Housing Need

In Newton, Response Confirms Demand for Senior Project

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SPECIAL TO BANKER & TRADESMAN



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Bringing a senior living project to market in today's economic environment is almost unheard of. Given the headwinds of rising interest rates, increasing construction costs, supply chain and workforce challenges, it's a high mountain to climb. It's especially daunting when the project is a new model for senior living.

However, earlier this spring, we were able to accomplish this unlikely feat.

In March, our not-for-profit 2Life Communities, which has served low-income seniors for almost 60 years, broke ground on Opus Newton, the first 2Life property specifically focused on middle-income seniors. We closed on our financing and started construction fully reserved – which meant 174 1- and 2-bedroom apartments – and a year ahead of schedule with financing committed through a unique funding structure, supported by \$129 million in tax-exempt bonds issued by Mass-Development.

Opus is designed to put the very meaningful benefits of living in community within reach of the “forgotten middle” those



Image courtesy of Perkins Eastman

Tax-exempt financing from MassDevelopment enabled 2Life Communities to begin construction this spring on the 174-unit Opus Newton community, which was designed to fill a niche in the “forgotten middle” segment of the senior housing market.

older adults who have too much income to qualify for subsidized living but find the current high-end communities in the market inaccessible.

Led by CEO Amy Schectman and a team made up mostly of women who bring deep experience in senior living, real estate development, finance and healthcare, 2Life has been working for more than 10 years to lay the groundwork for this opportunity.

Under Amy's leadership, the 2Life balance sheet showed consistent growth and established the financial capacity to move forward with Opus. Running the gauntlet of challenges to develop a project like this required key elements such as:

- The financial strength of 2Life;
- Extensive investment in market and consumer research;
- A more-for-less concept that galvanized the market around the benefits of ‘living in community’;
- And unique capital partners.

Growing Demographic Drives Demand

Identifying a solution for the middle market united the entire team. It's a need that's evident and growing. The number of middle-income seniors 75 and older nationwide is expected to nearly double to almost 16 million from 2018 to 2033, according to a

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2022 University of Chicago study.

2Life had not built and operated a private pay, middle-income project before. Members of our leadership team were able to draw on their individual experiences and the organization's deep and broad experience operating resident centric low-income senior housing. The Opus prototype relies on four key tenets.

Opus truly resonated with the market, beating the projected time for marketing and sales by a full year.

First, we identify locations in vibrant communities where we could access existing amenities rather than build new spaces. Our first property at Opus abuts 2Life's affordable living community Coleman House and is located on the campus of the Jewish Community Center Greater Boston.

Second, the Opus prototype brings health and home care to residents just in time instead of moving residents to care in expensive operating environments.

Third, we form partnerships with third-party agencies to make care available in smaller increments and helping residents navigate options.

And fourth, we tap residents' broad experience to provide a volunteer force whose time and talent will make the community a great place to live

Response Confirms an Unmet Market Niche

Opus truly resonated with the market, beating the projected time for marketing and sales by a full year. It turns out that the 10-hour-a-month volunteer requirement is seen as a positive, and future residents are looking to serve, rather than be served.

Our proven partnership with Boston-based general contractor, Dellbrook/JKS, was possibly the most instrumental of many important partnerships. Dellbrook has worked on multiple projects for 2Life, as has the project architect, Perkins Eastman. When construction costs escalated, this partnership enabled the team to make great decisions in the value-engineering process and to bring the project in line by cutting costs without sacrificing quality or the resident experience.

Together with committees comprising our board members and supported by input from the senior living finance community, we issued a request for proposals to banks and capital markets in the spring of 2021. One of the responses came from a sophisticated and experienced senior living source. This financing is structured similar to a construction loan, with each advance having an interest rate collar that allowed us to close in a volatile interest rate environment. Upon fill-up and the paydown of debt from the Community Share fees, 2Life will have less than \$30 million of long-term debt creating a very low-leveraged product that serves the middle market by keeping monthly fees low.

Most importantly, this team has moved the needle in a meaningful way toward serving the middle market. We welcome conversations with other organizations seeking insight into how we have shaped this project, and hope that there will be more projects like this one developed to meet the tremendous need. As our CEO likes to say, it's not a market opportunity, it's a moral imperative. ◀

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