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October 21, 2002

BY LOCAL COURIER

Geoffrey H. Griffis
Chair
D.C. Board of Zoning Adjustment
441 4th Street, N.W.
Suite 220-S
Washington, D.C. 20001

Re: BZA Application No. 16896: Randle Highlands Manor

Dear Mr. Griffis and Members of the Board:

Enclosed please find an exhibit, which lists selected assisted living facilities in the District of Columbia and details the unit prices per occupant of each. Also enclosed is an Executive Summary of the Applicant's Market Study, which addresses the demographic data that the Board requested and a list of assisted living facilities located in the city. The information presented in each of these documents will be addressed in greater detail at the hearing.

Sincerely,

Jerry A. Moore III

Enclosures

BZA
Case No. 16896
Exhibit No. 45

Board of Zoning Adjustment
District of Columbia
CASE NO.16896
EXHIBIT NO.45

Assisted Living Residences in Washington, D.C.
Selected Properties

Project Name Location Owner/Management	# Beds Yr built	Units a/ % Medicaid	 % Full	 Type	 Sq. Ft. (est)	Basic Fee Per Occupant Private	 Semi-Priv.	Monthly Fee Above B Basic Care b/ Level 1	 Level 2	 Level 3	Other Fees, Comments
Washington, D.C.											
Free-standing Assisted Living Residences											
Shiloh Baptist Church - Proposed 1500 9th Street, N.W. Washington, D.C. 20001 202-232-4200	AL 50 Alz none not sched.	n.a.	n.a.	0/1	not decided	not decided	not decided	n.a.	n.a.	n.a.	Number of units, beds and monthly fees are undetermined at this time. The National Cooperativ Bank will develop the property.
Sunrise Assisted Living Proposed 5111 Connecticut Ave. N.W. Washington, D.C. 20015 703-273-7500 Sunrise Assisted Living	Al 57 Alz. 2002	None	n.a	0/1 1/1	not decided	not decided	not decided	not decided			Entrance fee and fees starting at $2,500 with extra charges for levels of care and an entrance fee equal to the first two months rent. May not go forward
The Georgetown 2512 Q Street, N.W. Washington, D.C. 20007 202-338-6111 The Holladay Corp.	Al 92 Alz none 1977	0%	97%	0/1 1/1 2/1 2/2	400 500 600 750	$3,000-$3,750 $3,780-$4,260 $4,360-$5250 $6,000-$7,200	$1,050 extra for second person	none	none	none	An upscale assisted living residence catering to northwest Washington, D.C. residents. A converted apartment building.
The Chevy Chase House 5420 Connecticut Ave, N.W. Washington, D.C. 20015 202-686-5504 The Holladay Corp.	Al 131 Alz none 1979	0%	95%	0/1 1/1 2/2	400 500 600	$3,450-$3,750 $3,780-$4,350 $4,950-$5,550	$1,050 extra for second person	none	none.	none.	An upscale assisted living residence catering to northwest Washington, D.C. residents. A converted apartment building. Two registered nurses on staff 24 hours per day

a/ n.a. is not applicable. 0/1 is a studio with one bathroom, 1/1 is one-bedroom unit with one bathroom, 2/1 is two-bedroom unit with one-bathroom.

b/ Basic care refers to the minimal services provided in the so called "basic fee." These may include three meals daily, snacks daily, housekeeping, linen service, and a specified number of minutes for personal care assistance by a staff member. Levels 1, 2 and 3 refer to costs for added care above the basic services. Each assisted living residence defines the costs per level of care differently.

10/09/02 WED 11:15 [TX/RX NO 9887]

Other Assisted Living Care in Washington, D.C.
Selected Properties

Project Name Location Owner/Management	# Beds Yr built	Units a/ % Medicaid	 % Full	 Type	 Sq. Ft.	Basic Fee Per Occupant Private	 Semi-Priv.	Monthly Fee Above B Basic Care b/ Level 1	 Level 2	 Level 3	Other Fees, Comments
Group Homes											
Jamal Community Residence 3100 26th Street, N.E. Washington, D.C. 20018 202-529-3882 202-269-3224 Privately owned	12 1996	40%	50%	0 shared bath	<250	$1,500	rent subsidy $1,000	$100	$600	n.a.	Attracts the low-income eligible; welfare and Medicaid eligible.
Elizabeth Shoemaker Home 2701 Military Road, N.W. Washington, D.C. 20015 202-362-7430 Nonprofit group	18 1950	100%	90%	shared bath	<250	SSI c/	SSI	n.a	n.a.	n.a.	Admits women who are low-income and eligible for welfare and Medicaid. Minimal personal care services.
Assisted Living in Continuing Care Retirement Communities (CCRCs)											
Knollwood 6200 Oregon Avenue, N.W. Washington, D.C. 20015 202-541-0149 U.S. Military sponsored	38	0%	100%	1/1	350	$3,000 $4,300	none	n.a.	n.a.	n.a.	For veterans or spouses of veterans. Private rooms with full baths and kitchenettes, requires a $29,000 admission fee with a $3,000 rent. Wait list.
Thomas House 1330 Mass Avenue NW Washington, D.C. 20005 202-347-3983 Baptist Home of the West	151	0%	95%	0/1 1/1 2/1	450 550 600	$1,100 $1,200 $1,300	none.	$1,200	$1,800	none	Assisted living care is provided in apartments. Entrance fee ranges from $36,250-$200,000.
Nursing Homes with Assisted Living Section											
Lisner-Louise Dickson-Hurt Home 5425 Western Avenue, N.W. Washington, D.C. 20015 202-966-6667	51	99%	100%	Shared	<200	none	SSI	none			There are also 60 nursing beds. No private pay or private rooms. Assisted living paid with SSI.

a/ n.a. is not applicable. 0/1 is a studio with bathroom, 1/1 is one-bedroom unit and one bathroom, 2/1 is two-bedroom unit with one-bathroom.

b/ Basic care refers to the minimal services provided in the so called "basic fee." These may include three meals daily, snacks daily, housekeeping, linen service, and a specified number of minutes for personal care assistance by a staff member. Levels 1, 2 and 3 refer to costs for added care above the basic services. Each residence defines the costs per level of care differently.

c/ SSI is welfare payment

10/09/02 WED 11:15 [TX/RX NO 9887]

Assisted Living Residences in Washington, D.C. Suburbs
Selected Properties

Project Name Location Owner/Management	# Beds Year built a/	Units a/ % Medicaid	 % Full	 Type	 Sq. Ft.	Basic Fee Per Occupant Private	 Semi-Priv.	Monthly Fee Above B Basic Care b/ Level 1	 Level 2	 Level 3	Other Fees, Comments
Prince George's County, Maryland - Assisted Living Residences											
Morningside House Laurel	Al	0%	96%	0/1	250	$2,550		$36	$400	$0	$4,000 nonrefundable
7700 Cherry Lane	76			1/1	350	$3,000	$1,980				entrance fee. Some semi-
Laurel, MD 20707				2/1	375	$3,900	$2,130				private rooms are private
301-725-2220	Alz										room with shared bath and
Mr. Neville Turner	20			0/1		$3,900	$2,700				kitchenettes. 1 shared room open and 2 studios vaca
Heartfields	Al	0%	100%	0	314	$2,550-$2,880	$2,250	$300	$510	$0	No fees above basic cur
7600 Laurel Bowie Road	36										Alzheimers. There is a wait
Bowie, MD 20715											list for the units.
301-805-8422	Alz										
Constellation Senior Services	16		100%			$3,630-$3,750	none				
	Jan. 2000										
Woodward Estates	Al	0%	100%	0/1	334-377	$2,410-$2,715		$250	$500	$0	Located on Bowie Health
14997 Health Center Drive	90			1/1	450-577	$3,170-$3,710	$1,800				Campus where there is a
Bowie, MD 20716	Alz			2/2	900	$4,400-$4,500					hospital and nursing home.
301-464-4400	none										The Bowie Senior Center
Parkside Senior Services and											will be built there. The
Dimensions Health Care	March 1999										shared rooms are separate rooms with a shared bathroom.
Arlington County, Virginia											
Sunrise of Arlington	Al	0%	100%	1/1	300-325	$3,100	$2,400	$690	$1,020	$0	Transportation available for
2000 N. Glebe Road	55			2/1							additional fee.
Arlington, VA 22207											
703-524-5300	Alz										
Sunrise Assisted Living											

a/ AL is assisted living; Alz is Alzheimer's care. 0/1 is a studio with bathroom, 1/1 is one-bedroom unit and one bathroom, 2/1 is two-bedroom unit with one-bathroom. Alz refers to Alzheimer's care units.

b/ Basic care refers to the minimal services provided in the so called "basic fee." These may include three meals daily, snacks daily, housekeeping, linen service, and a specified number of minutes for personal care assistance by a staff member. Levels 1, 2 and 3 refer to costs for added care above the basic services. Each residence defines the costs per level of care differently.

10/09/02 WED 11:15 [TX/RX NO 9887]

Executive Summary

RF&S Realty Advisors, Inc. has completed a market feasibility study addressing the development of a 60-bed affordable assisted living residence to be located east of the Anacostia River in the Randle Highlands neighborhood of Washington, D.C. The assisted living residence will be a midrise apartment dwelling with common areas and units designed for people who have physical limitations. The target market is the age 75 and older frail people who live near and around the site. Hereafter referred to as the Subject Development, the property will be developed by the Randle Highlands Manor LP. It will be designed by Marks, Thomas and Associates, Inc., a Baltimore, Maryland architectural firm, which has substantial experience in new construction of assisted living residences as well as building renovations for assisted living. The Subject Development will be managed by a third-party management company experienced in assisted living.

Overview

We found market demand for at least 60 beds given the older frail population living east of Washington, D.C.'s Anacostia River and near Anacostia. We found demand for affordable assisted living in other Washington, D.C. neighborhoods as well. The demographics are sufficient for the Subject Development to sustain high occupancy over time. The Subject Development has strong support. Our conclusions are based on interviews with professionals and lay people in and near Anacostia and throughout the Washington, D.C. area. There is no competition to the Subject Development in Washington, D.C. and its neighboring Prince George's County suburb. Typically, the existing assisted living residences charge monthly fees $2,500 and over for assisted living and $4,200 for Alzheimer's care. The Subject Development is expected to have a basic fee of $1,900 monthly for assisted living and $3,750 for Alzheimer's care. Nonetheless, a strategic and educational marketing effort will be necessary to achieve high occupancy levels in a timely manner. The concept of affordable assisted living is new to the target market. Moreover, there is a cultural propensity among some African Americans for the extended family to provide assisted living care in lieu of moving a parent to an assisted living residence.

The Target Market

The target market is the age 75 and older single persons who are frail and in need of assisted living care. The target market will require someone on site 24 hours daily to help with scheduled or unscheduled personal care needs, such as walking, dressing, getting out of a chair, grooming, bathing, toileting and medicine reminding. They are commonly called activities of daily living (ADLs). The target market will not require the medical care provided in nursing homes. They will be African Americans and others who seek affordable assisted living. The majority will live in neighborhoods surrounding the site and have low to moderate annual income. The target market will live in single-family homes, rent-subsidized apartment buildings and general occupancy apartments. A significant number will live with a family member, such as a child or grandchildren.

Product Design

The assisted living residence will be a three-story building with private units primarily. A small number of units may be semi-private to offer lower fees. There will be common areas to include a living room, dining room, lounge area and activities area. The units will have a kitchenette that includes a small refrigerator, sink and microwave oven.

Site and Neighborhood Appeal

The Subject Site is located in a desirable but low-moderate income neighborhood that is well-suited for an assisted living residence. Situated in the Randle Highlands neighborhood, the location has a good image compared to other sections east of the Anacostia River. We find the neighborhood to be generally safe, clean and accessible. The local civic association is geared to retaining and improving this neighborhood image. The property's location within two blocks of Pennsylvania Avenue, a major road leading to downtown Washington, D.C. and within one mile of the Prince George's County suburb, links the neighborhood to adjacent residential areas. The neighborhood extends about five city blocks in all directions and is residential, with three- to four-story apartment buildings and 50- to 70-year-old single family homes.

The Market Area

We defined the primary market area as east of the Anacostia River in Washington, D.C. and beyond to parts of northeast Washington, D.C. The market area known as Anacostia, has been perceived as impoverished with relatively high crime. It is undergoing economic change plus a surge of new residential development. Three townhome developments with starting prices at $100,000 plus public home-buyer incentive programs are inspiring home sales and some in-migration. The market area's predominance of 60- to 70-year-old homes include those well maintained and a mix of those in disrepair and in the process of being refurbished. At the same time the area generates citizen loyalty and a sense of belonging. Consequently, the Subject Development, because of its Randle Highlands location, will attract the target market.

We defined the secondary market area as west of the Anacostia River to include neighborhoods similar in character to Randle Highlands.. The area extends three miles north to Rhode Island and west to 11th Street northeast. Residents living there would feel comfortable moving to the Subject Site for assisted living.

As important is the tertiary market area. We define this area to be pockets of Washington, D.C., such as neighborhoods in Southwest Washington, locations near Capitol Hill and elsewhere in the city. Our interviews indicate that people from other parts of Washington, D.C. will move to the Randle Highlands' area for affordable assisted living.

Competition and Supply Analysis

We found no existing affordable assisted living residences. We found one proposed affordable assisted living facility in the preliminary planning stage. It is a 50-bed residence sponsored by the Shiloh Baptist Church. Located off Massachusetts Avenue, N.W. about eight miles from the Site, the property is expected to be developed by the National Cooperative Bank.

10/09/02 WED] 5 [TX/RX NO 9887]

We found no existing assisted living residences that we deem competition. Assisted living residences in Washington, D.C. and its suburbs are not affordable to the target market. Fees start at $2,500 for a basic service package of meals, housekeeping and typically less than one-hour daily of assisted living care. Higher prices are charged for added assisted living care. Continuing care retirement communities (CCRCs) also are not competition. They do not accept people into assisted living who are not already living in one of their apartments. Group homes do not cater to frail elderly needing assisted living care. They attract residents primarily with mental and other disabilities. Assisted living care in rent-subsidized housing is limited to social workers providing such care intermittently during the course of a week or month.

Alternatives to Assisted Living Care

Home health care agencies charge at least $11.50 per hour for personal care and thus are not an alternative for affordable assisted living. Adult day care centers serve primarily people with medical and therapeutic needs. While social service providers are meeting some demand for in-home services, none can provide the combination of custodial and personal care services demanded by individuals who can no longer live independently.

Market Penetration Rates

The market penetration rate is an indicator of risk. It represents the percentage of the target market required to move to the Subject Development for the property to achieve high occupancy. We assume that a market penetration rate less than 25 percent is favorable; a higher market penetration rate edges toward risk. We base our 25 percent threshold on the assumption that frail people who need assisted living care are limited to three choices: family care, home health care and an assisted living residence.

We show market demand by income group and provide hypothetical but achievable fees for each group. We do not factor in spend down of assets and family financial assistance in determining market demand. These factors are not easily quantified. However, they would allow for higher fees or broader demand. The number of beds in demand by income group when residents come from the primary market area only is shown below.

Primary Market Area: Beds in Demand			
Income Group	**Hypothetical Fees**	**Beds in Demand**	
		2000	2005
<$15,000	Medicaid; $1,100	92	84
$15,000 - $24,999	$1,450-$1,900	41	44
$25,000 - $34,999	$1,900-$2,400	29	28
$35,000 +	$2,500-$3,500	57	75

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Based on income the number of beds in demand for assisted living and Alzheimer's care is shown below. We estimate that seven percent of the frail single people have dementia sufficiently to require special Alzheimer's care.

Primary Market Area: Beds in Demand				
Income Group	Income Group	Basic Fee	Beds in Demand	
			2000	2005
Assisted Living	$20,000	$1,900	107	147
Alzheimer's care	$50,000	$3,750	10	14

Additionally, we provide market penetration rate scenarios assuming that 60 beds will be available for each income group. This indicates the depth of demand by income group. In the primary market area, the penetration rates are favorable at under 17 percent for each income group except those falling into the narrow band of $15,000 to $24,999. However, when we factor in people from the secondary market area, favorable penetration rates are reflected.

Demographic Analysis

The primary market area provides 742 people in 2000 and 761 people in 2005 who qualify for the Subject Development based on age and frailty. When limiting demand to single people with annual income under $15,000, market potential is 381 in 2000 and 336 in 2005. When limiting demand to single people with annual income at or over $15,000, market potential is 509 in 2000 and 587 in 2005. Market demand consists of people classified as head-of-the-household and nonhouseholders, that is, people who live with a relative other than a spouse or a nonrelative. Just over 40 percent of the primary market area's target market is low income, that is, with annual income under $15,000. When we expand to the secondary market area, market demand for people with over $15,000 annual income increases by 184 individuals in 2000 and 205 individuals in 2005.

Qualifying Income and Rent Levels

We assume that the target market will pay at least 85 percent of its income to live at the Subject Development. This relatively high rent-to-income ratio factors in the services included in the fee. We derived the low income threshold based on the Medicaid Program's eligibility, which is annual income under $19,080 and assets with some exceptions of less than $2,000. We assume that people with liquid assets above $2,000 will use them a spend down to cover the rent. We anticipate that the Supplemental Security Income Program (SSI) will cover the rent and meal costs for low-income individuals. The program provides $767 to a single person in an assisted living residence.

We assume that people with annual income over $20,000 can afford at least a $1,900 monthly fee. We assume that some people will yield income from the sale of a home and that some may get family help or pay somewhat more than 85 percent of their income for the monthly fee.

Alzheimer's Care

For Alzheimer's care a fee of $3,750 is affordable to people with annual income over 50,000. However, market feasibility for Alzheimer's care was not in the purview of this study. Nonetheless, the primary market area has 621 householders age 75 and older in 2000 and 556 householders age 75 and older householders in 2005 with annual income over $50,000.

Tax Credit Rents and Eligibility

The maximum allowable rent under the tax credit program is $882 for a studio apartment and $945 for a one-bedroom apartment. The maximum qualifying income at the 60 percent of area median income threshold is $35,294 for a one-person household and $42,353 for a two-person household. In the primary market area, there are 661 individuals in 2000 and 624 individuals in 2005 who are single, frail and with income that meet the tax credit program's threshold.

Fair Market Rent and Section 8 Vouchers

Under the U.S. Department of Housing and Urban Development's (HUD) Section 8 Program, the fair market rent is $680 for a studio unit and $773 for a one-bedroom apartment. Individuals who do not qualify for SSI may be eligible for a Section 8 voucher to help defray the cost of rent. Section 8 vouchers help pay the rent but not the cost of services. In the city Section 8 vouchers are available but seniors are not given preference. Section 8 vouchers can be used in an assisted living residence.

Assessment of Need for the Project

Nursing home admission directors indicate that many of their patients do not need the nursing home level of care but would be better suited for assisted living care. Family members turn to a nursing home when alternatives are unavailable. Our interviews revealed that the area lacks a coordinated service delivery system for meeting assisted living needs that seniors and their families can rely upon. Some services are available intermittently during the week days. Home health care is not affordable. It is expected that people from throughout the city will move to the Anacostia area for quality affordable assisted living. At the same time, there is a cultural preference for African American families to care for an older frail relative in an extended family setting. However, this cultural propensity is breaking down given today's work patterns. Conversations with providers and community social service agencies indicate that there is significant demand from the elderly population for personal care services.

Project Description and Monthly Fees

The Subject Development will be designed with private units and design features tailored to the age 75 and older frail person who needs a supportive care environment. The structure will be residential with private units.

Economic Trends

Washington, D.C. is experiencing a growth trend. Businesses are relocating to the city and the primary market area is part of this growth surge. The Anacostia area has new housing and apartment buildings that are attracting low to moderate income people. Future plans call for new single family homes with prices up to $300,000 and a supermarket.

Recommendations

Property Size

- We recommend a 60-bed property. Market demand will support this number.

Fees

- We recommend tiered pricing for assisted living. We recommend a basic fee of $1,900. Since the basic fee covers 1.5 hours of personal care daily plus activities and meals, most people will not require additional care. The fee for a higher level of care should be a la carte, that is, based on the specific service needed above basic care.

- The fee for Alzheimer's care should be a flat rate.

- We recommend coupling subsidies such as Section 8 vouchers and Medicaid Waiver funds so rent and services will be affordable to the lowest income group.

- If rent were separated from services, we would recommend using the fair market rent as a benchmark for rent. In this way residents with vouchers will pay 30 percent of their income for rent ($680 for an efficiency). A single person must have annual income under $29,400 to qualify for a voucher. Services would be covered by other income and possibly the Medicaid Waiver.

Medicaid Waiver

- The Medicaid Waiver for the aged has been used for people in their homes or apartments rather than a licensed assisted living residence. We feel discussions with Washington D.C.'s government officials may encourage using the waivers in assisted living facilities. The Subject Development may be considered as a pilot program for such use.

- The city is contemplating expanding the Medicaid Waiver to people in assisted living residences. Some citizen advocates feel this may happen by September 2001.

Marketing

- The management company will need a marketing budget that supports an extensive educational and outreach marketing effort to achieve high occupancy in a timely manner and to sustain high occupancy over time.

- The target market must be educated on the value of the Subject Development. Marketing should deal with cultural barriers and the unfamiliarity with assisted living residences.

- Outreach will be necessary to Anacostia's social service providers and health care providers as well as to other hospitals, social workers and professionals in aging and health care.

10/09/02 WED 5 [TX/RX NO 9887]

- Churches are a central part of life in this area and programs should be developed to market through them.

- Marketing materials should emphasize neighborhood safety and neighborhood development.

- Marketing should contain drawings of the residence and highlight its residential character as well as special design features. Marketing should distinguish the property from a nursing home and health care centers.

- The marketing program should educate medical service providers and community-based organizations such as churches, neighborhood associations and community centers. Our conversations with providers found the use of terminology for assisted living residences and nursing home facilities used interchangeably.

- The marketing effort should seek to develop a referral network. This should include the D.C. Office of Aging, D.C. General Hospital, The Greater Southeast Center for the Aging, Advisory Neighborhood Commissions, social service agencies, churches and other neighborhood institutions. There should be brochures and advertisements for telephone books, newspapers and resource directories to include the *Guide to Retirement Living* and the *Senior Beacon*.

- The marketing efforts may be best accomplished through the development of a unified message. That message should focus on the aspect of aging, and how as we grow older our needs change, consequently so do our lifestyles. Therefore, the assisted living residence offers an alternative residential lifestyle that is currently unavailable to area residents.

- The operation of the assisted living residence should seek to exceed residents' expectations. Residents are seeking the supportive environment that is not present in an independent living arrangement. Therefore, opportunities for social activities should be scheduled frequently enough to enhance attitudes and feelings about their surroundings, and to develop a sense of community with their fellow residents.

p.10 9286995202

Assisted Living Facilities in Washington

1. **The Georgetown (92 beds) W2**
   2512 Q Street, N.W. – 338-6111
   www.thegeorgetown.com

2. **Chevy Chase House (131 beds) W3**
   5420 Connecticut Avenue, N.W. – 686-5504
   www.seniorhousing.net/ad/chevychasehouse

3. **Elizabeth Shoemaker Home (Female only – 18 beds) W3**
   2701 Military Road, N.W. – 362-7430

4. **Grand Oaks (104 beds) W3**
   5901 MacArthur Boulevard, N.W. – 349-3400
   www.sibley.org

5. **Ingleside at Rock Creek (61 beds) W3**
   3050 Military Road, N.W. – 363-8310
   www.ircdc.org

6. **Knollwood (39 beds) W3**
   6200 Oregon Avenue, N.W. – 541-0149

7. **The Methodist Home of DC (63 beds) W3**
   4901 Connecticut Avenue, N.W. – 966-7623
   www.methodisthomeofdc.org

8. **JAMAL Community Residence (12 beds) W5**
   3100 26th Street, N.E. – 529-3882

9. **Christian Communities Group Homes (9 beds) W5**
   2501 18th Street, N.E. – 635-9384
   www.esm.org

10. **US Soldiers & Airmen's Home – King Healthcare Center (58 beds) W4**
    3700 North Capitol Street, N.W. – 722-3324
    www.afrh.com