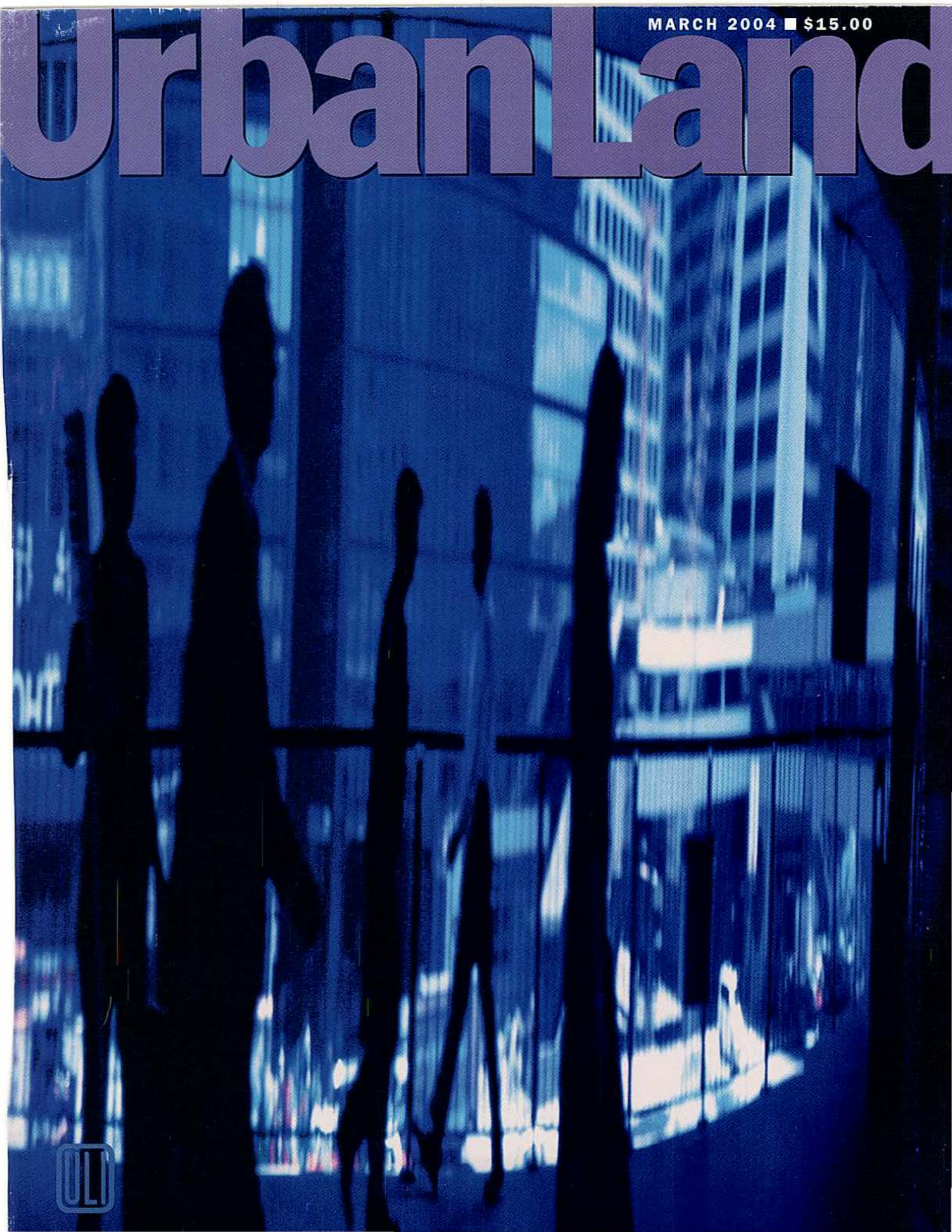


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Urban Land



Affordable Assisted Living

Affordable assisted living facilities can provide an important component in helping solve problems dealing with neighborhood deterioration, blight, commercial stagnation, and landmark preservation. One key problem that needs to be addressed is the fact that many so-called affordable assisted living facilities are not affordable for many who need them. In Illinois, the Villages of Park Forest and Melrose Park in the Chicago suburbs, the city of Joliet, and the Marquette Park neighborhood of Chicago have all used affordable assisted living successfully as part of the solution to their redevelopment problems. Each of the communities had

a large elderly population, which had grown more frail but did not need continual or even frequent nursing or medical services. Some who were less frail lived independently but even though they were attracted to multifamily living, they could not afford the rents of market-rate apartments. With a clear demand for seniors' housing and assisted living, the challenge was how to tap the pent-up demand to stimulate redevelopment and solve the affordable housing problems. The solution was provided with a combination of governmental programs and private initiatives.

The private developers for the Illinois projects determined that the affordable assisted living component needed to include governmental subsidies, specifically Medicaid waivers, which are essentially transfers of nursing entitlements to residents in assisted living facilities. In Illinois, the Medicaid waiver program, known as the supportive living facility (SLF) program, includes the payment of "rent" from supplemental securities income (SSI) and the provision of food funded by food stamps. According to E. James Keledjian, a principal shareholder of Pathway Senior Living of Des Plaines, Illinois, developers and operators of affordable assisted living projects, the SLF program in Illinois was designed specifically to work well with other programs, especially the federal Low Income Housing Tax Credit (LIHTC) program.

For the SLF residents, Medicaid funding requires that they give up most of their assets and income, known as "spending down." In return, the state and federal governments pay for Medicaid recipients' food, shelter, and assistance with daily living. For the SLF developer and lenders, the Medicaid payments ensure sufficient operating funds to feed residents and provide necessary services, and possibly to finance some of the infrastructure.

SLF funding alone, however, was not sufficient to provide the capital needed to construct the four proj-



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ects. Additional subsidies were needed, the most important of which was the Low Income Housing Tax Credit, a subsidy for equity investors in low-income housing projects. Section 42 of the Internal Revenue Code of 1986 is devoted to this housing program. The Illinois facilities qualified for and used LIHTCs because the Internal Revenue Service ruled that assisted living facilities were like housing, not nursing homes. The developers of the Park Forest, Joliet, Marquette Park, and Melrose Park facilities combined the Illinois SLF Medicaid waiver program with the LIHTCs, allowing them to build and operate the facilities and provide the necessary assistance to residents who might have no alternative but to go to a nursing home.

Some of the facilities used other governmental assistance in addition to the LIHTC and the Medicaid waivers. The Park Forest facility, for example, used first mortgage financing insurance under Section 232 of the National Housing Act, which provides mortgage insurance from the Federal Housing Administration for nursing homes, intermediate care facilities, and board and care homes. Assisted living facilities generally qualify as "intermediate care facilities" if they receive Medicaid reimbursements. The FHA insurance enables the developer of a facility to obtain a nonrecourse loan for up to 90 percent of the cost of constructing or of acquiring the facility.

The Illinois Housing Development Authority provided credit enhancement in the Joliet facility. The city of Chicago provided a "soft" loan of community development block grant funds as well as bond volume cap in the Marquette Park facility.

In Joliet, the old Joliet Catholic high school buildings have been rehabilitated and now house a community of seniors living independently on part of the campus—the independent living facility. The other part of the old school grounds houses the SLF. Both the independent living facility (ILF) and the SLF were built with LIHTC equity funds.

In Marquette Park, the elderly can stay in a series of ILFs and now an SLF, which has helped to stabilize the neighborhood. According to Nicholas Shapiro, president of Community Reinvestment Fund in Chicago, the projects have been a success in terms of community impact and meeting the needs of an aging population. Lease-up occurred rapidly. The community seems to have been spared from further deterioration and is actually growing, Shapiro adds.

In Park Forest, what had been 800,000 square feet of empty commercial space, including two former anchor department stores, is now a new grid road system with a new main street. Pathway developed an ILF and a 91-bed SLF that helped spur the creation of the new main street downtown environment. According to the Village manager, Janet Muchnik, developing high density residential housing close to downtown was essential to the conversion plan. The newly created tax base is being split between the Village and the owners of the projects pursuant to tax increment financing agreements.

In Melrose Park, the Village provided \$4 million of infrastructure improvements. A blighted hotel has been replaced by 245 market-rate condominiums, an approximately 90-unit ILF, and a 129-bed SLF. The condominiums sold almost immediately and the ILF and SLFs rented up immediately.

In each of the four Illinois projects, the pent-up demand for seniors' housing and assisted living facilities has been capitalized on to benefit the community and its residents. Affordable assisted living facilities can be used as a component in the redevelopment of communities throughout the country.