

2Life Communities' Middle Market Opus Newton Project Plans to Offer Monthly Rates as Low as 45% of the Typical Independent Living Market Rate

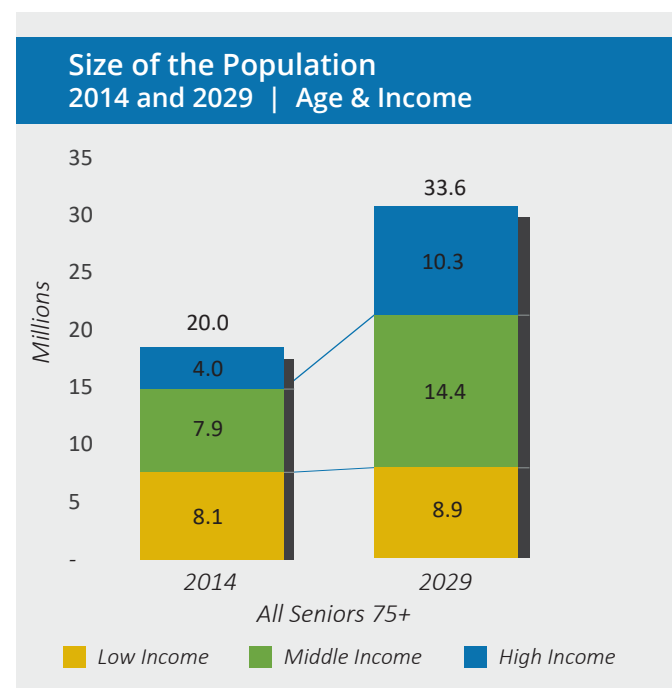
Introduction

A growing number of senior housing operators and capital providers are expressing interest in the “[Forgotten Middle](#),” a term coined by NIC in 2019 in its seminal research to describe the large middle income senior cohort by its demographic characteristics as well as its housing and healthcare needs. The middle market includes Americans who have too much wealth to qualify for government support programs such as the Low Income Housing Tax Credit program, but not enough financial resources to pay most private pay options for as long as needed. In January 2022, NIC produced its considerations for a successful [middle market product](#) and articulated that identifying the right balance of hospitality, services, and care delivery, while still maintaining a monthly rental price that can be paid for by this group, is the cornerstone to a successful middle-market strategy. Key factors in a middle market strategy are listed below and may be expanded upon in future case studies:

- Understanding the consumer
- Scrutinizing expense items and unbundling services
- Maintaining an efficient use of workforce and potential utilization of volunteers
- Utilizing partnerships for low-cost support services
- Keeping acquisition, development costs and related debt low

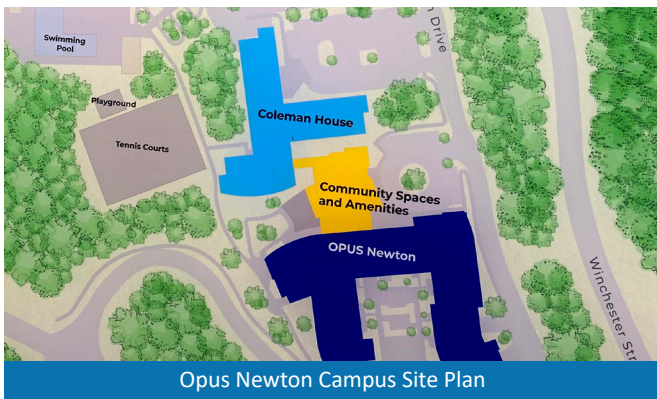
Objective

The National Investment Center for Seniors Housing & Care (NIC), a 501(c)(3) organization, works to enable access and choice by providing data, analytics, and connections that bring together investors and providers. NIC Analytics Case Studies feature organizations, strategies, and products that are solving industry challenges with creative solutions that are effective, repeatable, and scalable. NIC’s objective is to share these solutions with the industry.



About Opus Newton

Opus Newton (“Opus”) is a new 2Life Communities community-living option in Newton, MA for the middle income market that builds on 2Life’s core services and best practices to provide a unique middle income housing option for adults aged 62 and over to ‘live in community’. Opus, which will be physically connected to 2Life’s Coleman House on the campus of the Jewish Community Center Greater Boston, will feature 174 residences, with 12 different one- and two-bedroom plans ranging in size from 680 to 1,420 square feet. As of March 2023, all 164 apartments were pre-sold, nine apartments were reserved under inclusionary zoning laws, and one apartment was reserved for staff to live on-site. 2Life closed on the financing and held a groundbreaking ceremony for Opus in March 2023. Construction is projected to take 28 months with a target open date in Summer 2025. The following outlines 2Life Communities’ approach to attainable senior living for middle income older adults.



Understanding the Consumer

Opus Newton was 100% pre-sold or reserved before construction began.

Product:

The city of Boston ranks ninth in the country in highest costs-of-living, according to The Council for Community and Economic Research, and Newton sits just west of the city. Additionally, median home prices in both Boston and Newton are well above the 31 Primary Markets tracked by NIC MAP Vision. As a result, 2Life describes middle income residents in Newton and its adjacent communities as “house rich and income challenged” and therefore unafraid of a one-time upfront fee but risk averse to ongoing high monthly fees. To meet the housing and care needs of its middle income residents, Opus will provide independent living apartments partnered with one or more preferred providers for clinic, home care, and home health services.

Median Home Values as of 4Q 2022

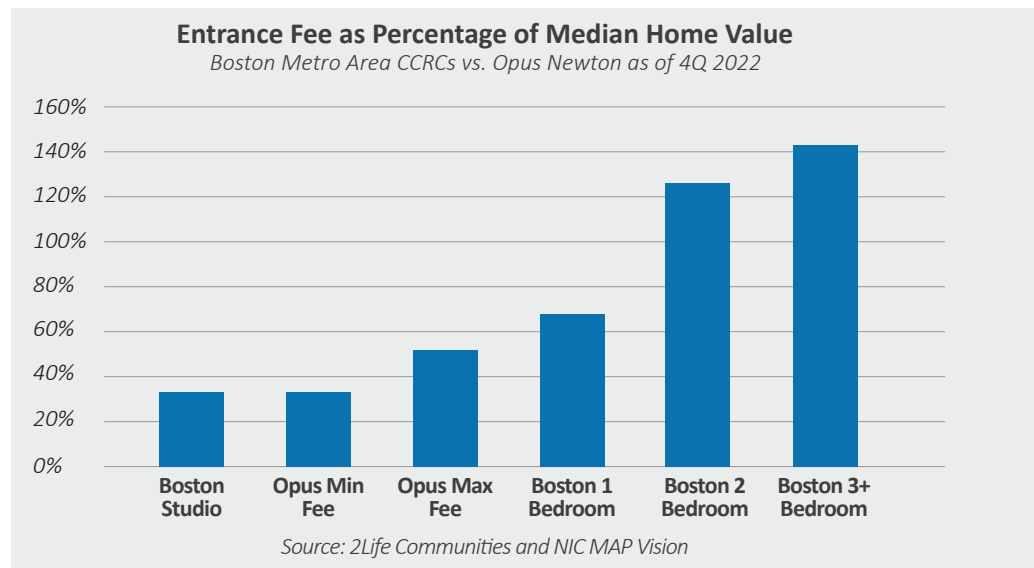


Source: NIC MAP Vision and Realtor.com Listing Prices

Financials:

To help residents feel comfortable financially, 2Life uses home values to set the up-front Community Share fees that mostly range from one-third to one-half of the median home value in the surrounding area. Thus, by selling a single-family home and moving into independent living at Opus, residents are able tap into home equity to pay for housing and future care while remaining within the community of Newton. When a resident leaves Opus and their apartment is re-sold, 80% of the Community Share fee is returned to the residents or their estate.

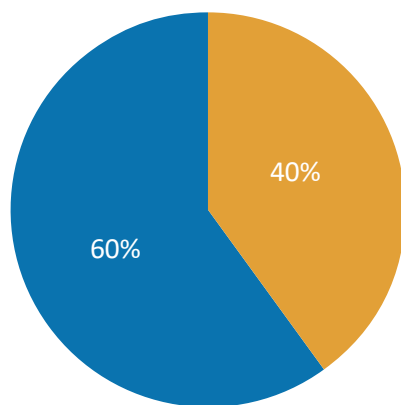
Given that the Community Share model at Opus somewhat resembles a CCRC entrance fee model, it is useful to compare the two within the larger Boston metro area. Regarding entrance fees, the Boston metro area average ranges from 33% of the median home value for a studio to 143% for three bedrooms or more. When comparing one- and two-bedroom apartments, Opus Newton's Community Share fees of 33% to 50% of the median home value in Newton fall well below the average Boston metro area entrance fees of 67% to 107% of the median home value in Boston.



Opus strives to keep monthly rates attainable for its middle income residents. Pre-construction pricing for Opus monthly fees ranged from roughly \$1,900 for a 680 square foot apartment to \$4,100 for a 1420 square foot apartments, with second person fees under \$1,000.

Monthly rates at Opus will include services, such as fitness and wellness, care navigation, lifelong learning, all utilities, high-speed internet, and some dining. The highest monthly rate at Opus is projected to be lower than the average monthly apartment rent in Newton, according to 2Life Communities, and those market rate apartments typically do not include services, dining, or utilities. Compared to CCRCs, monthly rates at Opus are comparable to roughly 53% to 69% of Boston metro area CCRC independent living units, according to CCRC rates reported by NIC MAP Vision.

Opus Newton Planned Unit Mix*

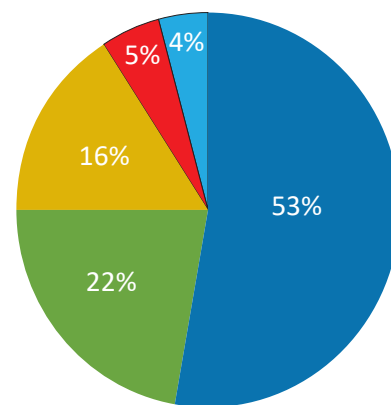


■ < 1,000 Square Feet ■ > 1,000 Square Feet

* Excludes Inclusionary Zoning and Site Rep Units

Boston Metro Area Independent Living Average Monthly Rent in Entrance Fee CCRCs

Percent of Units/Beds



■ \$0-\$1,700 ■ \$1,700-\$3,400 ■ \$3,400-\$5,100
■ \$5,100-\$6,800 ■ \$6,800+

Source: NIC MAP Vision

Focus on Community:

Opus markets a lifestyle and belief system that is community-centered, with residents committing to volunteer for 10 or more hours per month, and estimates that 90% of resident applications cite the opportunity to volunteer as the biggest attraction of living at Opus. Resident applications represent a diverse group, including public school teachers and professors, health care professionals, social workers, and community organizers.



Challenges/Lessons Learned

Based upon self-reported financial statements from resident applications, 2Life estimates that the bulk of assets are tied up in potential residents' single-family homes values. Opus helps residents plan for expenses and determine the apartment size and floor plan they can afford.

Scrutinizing Expense Items and Unbundling Services

Opus Newton will unbundle dining, amenities, and care.

Focus on Expenses and Services:

Opus' goal is to enhance resident health and enrich quality of life through holistic wellness and the health benefits of community living while reducing hospitalizations and other costly forms of care and services that drain resident incomes.

Dining:

Opus will have a typical commercial kitchen, and to help keep labor costs and food expenses low, the property will not offer "24/7 dining". Monthly rates paid by residents will include a culinary credit of \$400 per resident per month to be used however they desire – similar to a debit card - rather than a fixed number of meals. The kitchen will also provide "grab-and-go" options and partnerships with local restaurants for group delivery, group takeout, and pop-up restaurants on campus.

Amenities:

A two-level "connector" building includes space for 2Life's fitness and wellness programs, salon services, art classes, computer training, and lifelong learning programming. Residents will also have access to the adjacent Jewish Community Center of Greater Boston and its facilities – including indoor and outdoor pools – and programs at a 60% discounted annual membership fee.

Three Elements to Care:

1. 2Life’s unique “aging in community” model brings care to the resident instead of moving the resident to the care, thereby reducing capital and operating costs and increasing market acceptance. Through preferred partnerships with third party providers, residents will have access to shorter increments of home care rather than paying for the typical 4-hour blocks.
2. “A model of care coordination will feature Opus “Care Navigators” who will help residents make choices that maximize and improve their health outcomes while allowing residents to stay in the community. This is a highly cost effective model to assist residents in navigating the complex healthcare system including health insurers and long term care insurance and providers as they all attempt to align care goals and delivery of services.
3. On-site medical and healthcare services: 2Life is partnering with a medical practice to provide on-site primary care to Opus residents. Other onsite medical and healthcare services include podiatrist, chiropractor, rehab services, home healthcare/VNA, mental health services, social day program, and wellness nurse clinics.

Challenges/Lessons Learned

Unbundling care and services will allow middle income residents to “stretch their dollars”.

Maintaining an Efficient Use of Labor and Utilizing Volunteers

A creative operating model including a robust volunteer program and efficiencies generated by co-locating the new Opus community with an existing 2Life community allows for more cost-effective staffing.

Workforce:

Opus Newton will be physically connected to 2Life’s Coleman House community and will share staffing and resources. One Opus apartment, as well as two apartments at Coleman, are allocated to site representatives who are available for resident support between 5pm and 8am. Opus Care Navigators will help residents with health care scheduling and paperwork.

Volunteer:

Opus residents are expected to volunteer 10 hours or more per month, – an aggregate of 55 FTEs – enhancing the already robust programming. Examples of volunteer roles include front desk greeter, lifelong learning lecturer, librarian, discussion group leader, garden club organizer and resident dining support such as setting tables.

Challenges/Lessons Learned

Creative and flexible operating models are important for many reasons. 2Life estimates that roughly 90% of resident applications cite the volunteer requirement as the most attractive feature of Opus Newton, indicating that senior living communities should strive to create opportunities for engagement for their residents.

Utilizing Partnerships for Low-Cost Support Services

Opus Newton will utilize its concentration of older consumers to attract partnerships in dining, amenities, and health.

Partnerships:

2Life believes that partnerships work in a middle market strategy if a community can create enough demand for services and that the scale created by adding Opus Newton's 200+ residents to the Coleman community will be attractive to partners.

Dining:

Opus will negotiate partnerships with local restaurants to provide affordable delivery, group takeout, and pop-up restaurants to provide a creative, cost-effective approach to culinary offerings.

Amenities:

The nearby Jewish Community Center will provide a 60% discounted membership to Opus residents. The Center offers swimming pools, tennis courts, fitness and wellness programs, as well as multigenerational programs, events, and activities that may encourage socialization outside of the Opus campus.

Health:

Opus will be registered in Massachusetts as a CCRC. Care will be provided onsite by home care providers willing to provide services in shorter increments and will be paid for by the resident or long term care insurance. Medical and health care provider partners will utilize the residents' own health insurance benefits. Care will be coordinated as needed by the resident and an Opus Care Navigator who will conduct regular assessments of health and care needs.

Keeping Development Costs and Related Debt Low

Opus Newton will have approximately \$30 million in long-term debt.

Location:

2Life believes that one of the largest challenges in a middle market strategy is choosing a location. Building Opus on land purchased from the Jewish Community Center for its location and proximity to Coleman House and the JCC allows 2Life to create economies of scale, reduce operating expenses, and keep monthly fees as low as possible.



Opus Groundbreaking Ceremony in March 2023

Financing:

MassDevelopment, the Commonwealth of Massachusetts’ finance and development agency, issued \$129 million in tax-exempt bonds. The \$129 million of bonds were purchased by an experienced senior living source who structured the debt similar to a construction loan with each tranche of debt having an interest rate collar that allowed 2Life to close in a volatile interest rate environment. The remaining \$27 million required to fully fund the \$156 million in total development costs was contributed by 2Life.

Cash Flow Projections:

Upon the opening and fill-up of Opus Newton, expected to begin Summer 2025 and continuing through 2026, the \$100 million in short-term bonds will be repaid from the \$122 million in initial Community Share proceeds.

The combination of creative financing partners, 2Life’s investment in Opus, and uniquely strong market demand allowed the project to move forward despite challenging financial market conditions.

Initial Sources of Funding	\$ Millions
Tax-Exempt Bonds - Short Term	100
Tax-Exempt Bonds - Bridge Financing	29
2Life Equity/Cash	27
Total Project Funding	(156)

Sources/ (Uses)	\$ Millions
Community Shares Proceeds	122
Repay Short Term Bonds	(100)
Debt Service and Operating Shortfalls	(9)
2Life Equity Returned During Initial Fill-up	(13)

Overall Results

2Life used experience gained from developing and operating subsidized independent living to the market’s most vulnerable older adults to create a product that provides independent living to middle income older adults. The organization maintained a laser-sharp focus on understanding its consumer, scrutinizing expense items, unbundling services, implementing an efficient workforce, utilizing volunteers and partnerships, and keeping development costs and related recurring debt service payments low.

NIC appreciates the transparency and insights provided by Amy Schectman and her team at 2Life and looks forward to following this project further during its construction, opening, and operation.



Get in Touch with NIC

Interested in learning more about this and other NIC Analytics Case Studies? Please contact Caroline Clapp, Senior Principal in Research & Analytics at NIC, for more information at cclapp@nic.org or 443-837-2413.