



**Application:
River's Edge CCRC**

CCRC Type: Article 46

County: Bronx

Purpose: To establish RiverSpring Health Senior Living, Inc., d/b/a River's Edge as the operator of a Continuing Care Retirement Community (CCRC) to be built on the campus of The Hebrew Home for the Aged at Riverdale and adjacent property on Palisade Avenue, Bronx, NY.

Executive Summary

RiverSpring Health Senior Living, Inc., d/b/a River's Edge (the "Sponsor") an existing New York not-for-profit corporation, requests approval to become the operator of a new CCRC to be built on The Hebrew Home for the Aged at Riverdale's ("Hebrew Home") existing 19-acre campus along the Hudson River in Bronx, NY. The sponsor does not own or operate any other facilities. The Sponsor's sole corporate member is RiverSpring Health Holding Corp. ("RHHC"), a New York not-for-profit corporation that is the sole corporate member of eight not-for profit entities. RHHC, through its affiliates, predominately serves the elderly through Public Health Law ("PHL") Article 28 licensed skilled nursing facilities and a managed long term care plan. The Trustees for the Sponsor have met requirements for approval on Character and Competence as set forth in 10 NYCRR 900.4(c)(3) &(d).

Construction of the CCRC will occur in two phases. Phase I of the CCRC will consist of 271 independent living units ("ILUs") in a 12-story building to be constructed on the 19-acre campus of Hebrew Home. Phase II of the construction consist of 117 ILU apartments in two buildings with a connecting garage level ground floor as follows: a 4 story (41 ILUs) building, a 6 story (69 ILUs) building, and garage level ground floor (7 ILUs). The Phase II South Campus buildings will be constructed on an adjacent parcel of land currently owned by The Hebrew Home for the Aged at Riverdale Foundation, Inc. Required health care services for the CCRC will be provided on the affiliate Hebrew Home campus through a contractual arrangement with existing The Hebrew Home for the Aged at Riverdale facilities. The proposed program to be operated meets the approval requirements for a CCRC as set forth in 10 NYCRR 900.4(c)(1), (2), & (6).

The Community's Primary Market Area ("PMA") is defined as a twenty-five ZIP code area located within an approximate 10-mile radius around Hebrew Home, covering approximately 69 square miles of the Riverdale section of the Bronx and those communities in southwestern Westchester County along the Hudson River. For planning purposes, approximately 75% of the residents are expected to originate from the PMA. A market analysis evaluated the needs of the senior market and the market-place potential of River's Edge through demographics and real estate analyses and the current competitive environment. The market analysis results confirm the viability of an independent living market sufficient to support the proposed Community and therefore meets the requirements for approval as set forth in 10 NYCRR 900.4(c)(1) & (6).

The estimated project budget for the Community is \$513.5 million; \$353.3 million for the North Tower only and \$160.2 million for the South Campus, including working capital requirements. Construction of the Community will be financed with two financings – one for the North Tower and one for the South Campus. It is important to note that the proposal demonstrates that the North Tower can stand-alone financially,

meeting all financing covenants. For the construction of the North Tower, it is anticipated that the tax-exempt bonds will total \$304,805,000 including \$89,805,000 in long term bonds. For construction of the South Campus, it is anticipated that the tax-exempt bonds will total \$145,185,000 including \$45,185,000 in long term bonds. Based on the project timeline, the first full fiscal year after stabilized occupancy is 2025, for the North Tower, and 2027 for the South Campus. Net cash flow, including net entrance fees from turnover, is anticipated to approximate \$8.5 million in 2025 and \$17.2 million in aggregate in 2027. Cash flow projections indicate that upon stabilization, the North Tower will generate cash reserves of approximately \$61.8 million in 2025, and after stabilization of the South Campus it will increase to \$122.6 million in 2027 after retirement of all short-term debt. Based in the material submitted and assumptions used, this application as proposed meets the requirements for approval as set forth in 10 NYCRR 900.4(b)(1).

On July 27, 2017, the Department of Health (“DOH”) approved RiverSpring Health Senior Living, Inc. to enter into priority reservation agreements and to solicit, collect and receive priority reservation fees for the prospective community in accordance with Section 4621 of the Public Health Law. Upon approval of this application, RiverSpring Health Senior Living will be granted a conditional certificate of authority (“COA”) to enter into residency agreements and to accept 10% deposits on the ILUs for the community. The CCRC will offer Life Care Residency Agreements (Type A) with 80% Refundable, 50% Refundable and Traditional Amortizing Plan options. Deposits will be accepted on residency agreements for both phases of the project but construction of each phase of the community will not occur until a 75% pre-sale of ILUs for the phase has been achieved and the applicant has satisfied all contingencies and conditions related to construction. The Department of Health will issue written approval for construction start of each phase when all requirements have been met.

This application meets the programmatic, character and competency and financial feasibility requirements for approval as set forth in 10 NYCRR 900.4; therefore, Contingent Approval is recommended.

Program Review

Overview

CCRC Name:	RiverSpring Health Senior Living, Inc d/b/a River’s Edge
Address:	5921 Palisade Avenue Bronx, NY 10471
Independent Living Units:	First Phase: North Tower, 271 ILUs Second Phase: South Campus, 117 ILUs
Assisted Living Residence:	The Hebrew Home for the Aged at Riverdale will operate an ALR with 70 total beds licensed for enhanced ALR. 50 of the beds will be licensed as special needs dementia. Services will be provided via a contact with Hebrew Home.
Skilled Nursing beds:	The Hebrew Home for the Aged at Riverdale is currently licensed for 843 skilled nursing beds on the Hebrew Home campus. Will be reduced to 600 licensed skilled nursing beds. 320 beds will be located in semi-private double-bedded rooms and 280 beds will be in private rooms. Services will be provided via a contact with Hebrew Home.
ADHC Program Capacity:	58 slots at contracted facility.
Class of Operator:	Not-for-profit Corporation

Operator:	<p>RiverSpring Health Senior Living, Inc.</p> <p><u>Board of Trustees:</u></p> <ol style="list-style-type: none"> 1. Jeffrey S. Mauer, Chairperson 2. James A. Shifren, Secretary and Treasurer 3. Andrew Gaines, Esq. <p><u>Sole Corporate Member (passive):</u> RiverSpring Health Holding Corp.</p>
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Background on the Sponsor

RiverSpring Health Senior Living, Inc. d/b/a River’s Edge (the “Sponsor”), an affiliate of The Hebrew Home for the Aged at Riverdale (“Hebrew Home”), is a 501(c)(3) not-for-profit corporation organized under the laws of the State of New York. The Sponsor is proposing to construct a Continuing Care Retirement Community (“River’s Edge” or the “Community”), in the Bronx, New York on The Hebrew Home for the Aged at Riverdale campus (a.k.a the “RiverSpring Campus”) and an adjacent parcel of land current owned by The Hebrew Home for the Aged at Riverdale Foundation, Inc.

The Sponsor’s sole corporate member is RiverSpring Health Holding Corp. (“RHHC”), a New York not-for-profit corporation that is the sole corporate member of eight not-for-profit entities (including Hebrew Home). Hebrew Home was founded in 1917 as a result of a small Harlem, New York synagogue’s mission to provide shelter to poor, homeless, elderly people. In 1948, Hebrew Home purchased 19 acres along the Hudson River in the Riverdale section of the Bronx. Today, Hebrew Home owns and operates an 843 bed PHL Article 28 licensed nursing facility, and a 35 bed Social Services Law (“SOS”) Article 7 licensed assisted living program facility. On October 1, 2016, Palisade Nursing Home Company, Inc., a 288 bed PHL Article 28-A licensed nursing facility merged into Hebrew Home, with Hebrew Home as the surviving entity. The RiverSpring campus also offers an additional 137 private senior apartments (“RiverWalk”) and a 59-unit HUD Section 202 senior housing community through Hebrew Home affiliates Hebrew Home Housing Development Fund Company, Inc. and Hudson House Housing Development, Inc.

Program Description and Timeline

This application proposes to develop a CCRC by constructing ILU apartments and common space on part of the current Hebrew Home campus and additional ILU apartments on property adjacent to the Hebrew Home campus. The required Article 46 CCRC skilled nursing and assisted living services will be provided on the affiliate Hebrew Home campus through a contractual arrangement with existing The Hebrew Home for the Aged at Riverdale facilities. The Hebrew Home campus also provides a wide range of home care, rehabilitation and physician services that can be accessed by CCRC residents.

Construction of the CCRC ILUs and common spaces will occur in two phases:

Phase I: consists of 271 ILUs in a 12-story building (the North Tower) to be constructed on the 19-acre campus of Hebrew Home. The North Tower will be built on property owned by Hebrew Home within the current RiverSpring campus on the site of the Goldfine Pavilion. The Sponsor will enter into a 99-year ground lease for the use of the property on which the North Tower will be located. In order to accommodate construction of the North Tower, the Goldfine Pavilion will be demolished. The Goldfine Pavilion is an existing skilled nursing building with a current occupancy of approximately 150 residents. The Department of Health must review and approve an application for the decertification of the beds at the Goldfine Pavilion. The applicant must also submit a closure plan to the Department of Health which must be approved before the building is vacated. A condition will be added to the approval of this Article 46 COA application to

require that all necessary Department of Health approvals be obtained related to the decanting and demolition of the Goldfine Pavilion.

Phase I timeline:

- March 2019: Achieve 75% pre-sales - North Tower
- June 2019: Begin construction - North Tower
- September 2021: First ILU occupancy - North Tower
- August 2024: Achieve IL stabilized occupancy - North Tower

Phase II: consists of 117 ILU apartments in two buildings with a connecting garage level ground floor (South Campus) as follows: a 4 story (41 ILUs) building, a 6 story (69 ILUs) building, and garage level ground floor (7 ILUs). The South Campus will be constructed on property currently owned by The Hebrew Home for the Aged at Riverdale Foundation, Inc. (the "Foundation"), adjacent to the RiverSpring campus. The Sponsor has entered into a Contribution Agreement with the Foundation whereby the Foundation will transfer all of its rights, title and interest in the property on which the South Campus will be developed. Such transfer will occur when the financing for construction is secured and the City of New York has approved of the use of the site. The property currently houses a defunct retreat house that is being used by the Hebrew Home for accessory uses of its not-for-profit affiliates at no cost. These uses are: storage of equipment and furniture, parking, and passive outdoor recreation for the affiliates' employees and patients. These uses can be discontinued without disruption to the Hebrew Home. The retreat house will be demolished before construction of the new ILUs can begin. The applicant must obtain all necessary approvals from State and Local entities related to construction on the South Campus. A contingency will be added to the approval of this Article 46 COA application to require the applicant to demonstrate that the necessary approvals have been obtained for use of the land, with any outstanding issues resolved, before the Department of Health will grant approval to start construction on the South Campus.

Phase II timeline:

- July 2021: Achieve 75% pre-sales – South Campus
- October 2021: Begin construction - South Campus
- January 2024: First ILU occupancy - South Campus
- March 2026: Achieve IL stabilized occupancy - South Campus

Residents of the Community will enjoy use of its various common areas. The common areas of the Community will include, but are not limited to the following:

- Main Dining Room and Private Dining Rooms;
- Bistro/Bar;
- Entry Way/Lobby with Mailroom;
- Beauty Salon and Day Spa;
- Theater;
- Library/Business Center;
- Game Room;
- Assembly/Multi-Purpose Room;
- Arts Studio; and
- Wellness Center and Health Spa with Swimming Pool and locker rooms.

It should be noted that the applicant has demonstrated the proposed CCRC can operate in compliance with PHL Article 46 and meet all financial requirements should only Phase I of the project be completed. The community is structured in a way where common areas are located in the Phase I North Tower building and sized in a manner that will accommodate the additional South Campus ILU occupancy when completed.

Size and Arrangement of Independent Living Units

The North Tower will consist of 271 independent living apartments ranging in size from 750 square feet one-bedroom apartments to 1,200 square feet two-bedroom apartments. Upon opening in 2021, initial entrance fees will range from \$769,900 to \$1,319,900 with monthly service fees of \$5,095 to \$7,495. In the

case of a couple occupying an independent living apartment, the second person will pay \$1,516 - \$1,895 and there will be a second person entry fee of \$50,000. The second person entry fee will amortize 2% per month, over 50 months, until zero.

The South Campus will consist of 117 independent living apartments ranging in size from 750 square feet one-bedroom apartments to 1,200 square feet two-bedroom apartments. Upon opening in 2024, initial entrance fees will range from \$850,000 to \$1,385,900 with monthly service fees of \$5,495 to \$8,095. In the case of a couple occupying an independent living apartment, the second person will pay \$1,624 - \$2,030 per month and there will be a second person entry fee of \$55,436. The second person entry fee will amortize 2% per month, over 50 months, until zero.

Independent living apartments will be furnished with floor coverings, window coverings, self-defrosting refrigerator and freezer with ice maker, range and oven, dishwasher, microwave oven, garbage disposal, washer/dryer, and an emergency call system, fire sprinkler system and telephone/data communications port. Apartment furnishings may change from time to time as determined by management of the Community.

Residency Agreements and Pricing

Residents will pay an initial entrance fee and an ongoing monthly service fee based on the apartment size and style selected. Entrance fees and monthly fees may also vary by the type of refundable option selected for the Residency Agreement. River's Edge will offer Life Care Residency Agreements (Type A) with 80% Refundable, 50% Refundable and Traditional Amortizing Plan options. Life Care Residency Agreements provide for both assisted living and skilled nursing care at no additional charge, if needed. If the resident dies or withdraws from the facility in the first 90 days of occupancy, 100% of the Entrance Fee paid will be refunded without interest. After 90 days of occupancy, the refundable amount will be calculated at the entrance fee paid less two percent (2%) per month prorated for partial months from the date of occupancy to the date of termination, but in no event less that the guaranteed refundable amount of the Residency Agreement (80%, 50%, or 0% for Traditional Amortizing Plan). All refunds due from termination after occupancy will be made 1 year from the termination date or 30 days after the unit has been occupied through a new residency agreement, whichever occurs first.

Services covered under the monthly fee and entrance fee:

- Use of an independent living apartment
- Use of all Community facilities
- One meal per day
- Weekly housekeeping
- Tray service when medically necessary
- Water, electricity, heat and air conditioning
- Basic cable television
- Wiring for internet access
- Scheduled local transportation
- Repairs and maintenance of Community property, including grounds
- An emergency alert system with 24-hour emergency response, smoke detectors and sprinkler system
- Priority access and care in the Hebrew Home skilled nursing facility or assisted living facility, if necessary

Services available at an additional cost:

- Additional meals / dining services
- High-speed Internet access
- Telephone service
- Premium cable television
- Beauty salon and day spa services
- Additional housekeeping services

- Prescription and non-prescription medicines
- Garage parking, if available
- Clinic/Physician services

Skilled Nursing and Assisted Living Services

Independent living residents will receive priority access to assisted living, memory support, or skilled nursing as needed at an adjacent, affiliated community, Hebrew Home, to the extent allowed by law.

Skilled nursing services will be provided to River’s Edge contract holders through a contractual relationship with The Hebrew Home for the Aged at Riverdale. At the completion of Phase I, the Hebrew Home will have 600 licensed skilled nursing beds with 320 beds located in semi-private double-bedded rooms and 280 beds in private rooms. Private rooms are single bedded rooms that include a toilet room whereas a semi private room contains 2 semi private beds that share a toilet room. Hebrew Home plans to use the Jacob Reingold Pavilion to provide the skilled nursing services for River’s Edge. All rooms in the Jacob Reingold Pavilion are currently private rooms. Residents needing dementia care at the skilled level may be served in other locations at Hebrew Home. With a total capacity of 600 skilled nursing beds, placement at this facility should not be a barrier to River’s Edge contract holders.

Assisted Living services will be provided to River’s Edge contract holders through a contractual relationship with The Hebrew Home for the Aged at Riverdale. Hebrew Home currently operates a 35-bed Assisted Living Program (“ALP”) that will not be relevant to the new Continuing Care Retirement Community. Hebrew Home has an application under DOH review for the establishment of a new assisted living residence (“ALR”) program that will provide the required assisted living services to CCRC contract holders. The ALR program will reside in the newly renovated Gilbert Building, centrally located on The Hebrew Home for the Aged at Riverdale campus. ALR program services will be provided in 70 total beds licensed for enhanced ALR, with 50 of those beds licensed as special needs dementia. Approval of this program must be completed before the Department of Health can issue approval to occupy independent living units. A contingency will be added to the approval of this Article 46 COA application to require the applicant to demonstrate that Hebrew Home has obtained all approvals necessary and is able to admit residents into the new ALR program before permission to occupy the ILUs will be granted.

Staffing

The following table summarizes projected staffing levels of River’s Edge ILUs for all departments based on a projection of 95% occupancy in March 2026.

Schedule of ILU Staffing Levels (FTEs-Full Time Equivalent) – Fiscal Year 2026 (At Stabilization)	
Administration	7.96
Activities Services	3.50
Building and Maintenance	7.00
Emergency Systems	9.69
Dining Services	61.96
Groundskeeping	2.00
Housekeeping and Laundry	17.26
Transportation	4.67
Marketing	4.00
Wellness Program	1.25
Total FTEs	119.29

Conclusion

The program to be operated meets the approval requirements for a CCRC as set forth in 10 NYCRR 900.4(c)(1), (2), & (6).

Character and Competence Review

Facilities Reviewed

Note: as per 10 NYCRR 900.4(d)(1), health care operations are reviewed for the past 10 years as shown below.

Hospital

Northwell Health and subsidiaries 2008 to present

Skilled Nursing Facility (SNF)

Hebrew Home at Riverdale 2008 to present
Palisades Nursing Home 2008 to 10/1/2016

Assisted Living (ALP)

Hebrew Home Assisted Living Program 2010 to present

Certified Home Health Agency (CHHA)

Hebrew Home – Riverspring Certified Home Health Agency 2013 to present

Licensed Home Care Services Agency (LHCSA)

Elderserve 2008 to present

Managed Long Term Care Plan (MLTC)

Elderserve Health d/b/a Riverspring Health Plans 2010 to present

Individual Background Review

The Board of Trustees for the Sponsor is:

Jeffrey S. Maurer is an attorney in good standing currently employed as Chairman and CEO at Evercore Wealth Management where he has worked since July 2008. Mr. Maurer discloses that he serves on the boards of the following health facilities:

Trustee, Northwell Health (Hospital)	1995 to present
Chairman, Hebrew Home at Riverdale (SNF)	2005 to present
Chairman, Palisades Nursing Home (SNF)	2005 to 10/1/2016
Chairman, Elderserve (LHCSA)	2005 to present
Chairman, Hebrew Home Assisted Living Program (ALP)	2010 to present
Chairman, Elderserve Health d/b/a Riverspring Health Plans (MLTC)	2010 to present
Chairman, Hebrew Home – Riverspring (CHHA)	2013 to present

Andrew L. Gaines, Esq is an attorney in good standing and is currently a partner at Paul Weiss Rifkind, Wharton & Garrison LLP since September 2012. Mr. Gaines discloses that he serves on the boards of the following health facilities:

Vice Chairman, Hebrew Home at Riverdale (SNF)	2011 to present
Vice Chairman, Palisades Nursing Home (SNF)	2011 to 10/1/2016
Trustee, Elderserve (LHCSA)	2011 to present
Vice Chairman, Hebrew Home Assisted Living Program (ALP)	2011 to present
Vice Chairman, Elderserve Health d/b/a Riverspring Health Plans (MLTC)	2011 to present
Vice Chairman, Hebrew Home – Riverspring (CHHA)	2013 to present

James A. Shifren is an attorney in good standing and is currently President of Backland Partners Management Co. where he has worked since June 2004. Mr. Shifren discloses that he serves on the boards of the following health facilities:

Trustee, Hebrew Home at Riverdale (SNF)	2007 to present
Trustee, Palisades Nursing Home (SNF)	2007 to 10/1/2016
Trustee, Elderserve Health d/b/a Riverspring Health Plans (MLTC)	2010 to present
Trustee, Hebrew Home Assisted Living Program (ALP)	2010 to present
Trustee, Hebrew Home – Riverspring (CHHA)	2010 to present

All health care facilities are in substantial compliance with all rules and regulations. No negative information has been received concerning the character and competence of the applicants identified as board members of RiverSpring Health Senior Living, Inc.

A review of operations at Northwell Health, Inc. for the 10-year review period indicated the following: This facility currently has no outstanding PHL Article 28 surveillance or enforcement actions and, based on the most recent surveillance information, is deemed to be currently operating in substantial compliance with all applicable State and Federal codes, rules and regulations. Northwell Health, Inc. is a parent organization that co-operates numerous PHL Article 28 Hospitals. A review of all co-operated facilities revealed the following enforcement actions:

North Shore University Hospital – Manhasset

- Stipulation and Order dated December 11, 2008 with a \$18,000 fine for deficient practice related to post-operative care

Syosset Hospital

- Stipulation and Order dated July 8, 2010 with a \$42,000 fine for deficient practice related to a tonsillectomy death

Long Island Jewish Medical Center

- Stipulation and Order dated November 21, 2016 with a \$4,000 fine for deficient practice related to Infection Control

Plainview Hospital

- Stipulation and Order dated March 6, 2017 with a \$4,000 fine for deficient practice related to Infection Control

The review of operations of Northwell Health, Inc. results in a conclusion of a consistent pattern of compliance since an acceptable plan of correction was implemented which resulted in compliance for the above stated deficiencies.

A review of operations at Hebrew Home at Riverdale for the 10-year review period results in a conclusion of a consistent pattern of compliance since there were no enforcements. The Hebrew Home of Riverdale currently has an overall 5-star rating (much above average) on Medicare.gov Nursing Home Compare.

A review of operations at Palisades Nursing Home for the period indicated above revealed:

- The facility was fined \$12,000 pursuant to a Stipulation and Order NH-16-088 issued for surveillance findings on April 16, 2015. Deficiencies were found under 10 NYCRR 415.11(c)(3)(i) Resident Assessment Admission Orders and 415.15(b)(1)(i)(ii) Physician Services/Physician Supervision.
- A federal Civil Monetary Penalty (CMP) was issued in the amount of \$16,380 for surveillance findings on July 17, 2015 for non-compliance with Life Safety Code Violations K51 Fire Alarm Systems per NFPA 72; K56 Sprinkler System Required; and Health Code F371 Store, cook, and serve food in a safe and clean way.

The review of operations at Palisades Nursing Home results in a conclusion of a consistent pattern of compliance since an acceptable plan of correction was implemented which resulted in compliance for the above stated deficiencies. Palisades Nursing Home was merged into the Hebrew Home at Riverdale in November of 2016.

A review of operations at Hebrew Home Assisted Living Program for the period indicated above results in a conclusion of a consistent pattern of compliance since there were no enforcements.

A review of operations for Hebrew Home – Riverspring Certified Home Health Agency for the period indicated above results in a conclusion of a consistent pattern of compliance since there were no enforcements.

A review of operations for Elderserve LHCSA for the 10-year review period above results in a conclusion of a consistent pattern of compliance since there were no enforcements.

A review of operations for Elderserve Health d/b/a Riverspring Health Plans for the period indicated above results in a conclusion of a consistent pattern of compliance since there were no enforcements.

Further information on Hospitals, Nursing Homes, Home Care, Hospice & Other Health Care Facilities can be found on the Department of Health website at <https://www.health.ny.gov/facilities/>

Further information on Nursing Homes can be found on the Medicare website at <https://www.medicare.gov/nursinghomecompare/search.html>

Conclusion

This application meets the requirements for approval on Character and Competence as set forth in 10 NYCRR 900.4(c)(3) &(d).

Market Demand Review

Greystone performed a comprehensive market analysis that evaluated the needs of the senior market and the market-place potential of River's Edge through demographics and real estate analyses and the current competitive environment. The market analysis results confirm the viability of an independent living market sufficient to support the Community.

The Community's Primary Market Area ("PMA") is defined as a twenty-five ZIP code area located within an approximate 10-mile radius around Hebrew Home, covering approximately 69 square miles of the Riverdale section of the Bronx and those communities in southwestern Westchester County along the Hudson River. For planning purposes, approximately 75% of the residents are expected to originate from the PMA. Approximately 7,760 senior households age 75 and older with annual incomes exceeding \$75,000 reside in the PMA. Median home sale values in the PMA have increased steadily since 2012, indicating a strengthening real estate market. Through June 2016, the median PMA home sales value was approximately \$751,800 and approximately 42% of PMA home sale prices were greater than \$650,000.

A penetration analysis was performed for the proposed 388 independent living apartments. The highest step penetration rates for the currently planned unit types yielded a 5.8% income penetration rate and a 2.9% home value penetration rate, indicating that sufficient market demand exists for the Community.

Supporting Factors

The target population for independent living is seniors age 75 years and older with incomes greater than \$75,000 residing within and around the PMA. Within the PMA there is a distribution of approximately 7,760 senior households age 75 years and older with estimated annual income of at least \$75,000 in 2016. Approximately 75% of the residents for the Community are planned to originate from within the PMA. Although New Jersey is not included in the PMA, it is expected that 25% of the resident population will come from other areas of New York, including Manhattan, and out-of-state (including New Jersey). Seniors may also move from outside of the region to be near family or for other reasons.

Population estimates for 2016 indicate there are approximately 68,427 seniors (42,469 households) age 75 years and older in the PMA. This represents 6.8% of the overall population and 11.2% of all area households and is projected to grow 1.7% annually over the next five years. Seniors age 75 years and older in the PMA as a percentage of the total population (6.8%) is more than Bronx and Westchester Counties (6.0%), the State of New York (6.7%) and the Nation (6.3%). The high concentration of seniors within the PMA indicates the area is a maturing market.

Using estimated 2016 median incomes as a measure, seniors age 75 years and older in the PMA have a level of economic affluence (\$27,800) higher than Bronx and Westchester counties (\$27,400), but slightly below that of the State (\$29,500), and the Nation (\$30,300). MLS data for PMA single-family homes sales for the calendar years 2014, 2015 and 2016 indicates an improving real estate market since 2014, with an increasing average and median sales prices. 42% of homes sold in the PMA through June 9, 2016 were sold for \$650,000 or greater (approximately the lowest proposed entrance fee) and 21% of homes were sold for \$900,000 or greater (approximately the average proposed entrance fee) in 2016.

The approximate income needed to comfortably afford the smallest one-bedroom independent living apartment is \$101,900 based on the proposed monthly service fee. Income qualification assumes seniors utilize 60% of their annual income to afford the monthly service fee. 2021 demographic and economic projections indicate that approximately 5,760 households in the PMA age 75 years and older have sufficient income to comfortably afford the smallest one-bedroom independent living apartment. The approximate annual income needed to afford the smallest two-bedroom independent living apartment is \$133,900. Approximately 3,754 households in the PMA age 75 years and older have sufficient annual income to comfortably afford the smallest two-bedroom apartment.

Seniors may use the proceeds from selling their primary residence to pay the entrance fee. Therefore, home values are used as a basis to calculate entrance fee penetration rates. The proposed entrance fee for the smallest one-bedroom independent living apartment is \$769,900 in 2021. Approximately 11,642 households in the PMA age 75 years and older are projected to have a home value of \$769,900 or higher in 2021. The proposed entrance fee for the smallest two-bedroom independent living apartment is \$1,039,900 in 2021. Approximately 6,852 households in the PMA age 75 years and older are projected to have a home value of \$1,039,900 or higher in 2015.

These factors indicate that the PMA has a target population with the financial means to afford the products offered by River's Edge.

Competitive Market

There are currently no CCRCs operating in the 5 boroughs of New York City and four independent living communities in the PMA. The nearest PHL Article 46 CCRCs to the proposed CCRC would be in Westchester and Nassau counties.

The Amsterdam at Harborside in Nassau County is approximately 30 miles from the proposed CCRC. This community offers a life care contract with three different refund options: 75% refundable, 50% refundable, and a traditional declining balance. Contract pricing ranges with entrance fees from approx. \$500,000s to approx. \$2,000,000 and monthly fees from the low \$2,000s to approx. \$7,000. At the end of 2016, the community had an ILU capacity of 229 at 96.9% occupancy.

The Knolls is located in Westchester County and is approximately 18 miles from the proposed CCRC. The Knolls offers Type B modified contracts with limited prepaid health care coverage and Type C contracts that only provide health care coverage on a fee for service basis. Both the Type B and Type C contracts are offered with a 90% refundable and a traditional declining balance refund option. Contract pricing ranges with entrance fees from the mid \$200,000s to mid \$600,000s and monthly fees from the low \$3,000s to low \$6,000s. The CCRC was purchased through a bankruptcy auction of the previous Westchester Meadows CCRC in the 4th quarter of 2016. The new operators of the facility have seen a steady demand for contracts post purchase, increasing ILU occupancy of the CCRC from 60% at purchase to 67% at the end of 2017. The CCRC expects to be able to reach an ILU occupancy of over 80% of its 120 ILUs by the end of 2018 based on current marketing and sales activity.

Kendal on Hudson is located in Westchester County and is approximately 23 miles from the proposed CCRC. The CCRC offers Type A lifecare and Type B modified contracts with limited prepaid health care coverage. Independent living apartment monthly service fees range from \$3,800 for the smallest studio unit to \$7,200 for the largest two-bedroom unit. The residential component of the entrance fees for these same units range from approximately \$130,000 for the smallest one-bedroom unit to \$1,200,000 for the largest two-bedroom unit. In addition to the residential portion mentioned above, there is an \$85,000 per person Life Care component of the entrance fee. Most entrance fees are 50% refundable on the residential component of the fee. Residents are also given a 90% refundable option for either the Life Care or Modified contract, but pricing is determined based on the age of the resident at the time the contract is signed. The community includes 222 independent living apartments and is currently 86% occupied in independent living.

Conclusion

According to the information provided by the applicant, River's Edge CCRC is sized appropriately with available units that should be attractive to potential residents at the price points and contract types offered. There appears to be opportunity in the market to support sales levels that will lead to stable CCRC occupancy. The applicant has demonstrated that Phase I can stand alone financially should the market demand be such as to not support construction of Phase II of the community. The applicant has demonstrated that the proposed CCRC meets the requirements for approval as set forth in 10 NYCRR 900.4(c)(1) & (6).

Financial Review

Attachment (A) is The Community Development Plan prepared by Greystone and Attachment (B) is the Actuarial Study prepared by A.V. Powell & Associates ("A.V. Powell"). The two reports were provided to support the financial feasibility requirement for the application.

The estimated project budget for the Community is \$513.5 million; \$353.3 million for the North Tower only and \$160.2 million for the South Campus, including working capital requirements. Construction of the Community will be financed with two financings – one for the North Tower and one for the South Campus. It is important to note that the proposal demonstrates that the North Tower can stand-alone, meeting all financing covenants independent of Phase II completion. For the construction of the North Tower, it is anticipated that the tax-exempt bonds will total \$304,805,000 including \$89,805,000 in long term bonds. For construction of the South Campus, it is anticipated that the tax-exempt bonds will total \$145,185,000 including \$45,185,000 in long term bonds.

Below are the sources and uses statement showing how the total project cost will be met. All funds are stated in thousands.

SOURCES OF FUNDS:	Phase I - North Tower	Phase II - South Campus	Total
Permanent Debt	\$ 89,805	\$ 45,185	\$ 134,990
Intermediate Term Bonds (ITBs)	215,000	100,000	315,000
Equity	8,500	-	8,500
Project Costs Funded by Entrance Fees	39,995	15,027	55,022
Total Sources of Funds	\$ 353,300	\$ 160,212	\$ 513,512
USES OF FUNDS:			
Land and Related	\$ 25,367	\$ -	\$ 25,367
Construction and Related			
Design & Engineering	10,247	875	11,122
Construction and Development	174,846	95,716	270,562
Construction – Indirect	6,774	2,310	9,084
Subtotal - Construction and Related	191,867	98,901	290,768
Occupancy Development/Marketing	13,050	6,500	19,550
Other Costs	5,715	2,233	7,948
Project Contingency	7,044	3,193	10,237
Subtotal - Before Financing	243,043	110,827	353,870
Net Funded Interest Costs	42,779	19,571	62,350
Financing and Issuance Costs	9,061	5,088	14,149
Minimum Liquid Reserve	8,057	3,876	11,933
Debt Service Reserve	20,100	10,500	30,600
Subtotal - Financing and Related	79,997	39,035	119,032
Cash Requirements after Opening	24,208	8,280	32,488
Working Capital Cushion	6,052	2,070	8,122
Total Uses of Funds	\$ 353,300	\$ 160,212	\$ 513,512

Project costs for the North Tower exclusive of financing and related costs (\$51.8 million) and funding of reserves (\$28.2 million) are estimated at \$243.0 million. Project costs for the South Campus exclusive of financing and related costs (\$24.7 million) and funding of reserves (\$14.4 million) are estimated at \$110.8 million. Construction of the North Tower and South Campus are anticipated to be funded with tax-exempt fixed-rate temporary debt (“Temporary Debt”) and tax-exempt fixed-rate permanent debt (“Permanent Debt”), equity and entrance fees. The Temporary Debt funds total approximately \$315.0 million of total project costs.

The final capital structure will be determined based on a collective review of the capital markets by the investment banker, Herbert J. Sims (“Sims”) and financing team as development progresses. A letter of interest was submitted by Sims to provide the River’s Edge community the above noted debt financing. The precise plan of finance will be determined closer to the financing date, which will involve the issuing of tax exempt bonds, most likely through the Build NYC Resource Development Corporation, in several

series with various amortization schedules. It is anticipated that debt will be financed through the issuance of permanent and intermediate term bonds as follows:

- Permanent debt will include tax-exempt, fixed-rate revenue bonds of approximately \$89.8 million for the North Tower and \$45.2 million for the South Campus. Permanent Debt is assumed to have a 35-year term with scheduled amortization in Year 5. The currently assumed all-in interest rate for Permanent Debt on the North Tower is 7.00% and 8.00% on the South Campus.
- Temporary debt will include will include tax-exempt, fixed-rate intermediate term bonds (ITBs) of approximately \$215.0 million for the North Tower and \$100 million for the South Campus. All Temporary debt is planned to be retired with entrance fees from occupancies in the independent living apartments. The ITBs are anticipated to be on demand bonds with no maturity date. The currently assumed all-in interest rate for Temporary Debt on the North Tower is 6.00% and 6.50% on the South Campus.

The bonds will be secured by: a pledge of gross revenue, including entrance fees as permitted by state statutes; first mortgage or deed of trust; debt service reserve fund equal to one year's maximum annual debt service; and monthly payments to the Trustee sufficient to pay interest and principal due on the next payment date. Bond covenants will include:

- A requirement that the CCRC's fee structure be established such that net income available before debt service will be at least 1.30x its maximum annual debt service requirement beginning the first year after stabilized occupancy and thereafter.
- A requirement that the CCRC maintain a minimum cash-reserve-to-debt ratio of 30%.

River's Edge plans to use paid entrance fee funds of approximately \$40 million in Phase I and \$15 million in Phase II to help meet the minimum liquid reserve, debt service reserve, cash requirements for opening, and working capital cushion. The Department of Health can approve such a request once River's Edge demonstrates that it has met the requirements under PHL §4610(6) for release of the escrowed entrance fees to the operator.

To fund development costs prior to the start of construction, approximately \$40.6 million will be required for development capital for land costs, design and engineering, development, marketing and other project costs. Pre-finance development costs will be funded through a loan from the Hebrew Home for the Aged at Riverdale Foundation, Inc. At the time of permanent financing, the Foundation will be reimbursed for all but \$8.5 million of pre-finance costs pursuant to the contribution agreement between the Foundation and the Sponsor. The \$8.5 million represents an equity contribution to the project.

The nature of this application requires that demolition and site preparation occur on the Phase I site, City Environmental Quality Review ("CEQR") procedures must be completed, and that certain zoning requirements such as Uniform Land Use Review Procedure ("ULURP") must also be completed for the Phase II site. As such delays may occur in the construction timeline that could impact the estimated costs of the project.

The timeline from Development Pan indicates that construction of the North Tower will begin in June of 2019 and construction on the South Campus will begin in October of 2021. Debt requirements state that approximately 75% of ILUs for the phase must be presold with a 10% deposit before permanent financing can be obtained for the phase. DOH approval under 10 NYCRR 900.10 must also be granted before construction can begin on each phase. Construction is anticipated to be completed and ILU occupancy to commence in September 2021 in the North Tower and January 2024 on the South Campus. Stable occupancy at 95% is expected to occur in the North Tower by August 2024 and on the South Campus by March 2026.

Based on the project timeline, the first full fiscal year after stabilized occupancy is 2025, for the North Tower, and 2027 for the South Campus. Attachment (A) shows a Net cash flow, including net entrance fees from turnover, anticipated to approximate \$8.5 million in 2025 and \$17.2 million in aggregate in 2027. Cash flow projections indicate that upon stabilization, the North Tower will generate cash reserves of approximately \$61.8 million in 2025, and after stabilization of the South Campus it will increase to \$122.6 million in 2027

after retirement of all short-term debt. The North Tower projected debt service coverage ratio from operations and entrance fees is 2.22X (based on maximum annual debt service) and 2.45X after stabilization of the South Campus. Projected cash to debt ratio is 69% in 2025 and 93% in 2027.

The Sponsor will enter into a 99-year lease with a related entity, Hebrew Home, for use of the property on which the North Tower will be located. Details of the lease are as follows:

Land Lease:	6-acre sub parcel of the current 19-acre Hebrew Home Campus
Lessor:	The Hebrew Home for the Aged at Riverdale
Lessee:	Riverspring Health Senior Living, Inc.
Term:	Ninety-nine years (99 Years)
Rate:	\$1,031,784.00 initial annual fixed rent
Subsequent Lease Payments:	10% increase every 60 months (5 years)
Additional Terms:	Lessee will be responsible for taxes and utilities. Lessee will pay for the cost of improvements to the land including preparation for construction of the CCRC. Lessee can purchase the land for \$1 at the end of the lease term.

The sponsor will enter into a Contribution Agreement with a related party, The Hebrew Home for the Aged at Riverdale Foundation, Inc., whereby the Foundation will transfer all of its rights, title and interests in the property on which the South Campus will be developed. Such transfer will occur when the financing for construction of the North Tower is secured, currently anticipated in June 2019.

Shared Services Agreement

Riverspring Health Senior Living intends to enter into an Administrative Service Agreement with the Riverspring Services Corporation to provide certain administrative services to the community such as payroll human resource activities, purchasing, IT support, cash managements and investment policies, and public relations. This contract does not qualify as a management contract under 10 NYCRR 901.10. The term of the agreement is yearly from the commencement date with termination on the last day of a yearly term with 30 days prior written notice. The Service Fee will be reasonable in accordance with 10 NYCRR Section 98-1.10 and calculated based on the costs of providing such Services as allocated under the methodology described in the Medicare Provider Reimbursement Manual (December 1984), CMS Pub. 15-1, Section 2150.3.

Skilled Nursing and Assisted Living Services Agreement

Riverspring Health Senior Living intends to enter into an agreement with The Hebrew Home for the Aged at Riverdale for skilled nursing and assisted living services per the CCRC's residency agreement. A Medical Director will make a determination as to the level of care required by the resident and the determination will be presented to Hebrew Home to facilitate appropriate placement of the CCRC resident. Assisted living services or assisted living memory care will be provided in the first studio apartment available in the Hebrew Home adult home. Hebrew Home will directly bill the CCRC at the current private pay monthly service fee for a studio unit. For skilled nursing care, Hebrew Home will provide the resident with the first available private room at the Jacob Reingold Pavilion. Hebrew Home will directly bill third party insurance carriers for covered services and then bill the CCRC for any co-insurance/co-payments or deductibles, not to exceed the CCRC Daily Rate of \$552 per day. The CCRC will be invoiced for services and be required to pay within 30 days of receipt.

Fees

Residents of River's Edge are required to sign a Residency Agreement and pay 10% of the entrance fee, with the balance being due upon move-in to the CCRC. The size and placement of the ILU selected, combined with the refundable entrance fee plan selected, will determine the amount of the entrance fee and monthly fee. The pricing structure has been established to escalate with the size and placement of the ILU. The CCRC's main contract offering will be the 80% refundable contract with an estimated 78.6%

Residency Agreements being of this contract type. To broaden the appeal to the market, a limited number of 50% refundable contracts and traditional amortizing contracts will also be offered. The 50% refundable plan pricing will have the same entrance fee as the 80% refundable plan but the monthly service fee will be discounted 20%. The Traditional Declining Balance plan will offer a 30% discount to the 80% refundable plan entrance fee and have the same monthly service fee.

The table below summarizes how the fee structure for each contract type is calculated. EF stands for Entrance Fee and MSF stands for Monthly Service Fee.

Plan Type	EF Discount	MSF Discount	EF % Refundable ⁽¹⁾	Life Care Benefit
80% Plan	0%	0%	80%	Yes
50% Plan	0%	20%	50%	Yes
Traditional Plan	30%	0%	0%	Yes

⁽¹⁾ Entrance Fee will amortize at a rate of 2% per month.

Specific pricing for the CCRC can be found in Attachments 1 and 2 of the Standard Information Sheet (Attachment E). A.V. Powell conducted the Actuarial Study of the proposed rate structure (Attachment B). The study demonstrates that the proposed rate structure is actuarially sound and will result in cash surpluses that will allow the CCRC to meet the Department of Financial Services (“DFS”) regulatory financial requirements (11 NYCRR 350) for CCRCs.

Residency Agreements

Residents of River’s Edge are required to execute a Residency Agreement contract that specifies the terms and conditions of residency in the CCRC. All Residency Agreement offerings will be Type A Life Care contracts that provides for assisted living, memory support, and skilled nursing care at no additional charge. All Residency Agreements will include a second person entry fee for couples. The second person entry fee is nonrefundable, amortizing by 2% per month of occupancy with no refund after 50 months of occupancy.

Prospective residents will be offered the following Residency Agreements contracts:

- 80% Refundable Life Care contract: the refund for death or withdrawal reduces by 2% per month of occupancy, with a minimum refund of 80% of the entrance fee paid.
- 50% Refundable Life Care contract: the refund for death or withdrawal reduces by 2% per month of occupancy, with a minimum refund of 50% of the entrance fee paid.
- Traditional Amortizing Life Care contract: the refund for death or withdrawal reduces by 2% per month of occupancy, with no refund after 50 months of occupancy.

Insurance Requirements

The Residency Agreement includes a provision that residents of River’s Edge are required to maintain, at their own cost, Medicare Parts A and B and one supplemental health insurance policy that is approved by the Superintendent of Financial Services (“Superintendent”) as Medicare Supplemental Insurance. If the resident fails to maintain the equivalent of Medicare coverage and Medicare Supplemental Insurance coverage, the Sponsor has the right to purchase such coverage and add the cost to the Monthly Service Fee. If the Sponsor is unable to purchase Medicare coverage and Medicare Supplemental Insurance coverage or the equivalent, a higher Monthly Service Fee may be charged, subject to the approval of the Superintendent, to fund the additional risk to the Community.

Organizational Relationships

Attachment (D) shows the relationship between RiverSpring Health Senior Living, Inc. d/b/a River's Edge (the "Sponsor") and its sole corporate member RiverSpring Health Holding Corp. ("RHHC"), a New York not-for-profit corporation that is the sole corporate member of eight not-for-profit entities. The CCRC will have contractual relationships with related entities within the RiverSpring Health Holding Corp. River's Edge will contract with The Hebrew Home for the Aged at Riverdale for required skilled nursing and assisted living services. River's Edge will have an Administrative Services Agreement with RiverSpring Services Corp. to provide administrative support services including human resources, information technology support and other supportive services. River's Edge will also receive initial capital contributions from The Hebrew Home for the Aged at Riverdale Foundation, Inc.

Conclusion

Based on the materials submitted and the assumptions used, this application as proposed meets the requirements for approval as set forth in 10 NYCRR 900.4(b)(1).

Recommendations

Office of Attorney General

This application does not require Office of Attorney General review for issuance of a Certificate of Authority as per Public Health Law 4604(4)(e) since no aspect of this community is an equity arrangement for independent living.

Department of Financial Services

The Department of Financial Services (DFS) recommends contingent approval based on a review of the financial feasibility study, actuarial study, initial fee structure, proposed initial disclosure statement, and residency agreements for new residents, all as provided by the applicant. Based on the data presented in the certificate of authority (COA) application, the proposed community will operate in compliance with the financial requirements of New York State Public Health Law Article 46 and DFS Insurance Regulation No. 140 (11 NYCRR 350).

The information and projections presented in the COA application are based on numerous assumptions. Actual results may vary as events and circumstances occur. DFS makes its recommendation under its assumption that all materials in the application are, to the best of the applicant's knowledge, accurate, and represent a fair and complete portrayal of the information required for consideration of approval, and that all representations made by the applicant's management, officers or advisors, whether oral or written, are complete and accurate.

Department of Health

The Department of Health has recommended contingent approval based on a review of the materials presented in this application. The material presented in the application indicates that the proposed community will operate in compliance with New York State Public Health Law Article 46 and associated regulations unless specifically noted otherwise. DOH makes its recommendation under the assumption that all materials in the application are accurate and represent a fair and complete portrayal of information required for approval.

Approval contingent upon:

Contingencies to be satisfied prior to issuance of a Conditional Certificate of Authority

None

Contingencies to be satisfied prior to start of construction

1. A revised financial feasibility study and revised actuarial study (including 10-year GAAP based pro-forma financial statements) must be submitted and accepted by the Departments (DOH & DFS) before each phase of construction can occur. [DOH] & [DFS]
2. The applicant must demonstrate that the necessary State and Local approvals have been obtained, with outstanding issues resolved, related to the proposed construction. [DOH]
3. Executed agreement for Skilled Nursing and Assisted Living Services with Hebrew Home for the Aged at Riverdale, acceptable to the Department of Health. [DOH]
4. Executed Land Lease agreement with The Hebrew Home for the Aged at Riverdale for Phase I, acceptable to the Department of Financial Services and the Department of Health. [DOH] & [DFS]
5. Executed Contribution Agreement and the Grid Promissory Note with The Hebrew Home for the Aged at Riverdale Foundation whereby the Foundation will transfer all of its rights, title and interest in the property on which the South Campus (Phase II) will reside. [DOH] & [DFS]
6. Executed Construction Agreement with Lendlease and the cost of construction not varying significantly from the costs put forth in the COA application. [DFS]
7. Executed agreement with the marketing and sales consultant Love and Company with the cost of marketing not varying significantly from the costs put forth in the COA application. [DFS]
8. Submission of an executed Administrative Services Agreement with RiverSpring Services Corp. to provide administrative support services including human resources, information technology support and other supportive services. The agreement must be acceptable to DOH. [DOH]

Contingencies to be satisfied prior to ILU occupancy

1. The applicant must demonstrate that Hebrew Home has obtained all necessary approvals and is able to admit residents into the new ALR program before written permission to occupy the ILUs will be granted. [DOH]
2. The applicant must provide a copy of a Certificate of Occupancy before written permission to occupy the ILUs will be granted. [DOH]

Approval conditional upon:

1. All necessary Department of Health approvals must be obtained related to the decanting and demolition of the Goldfine Pavilion. [DOH]
2. At completion of the financing transaction, submission of a copy of all the final financing documents. [DFS]
3. Department of Health and Department of Financial Services approval of any transfer of equity from RiverSpring Health Senior Living, Inc to a related party organization. This includes the submission and Department of Health approval of contracts with the River's Edge that will result in payment to a related party or the establishment of a related party receivable. [DOH] & [DFS]
4. Assets of the CCRC are not to be used to collateralize the debt of another entity. [DOH] & [DFS]
5. Escrowed entrance fees or entrance fee deposits cannot be released to the operator unless an application has been submitted to the Department of Health demonstrating that the conditions of Public Health Law §4610(6) have been met and approval has been granted by the Department of Health, with the advice and consent of the Department of Financial Services. [DOH] & [DFS]
6. The disclosure statement and residency agreements must be submitted to the Department of Health and Department of Financial Services for final review and approval prior to use by River's Edge. [DOH] & [DFS]

Council Action Date

March 16, 2018

Attachments

- A. Feasibility Analysis
- B. Actuarial Study
- C. Audited Financial Statements
- D. Organization Chart
- E. Standard information/ Price sheet
- F. Proposed Residency Agreements, Disclosure Statement to the Residency Agreements
 - (F 1) Life Care 80% Refundable Contract
 - (F 2) Life Care 50% Refundable Contract
 - (F 3) Life Care Traditional Amortizing Contract
 - (F 4) Disclosure Statement
- G. Proposed contracts with Skilled Nursing and Assisted Living Provider The Hebrew Home for the Aged at Riverdale
- H. Proposed Administrative Services Agreement with Riverspring Services Corp.