CONFERENCE RECAP

19th Annual HJ Sims Late Winter Conference

Loews Portofino Bay Hotel at Universal Orlando

March 1-3, 2022

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What's Inside:

2022 Conference Recap

During the past nineteen years, HJ Sims has hosted our Annual Late Winter Conference as a forum to gather experts from across the senior living industry in order to share experiences, strategies and operations. Last year, the conference looked a little different with a condensed, virtual format. **This year, we were pleased to be back in-person** hosting 350 senior living owners and operators and industry professionals at the Loews Portofino Bay Hotel at Universal Orlando, Florida.

Throughout the conference, attendees explored recurring themes including how today's pressures impact decision making, challenges with today's workforce crisis, meeting the needs of the middle market and the impact of policymaking.

"*I am thrilled to have had the opportunity for HJ Sims to host our clients and partners in person once again. It is always an honor to deliver a conference that provides attendees from the non-profit and for-profit sectors of the senior living industry with the opportunity to connect, learn and share their insights for success in a professional and relaxed environment*," said Bill Sims, Managing Principal. "*From the networking to the learning to the one-of-a-kind Harry Potter experience, this year's conference was truly magical.*"

The following pages provide comprehensive coverage of the sessions at the 19th Annual HJ Sims Late Winter Conference.

Be sure to subscribe to our HJ Sims marketing list for information on market updates and forthcoming events.

Program Highlights Include:

- *Keynote speakers from outside the senior living industry who shared valuable ideas, including John Gerzema, New York Times Best Selling author and CEO of The Harris Poll, a pioneer in the use of data to identify social change and how it can help companies anticipate and adapt to new interests and demands from consumers. The Honorable Mark Calabria, former director of the Federal Housing Finance Agency and chief economist to Vice President Mike Pence, who provided a unique perspective on the direction of today's financial markets and the impact of the federal economic policymaking process on the markets.*
- *Informal and memorable activities to bolster connection and conversation, including a boating tour around the dazzling waters of the Butler Chain of Lakes; golfing at the championship golf course, Shingle Creek; a scavenger hunt throughout Universal Studios; and a magical evening at The Wizarding World of Harry Potter™ Hogsmeade™.*
- *Educational sessions that covered topics such as: the senior living industry and capital markets today and tomorrow, adapting marketing strategies to the pandemic, making middle-market a viable opportunity, the future of design in the senior living industry and more.*

CFO Breakfast

This year's CFO Breakfast panelists focused on how their organizations are retaining frontline workers and maintaining their competitive advantage in the post-pandemic era. The panel included:

- **Andy McDonald**
  Chief Financial Officer, HumanGood
- **Mike Lambertson**
  VP of Finance, English Meadows Senior Living
- **Alexia Pozar**
  Asset Manager, HJ Sims

Key takeaways

What is your organization doing to maintain its competitive advantage? How do you evaluate new growth opportunities?

Both HumanGood and English Meadows stressed the need to reinvest in staff and residents to maintain marketplace advantages coming out of the Pandemic. Given the shortfall in labor, attracting and retaining staff has become an even greater focus in recent years. Without permanent staff, many organizations have had to access expensive third-party staffing agencies which has significantly increased operating expenses.

In addition to focusing on staff, HumanGood has enacted several strategies to maintain its competitive advantage, including accessing historically low interest rates either through tax-exempt bonds or "Cinderella" bonds to generate debt capacity for capital improvement projects. Additionally, given high construction costs, they have focused on affiliation opportunities rather than expansion projects. In their evaluation of affiliations, they focus on finding the right fit with potential communities – both culturally and financially.

On the for-profit side, English Meadows Senior Living has been focusing on restructuring leases and getting creative with financing and investor relationships. They have also begun working on several development projects that were delayed due to the Pandemic.

Employee Retention and Rising Labor Costs

Staffing shortfalls and labor costs have stressed budgets over the past two years due, in part, to the COVID-19 pandemic. To attract and retain frontline workers, HumanGood increased wages to and have tied executive bonuses directly to employee retention. They have also started "HumanGood University," a program that provides internal education for staff to advance careers internally.

English Meadows Senior Living has also focused on training staff and ensuring promotion opportunities for front-line workers to eventually reach management level positions. When bringing in new communities, the organization focuses on ensuring that staff members do not feel like they are siloed and that they have upper management support.

Alexia Pozar noted that employee retention strategies vary significantly across regions. For instance, many communities in the New England region have been able to increase rates to offset wage increases. However, in Florida, where there is more labor competition, it has been difficult for communities to offset higher wages with rate increases. One universal trend in managing employee shortfalls has been the development of the "universal worker," where staff work multiple roles in a community.

Lingering Effects of the Pandemic

The effects of the Pandemic have lingered longer than most have expected. However, each organization has had a different experience coming out of the Pandemic. **Andy McDonald** noted that some components of senior living may never return to pre-pandemic levels, like skilled nursing, and organizations need to be prepared to transition quickly in the post-pandemic world. To rebuild occupancy, HumanGood has focused on moving inventory that hasn't sold by selling at discounts. **Mike Lambertson**, on the other hand, has seen a quick return to pre-pandemic occupancy in English Meadows' communities. However, he noted that they are working on several new opportunities that are distressed due to the effects of the Pandemic. Further, **Alexia Pozar** has found that those organizations that struggled to find a market niche before the Pandemic are currently struggling the most now.

Challenges and Opportunities for the Industry

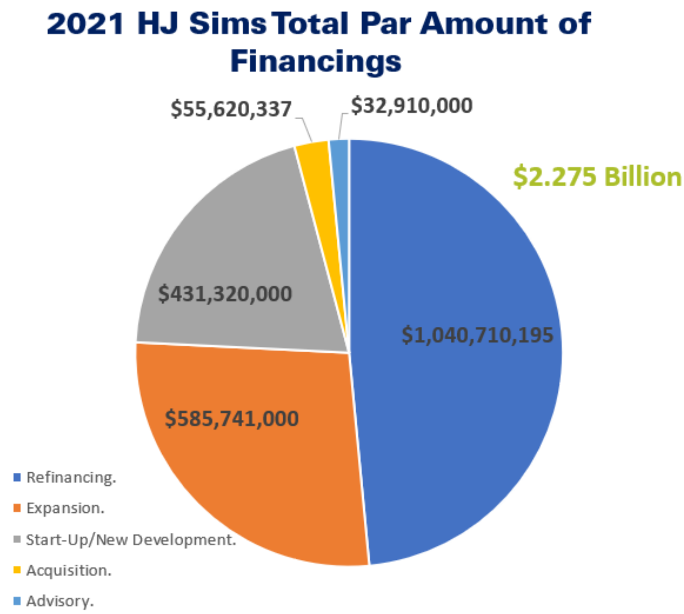
Over the next few years, **Mike Lamberston** and **Alexia Pozar** see a continued focus on staffing being the biggest need for senior living. Alexia noted that the industry needs to get the next generation excited about the industry to create a new class of leaders.

On the financial side, **Andy McDonald** sees non-profit organizations needing to find additional ways to bring funds into their organizations to offset ever-increasing operating expenses. Andy noted that organizations can increase their entrance fees substantially due to the steep appreciation in home values over the past few years. Given the historically low interest rate environment, communities can also borrow debt at a low cost to improve their facilities. Moreover, Mike sees opportunity for for-profit communities who prioritize mutually accretive lease and ownerships structures. Mike believes that the organizations who are able to remain nimble and share upside with their partners will succeed in a changing age-qualified landscape.

Lastly, Alexia believes the current political environment will be both a challenge and an opportunity, as there could be large swings in the availability of federal funding as communities rebuild occupancy. These large swings could make it difficult for communities stabilize coming out of the Pandemic.

For more information on this session, please contact **Ryan Snow** at rsnow@hjsims.com.

The Senior Living Industry and Capital Markets Today and Tomorrow



This session welcomed all attendees and officially opened the 19th Annual HJ Sims Late Winter Conference. The overall theme was a look at the accomplishments of the firm over the previous twelve months, also an in-depth look into the capital markets and interest rate environment. The featured speakers were members of the senior leadership team at HJ Sims and included:

Bill Sims
Managing Principal, HJ Sims Investment Banking

Aaron Rulnick
Managing Principal, HJ Sims Investment Banking

Jeff Sands
Managing Principal, HJ Sims Investment Banking

Anthony Luzzi
President, Sims Mortgage Funding, Inc.

Gayl Mileszko
Senior Vice President, Director of Capital Markets Analysis & Commentary, HJ Sims

HJ Sims Year in Review – Bill Sims

Bill Sims opened the general session and the Annual Conference with a look at the firm today. A brief reminder of who we are with a presentation of the firm's Mission Statement.

Our mission remains the same as it was in 1935: to listen carefully, deliver tailored services and treat our clients and employees like family.

Guided by integrity since our founding, HJ Sims is driven by loyalty and teamwork to provide our clients with valuable guidance and creative financial solutions that enrich their lives, their organizations, and the communities they serve.

Through our execution of innovative financings, selected investments and trading strategies, we endeavor to position our employees and clients for potential growth and greater success.

Although this was considered the 19th Annual HJ Sims Late Winter Conference, it was the first time in two years since the conference had been held live and in-person given the effects of the COVID-19 pandemic felt around the globe. With this pandemic, the senior living industry faced many challenges. Despite these challenges, the work of HJ Sims continued with success. Bill reviewed the expansion of the investment banking team, also the addition of our public finance education team, the financing of the largest single campus entrance fee senior living community in 2021 at $398MM, also the growth of our individual investor base.

In 2021 the firm completed 53 financings for over $2.2 billion, provided financial advisory services to 22 clients and introduced new investors, institutional and individual.

Short-term rates remained stable through 2021 whereas most long-term rates rose. Tax-Free Revenue Bond rates fell, which was particularly true for Senior Living Bonds rated BBB and below. A brief review of financing trends included a comparison in the Revenue Bond Index for 2021 at 1.97% vs. 2.58% in 2020, the 10 yr. UST at 1.51% vs. 0.92% and the 30 yr. UST at 1.90% vs. 1.65%. Also included was a review of rates by maturity, by credit rating and by project type.

Bill also noted the favorable investor perceptions for the industry, noting that the pandemic was an extraordinary circumstance and not indicative of the industry's future. A look at occupancy and how "tier one" seniors housing communities (newer, with experience of success pre-pandemic) will continue to fill up and consequentially will raise rates. The demand will continue. Comparatively, skilled nursing beds have seen lower demand as assisted living options have become somewhat of a substitute. There is also little new supply of nursing beds which will continue to drive the price per bed up. For this reason, we are seeing more campuses eliminate skilled nursing beds.

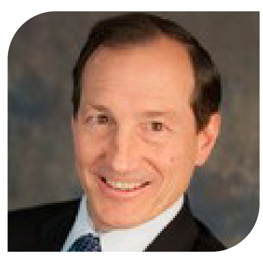
Overall the industry continues to develop and to evolve with new innovations. The excess amounts of capital will continue to fuel growth and as a "needs based" product offering, overall demand is expected to increase as Americans age.

Not-For-Profit Banking Year in Review – Aaron Rulnick

Aaron presented the HJ Sims theme of "Financed Right". From the "Harry Potter" theme of the conference, a review of the Sims "wizardry" was highlighted. We continue to approach each of our engagements with a specific set of objectives that include Partnered Right, Structured Right, Executed Right and Financed Right. This involves tapping into a collective knowledge of all things finance from bond financing, tax-exempt and taxable, subordinate debt, HUD/FHA, derivatives, corporate lending, valuation analysis, preferred equity, syndication, Fannie Mae/Freddie Mac and USDA to name a few.

A review of some of the Not-For-Profit completed financings included pre-development financing, start-up financing, expansion, rental community financing, "hybrid" financing with fixed-rate bonds, short-term and intermediate-term draw-down bank debt, "Green House" financing, taxable draw-down and taxable refundings. Also, Advanced Refunding alternatives and solutions were presented. Other advisory services offered by HJ Sims include capital strategy, knowledge and education, affiliations, risk management and debtor support. In addition, HJ Sims was busy with multiple affiliations this last year, also with acquisition financing seeing some overlap in the non-profit and for-profit worlds with acquisitions of for-profit, rental communities by non-profit providers. Also acquisitions completed by using a for-profit subsidiary for a traditional non-profit organizational structure.

HJ Sims Investments Year in Review – Jeff Sands



Jeff presented a look back at HJ Sims Investments (HJSI) for 2021. This included 36 total investments, across 174 properties, with $275MM in outstanding investments. The effects of COVID-19 touched every one of us, especially those of us in the senior living and healthcare industries. Over $170 billion was distributed in provider relief funds in the United States. Occupancy has begun to recover; however, challenges continue. The last of the relief funds were released in late 2021. Can communities recover occupancy, stabilize rents and deal with inflationary pressures before the relief funds run out?

Observations on this topic included the consolidation of nursing homes/skilled nursing providers, price per bed is at an all-time high, Sims HUD Plus program is in demand (subordinate debt behind HUD). Bridge to HUD continues to prevail and acquisitions continue to roll on. Non-profits are divesting and some are investing in new communities, purchasing from for-profits. On the seniors housing front, the slow down in start-ups should start to subside as construction financing comes back. Also, CCRC's are exploring rental models, as 80% of new units are rental. The construction boom of 2015-2016 is set to trigger the selling boom in 2022-2023 as some will need to sell given the challenges they've faced and the pressure of rising costs.

A few HJSI investments in 2021 to highlight included equity for a ground-up development with Watermark Communities, a subordinate loan to provide 92.5% leverage for Elevate Care, an extensive valuation analysis of the HJ Sims for-profit and non-profit banking teams to realize an acquisition of multiple locations for LifeSpire of Virginia, also a full solution acquisition bridge loan under the HJ Sims "A/B uni-tranche" structure with SAL Management in Utah.

Sims Mortgage Funding – Year in Review, the Scene at HUD – Anthony Luzzi

Anthony Luzzi, President of Sims Mortgage Funding, Inc. (SMF), started his remarks with a look back at 2021, noting the large volume of refinancings completed for SMF clients. These refinancings were diverse in location and property types, ranging from affordable senior housing to safety net hospitals. The interest rate environment was so favorable to borrowers that the interest reductions for the refinancings averaged 35%.

Further, Sims Mortgage Funding worked with each client on how to best access low interest rates. Borrowers typically had two choices: 1) refinance with a new loan which would require a longer application review period from HUD or 2) request a modification to the existing mortgage note through a short-form application. The former option offered the greatest potential savings due to the ability to extend the loan term, but would take considerably longer to close (leaving more time for interest rates to rise). The latter option would generate a lower amount of savings because the loan term could not be extended, but the application review period was shorter. The majority of SMF clients chose the short-form note medication option due to the ability to quickly lock in the lower interest rate to produce savings. Most clients used the savings to increase capital expenditure spending, offset increasing operating expenses due to inflationary pressures, and to expand services to residents.

On the health care side, HUD Firm Commitments increased from $4.078 billion for 335 projects in FY2020 to $4.8 billion for 426 projects in FY2021. Refinancings made up the vast majority of the loans in 2021, with only four out of the 426 loans representing new construction projects. For multifamily properties, there was a significant increase in closings from $19.02 billion in FY2020 to $29.5 billion in FY2021. Refinancing loans nearly doubled between FY2020 and FY2021, while new construction loans remained steady.

The Great Rate Debate – Gayl Mileszko

Gayl Mileszko, HJ Sims' Director of Capital Markets Analysis & Commentary, began her presentation by discussing interest rates and their expected future movements. She noted that while inflationary pressures are pushing the Federal Reserve to increase rates, there are several other factors that are keeping rates low. These factors include pressure from the federal government to keep borrowing costs low to fund upcoming priorities and policy changes. The U.S. spends over $900 million per day on interest payments and an increase in interest rates would limit the ability to spend on new programs/policies. Further, Wall Street is worried that aggressive actions by the Fed to increase rates could produce a recession. Businesses are also concerned about higher borrowing costs due to their ongoing struggles with inflation and labor shortages. These pressures and concerns are raising doubts that a major hike from the Fed is likely to come in the near future.

Gayl went on to discuss the current environment for senior living borrowers and investors. On the borrower side, she noted that occupancy has been steadily improving since the beginning of the pandemic and that borrowing rates were at all time lows throughout most of 2021. For investors, higher yielding municipal bonds outperformed the rest of the municipal bond class in 2021. Despite the increase in defaults due to the pandemic, municipal bond defaults are still relatively rare compared to corporate bonds. Further, in 2021 there were 114 public offerings by non-profits for a combined par of $6.6 billion, up significantly from 2020, which only saw 63 deals for a combined par of $3.25 billion.

Gayl concluded her remarks by touching on some of the main senior living headlines over the past year. The biggest headlines included rising construction inflation of 14% to 20%, managerial burnout in senior living due to labor shortages and the pandemic, and the potential for a cooling housing market due to increases in interest rates. The rise in construction costs put pressure on several senior living projects over the past year, despite ultra-low borrowing rates. Management turnover has increased in part due to burnout, resulting in the ever-growing need for the next generation of senior living leaders. Lastly, as interest rates rise over the next year, home sales may decrease which could in turn affect the pace of move ins to entrance fee communities.

For more information on this session, please contact **Kerry Moynihan** at kmoynihan@hjsims.com.

Keynote Session: How Today's Pressures Impact Our Decision Making

John Gerzema, CEO of the Harris Poll, delivered the Keynote address of the 19th Annual HJ Sims Late Winter Conference. The Harris Poll is a nationally recognized market research and analytics company that has been tracking the sentiment, behaviors, and motivations of American adults since 1963.

John's presentation focused on the role today's pressures have on public opinion and decision making, specifically in older American adults. To present his research, John used four separate data sets fielded in February 2022: the Harvard-Harris Poll of American Voters, the Harris Poll Weekly COVID-19 tracker, the Harris Poll Senior Living Communities Research and the CVSH Harris Poll National Health Project.

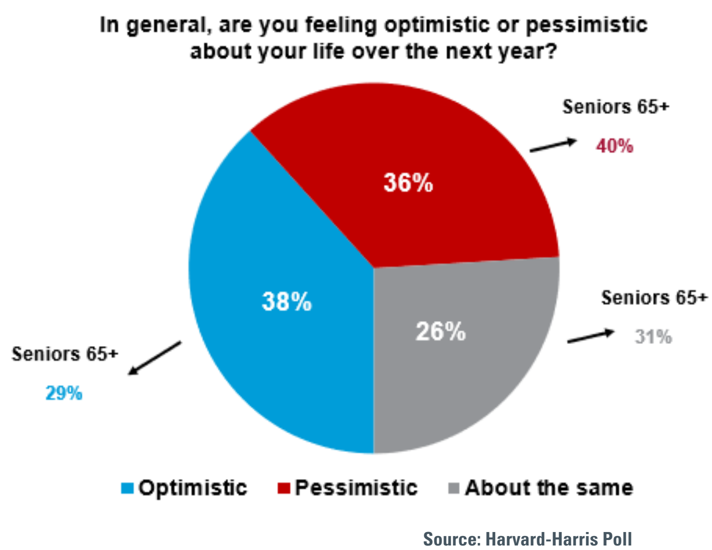
The Mood of the Country: A Nation on the Wrong Track

To open his presentation, John focused on a number of data points displaying general sentiments of current events. With HJ Sims' focus on age-qualified housing as a driver, John contrasted the all-age results of each question with the 65+ answer. Some interesting results stood out. For example, whereas 62% of American adults felt the country was on the wrong track, 71% of seniors 65+ felt it was on the wrong track. Similar results, with seniors polling higher than the general public, tracked for negative economic and financial outlooks. When asked to select the most important issues facing the country today, the general publics' top two selections were the economy and jobs, whereas seniors' top two selections were immigration and national security.

How Seniors Changed During the Pandemic

Considering the impact COVID-19 has had on older Americans, the results of the Harris COVID-19 survey John presented were especially interesting to the conference audience. Maybe somewhat surprisingly, respondents 65+ were ready to move on from the pandemic. Overall, they were happier, more likely to think the pandemic is improving, and more optimistic than younger age groups. These sentiments also tracked historically. Since the onset of the pandemic, and at each subsequent stage, the Harris Poll found that seniors' anxiety abated more quickly than younger age groups. The Harris Poll data shows that seniors have been, and remain, a resilient group.

Three-quarters of seniors said we should learn to live with COVID-19 despite their strong feeling that we will have another serious variant in 2022. Part of this positive outlook, the Harris Poll data shows, may be because, as a group, seniors surveyed (86%) were more likely to be fully vaccinated than the general public (67%). Likewise, seniors were more likely to be well versed in the purpose and efficacy of the vaccines, flu shots, and boosters.



Senior Living Communities after the Pandemic

For the benefit of the conference audience, the Harris Poll conducted custom research of seniors focused on the feelings and opinions of seniors related to moving into a senior living community. Survey respondents were broken into two camps: one group considering moving into a senior living community now, and one group considering moving into a senior living community later. Generally, those considering now are more likely to have felt lonely or overwhelmed due to the pandemic and view offsetting future loneliness as a key consideration for moving to a senior living community.

Considering demand drivers, those considering a move later were currently prioritizing socialization and independence. The consider later group will desire to feel control over their decisions. Regarding control, seniors were most likely to trust themselves as the central decision-maker when considering a move to a senior living community. However, for both considering now and considering later seniors, they wanted their families' assistance in making the transition a smooth one.

John concluded this portion of his talk with a discussion of marketing insights from the survey. Maybe surprisingly, seniors relied on the Internet and social media to make their decisions to move, especially those considering a move now. Likewise, those wanting to move now want to make a decision quickly, with only four in 10 considering now respondents were willing to be on a waitlist. In considering the role of adult children, the Harris Poll research points out that adult caregivers are more stressed now than before the pandemic.

Trends Shaping the Future of Senior Living

To conclude his discussion, John walked through some trends to watch for in senior living. According to the data, seniors have struggled to socialize during COVID and are now reprioritizing physical and mental health. Going forward, the Boomer generation is embracing semi-retirement that will add a new dimension to how seniors operate their lives. Another trend brought on by the pandemic has been a turn to telehealth as seniors, and all Americans, have struggled to get adequate and timely healthcare in person. In fact, Harris Poll data shows, seniors are more likely than the general public to choose telehealth over in-person services for most medical services. More than 50% of senior respondents preferred telehealth to in-person visits to answer medical questions, review lab results, and get sign-off for prescription refills. A final trend discussed by John was the rise of home-centered care and the accompanying social and medical services. He sees the future of senior living as an area ripe for technology disruption.

For more information on this session, please contact **Jimmy Rester** at jrester@hjsims.com

Adapting Marketing Strategies to the Pandemic

This session featured marketing executives at both senior living organizations and major marketing firms sharing their experiences and lessons learned while developing marketing strategies during the pandemic.

The panel included:

Morgan Lamphere
Vice President of New Development at Sunrise Senior Living

Kelly Sizemore
Senior Vice President at LevLane Advertising

Rick Westermann
Chief Marketing Officer at Life Care Services

The Customer Experience in the Pandemic

The pandemic significantly and abruptly altered the sales and marketing processes, as in-person site visits were pushed into the virtual world, with senior living organizations quickly pivoting to new marketing strategies in order to attract new residents. **Rick Westermann** found that organizations have been forced to improve their "virtual front door" (or website) to improve marketing efforts. Included with this transformation is greater transparency with respect to resident fees and unit types on websites. **Kelly Sizemore** echoed these findings, explaining that websites have become an extension of the sales office for communities.

Further, Kelly, along with **Morgan Lamphere**, found that organizations have in many cases needed to rebuild confidence in their products, as many organizations were hit hard by the pandemic, both financially and in the media. In the marketing and sales process of health care products, Morgan has worked to overcome the perception that the customer will be "locked down" at the community.

Marketing Strategy Shifts and Technological Innovation

The Pandemic accelerated technological innovation in the marketing process significantly. Kelly found that products like Zoom allowed her team, while remote, to increase engagement and feel connected. She also saw an increased use of higher quality and more comprehensive virtual tours to attract residents, like with the recent Highview at Searstone expansion. The marketing team for this expansion used virtual tours to help show residents what new units and amenities would look like once constructed, helping to boost deposits.

Rick also saw that video conferences were a great tool for meeting with potential depositors. Relative to the traditional in-person seminars, these meetings were more efficient and allowed organizations to conduct more meetings per month. He noted that this strategy was particularly effective in the marketing process for the Broadview at Purchase College start-up community in Westchester County, New York. Many potential depositors were based in New York City and did not want to travel through heavy New York traffic to reach the site. Video conference capabilities enabled depositors to meet remotely with the marketing team to avoid traffic, ultimately improving the customer experience.

At Sunrise Senior Living, Morgan has used OneDay, a video recording software, as a marketing strategy to attract prospective residents. This software allows staff to easily record and send personalized videos to potential depositors after each meeting, providing another means of connecting with future residents.

Current and Future Key Drivers of Success

With vastly different roles for each of their respective organizations, the panelists provided insights as to the critical factors contributing to current and future organizational success.

At the provider level, Morgan pointed to the need to retain effective sales personnel in her organization. She found that keeping employees engaged and fulfilled in their roles has been one of the best employee retention tools.

Rick, on the other hand, has focused on building lead generation by utilizing paid search. He noted that most organizations use paid search, but were not fully utilizing its potential. He found that open dialogue with advertising agencies on ways to tweak and optimize paid search has further enhanced lead generation. Additionally, Life Care Services has started reporting offline interactions to Google to provide another data source that can help track how leads are best generated.

Lastly, Kelly has found that organizations are spending too much time on the "logical" part of a potential depositor's decision-making process. Rather than focus messaging on the financial and lifestyle benefits of making the move, LevLane instead has focused on a depositor's cultural fit with a community. For instance, LevLane developed a marketing strategy for Enso Village targeted towards the Baby Boomer generation. They created a series of marketing materials that evoked that generation's experiences in the 1960s and 1970s, aiming to build a certain culture that was not found in other senior living communities.

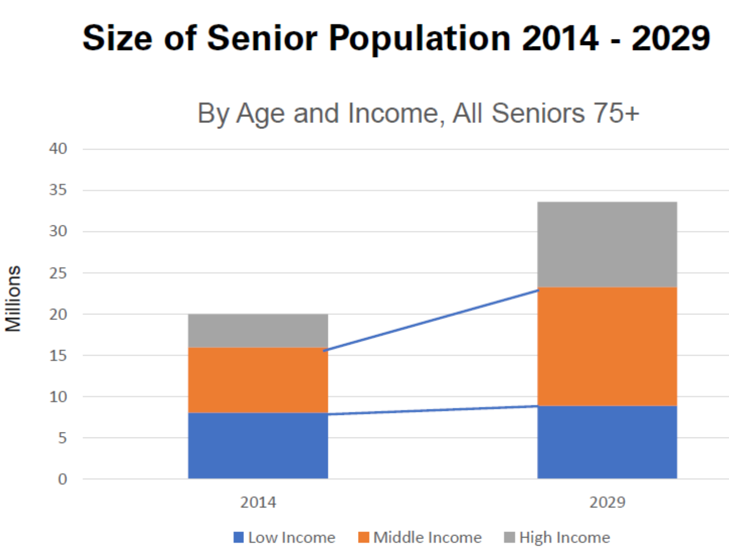
For more information on this session, please contact **James Bodine** at jbodine@hjsims.com

Making Middle-Market a Viable Opportunity

A common topic of conversation amongst lenders, providers, and consultants, this afternoon session brought together **Tye Campbell**, Principal Emeritus, SFCS Architects; **John Renner**, CFO, United Church Homes; **Tana Gall**, President, Merrill Gardens; and **Jason Childers**, Senior Vice President, Merrill Gardens.

Defining the Middle Market

To begin the discussion, the HJ Sims team outlined a general definition of the middle market – a difficult question for the industry to agree on thus far. With a consensus that the "middle market" was those 80% to 120-150% of area median income (AMI) who likely do not qualify nor have the resources for big CCRCs. This section of the market is already substantial and projected to grow more quickly than any other senior income segment. Each panelist proceeded to walk through their organizations' approach to meeting the middle market.



Mid-Market Renovation Scenarios

Tye Campbell of SFCS opened the discussion with a comment on the frequency with which developers and operators approach their team with plans for renovations of existing buildings for seniors. One common thread of Tye's discussion was that with rising constructions costs, retrofits that worked a few years ago may not work today. Tye proceeded to walk through school and hotel renovations while discussing the various approaches and pitfalls of each.

For schools, the structures are generally built well in great locations. However, schools are not built for the accessibility needs of seniors and may have too much non-revenue common space. Considering hotels, the layouts may mirror a more typical senior community, but the locations are likely to be less than desirable for seniors – if the locations were good, the hotel owners would want to keep them.

To conclude, Tye quickly explained the opportunities provided by retail retrofits and pre-fabricated "Kit of Parts" that can reduce construction costs. Overall, Tye's discussion focused on making sure that anyone considering a renovation approach to meeting the middle market does so with a concrete understanding of what one is buying and what one plans to do with it.

United Church Homes - Creating a Model

John Renner, of United Church Homes, opened the next portion of the panel with a discussion of his communities' approach to developing and acquiring a sizable middle market portfolio. With 19 campuses for residential, assisted living and health care, 59 affordable HUD-subsidized senior apartment

buildings for independent living, including two on Native American Nations, and 30 locations in Ohio, United Church Homes is the 25th largest senior living provider. With an organized plan for growth, United Church Homes aspires to serve 10,000 residents within the next five years.

United Church Homes' strategy to meet the middle market across the portfolio has been to operate communities around the sweet spot of 120 independent living units and then supplement the independent living units with a "menu" of services. With a portfolio occupancy near 100%, United Church Homes has learned that they do not need to own and develop each of their communities. Sometimes the best plan is to allow other experts to develop and own while United Church Homes manages.

One additional lesson elucidated by John was the role that charitable fund development can play in allowing a not-for-profit organization to grow and meet the middle market. Starting from a base of $11.63m in 2017, United Church Homes has raised their charitable giving to $43.49mm in 2021. Such a committed and successful plan for charitable growth has allowed United Church Homes to aggressively pursue their growth-oriented mission.

Repositioning the Middle Market

Speaking from a for-profit assisted living provider point of view, **Tana Gall** and **Jason Childers** of Merrill Gardens discussed their organization's efforts to meet the middle market. Though a relatively new product for Merrill Gardens, their Truewood by Merill brand has been successful in amending their market-rate assisted living model to accommodate residents paying less than $3,000/month. By purchasing 26 communities a few years ago at a low basis and focusing only on core services while forgoing those deemed unnecessary, Merrill Gardens has been able to simplify operations and provide a quality product to the middle market resident.

To start their transition, Merrill Gardens started with their dining and their REPs position. By simplifying dining, they reduce the labor burden and free up staff to work in other areas of the community. To simplify dining, they reduced complexity, preferring a business hotel version of dining service to the more typical three-meal, full-service approach. Their REP position changed their staffing model to a beefed-up version of the universal worker who works across the campus. In doing so, they allowed employees to spend more time serving employees while also growing the employees' skill sets.

For more information on this session, please contact **Lynn Daly** at ldaly@hjsims.com

Workforce Planning and Culture

In an ever-changing economic environment, staffing has become a topic widely emphasized for senior-living providers. Whether a community is losing existing staff, needs additional staff, or simply is wishing to retain its current workforce the market is driving much of these conversations. HJ Sims hosted a panel of highly-regarded senior-living providers whom are leading the sector in workplace culture, staff retention, pay structures, and much more.

The panel included Peconic Landing CEO **Robert "Bob" Syron**; Ohio Masonic Home CEO **Scott Buchanan**; Goodwin House CEO **Rob Liebreich**; and Summit Vista CEO and Executive Director **Mark Erickson**. With a range of single-site to multi-site leadership varying from not-for-profit to for-profit operating models, the panel had the perfect blend of perspectives for all providers.

Culture

One of the core components of a functional organization is its inherent culture. **Scott Buchanan** believes that this core component begins at the grassroots level, with the residents it serves. After bringing in a third-party to survey the residents, the community focused on the individual needs of its members. Not only did the feedback change some of the amenities on campus, it helped drive the mission of the organization via the establishment of a fund for residents in need of temporary or permanent assistance. This culture helped drive employee satisfaction all the way to C-suite management.

At Peconic Landing, **Bob Syron** believes the ownership model is the foundation of workforce culture. The operating model of the community is a cooperative which provides residents an opportunity to have ownership stake in the organization. Similar to the ownership model enjoyed by the residents, Bob wanted to turn the organization over to the employees and create a structure where employees were vested. A flat management structure paired with consistent town halls allowed for employees to shape their workplace; all opinions have weight.

Wages, Retention, and Benefits

While most of the market is looking to combat wage pressures, **Rob Liebreich** is adopting a living wage model. Goodwin House has made deliberate decisions to ensure that all employees are paid a living wage for the market area. In fact, the mission has resonated with the residents such that they are more receptive to annual service increases.

North of Goodwin House on Long Island, wages have become a focus for Peconic Landing as well. Centered around the goal of employee retention, employees at the community have received wage increases to combat inflation. Additionally, management has formulated creative initiatives to help offset daily expenses that employees face. Transportation for employees, that live outside of the immediate area, is available on a daily basis. The transportation program also includes coffee so employees can enjoy the ride in the morning. Outside of wages and benefits, Peconic Landing has embraced inter-generational hiring. Management has recognized that creating roles for family members of existing employees will establish an enjoyable workplace environment for years to come.

Mark Erickson echoed the referral system and noted that in 2021 fifty percent of Summit Vista's employees were sourced from referrals.

At Ohio Masonic Home, the organization has crafted a unique a-la-carte benefits package which allows employees to choose benefits that fit their lifestyle. Employees enjoy the flexibility and feel as though they have more control over their benefits package. The organization has even opened its on-site clinics for staff to utilize with the eventual goal of not charging staff any co-pays.

Diversity and Inclusion

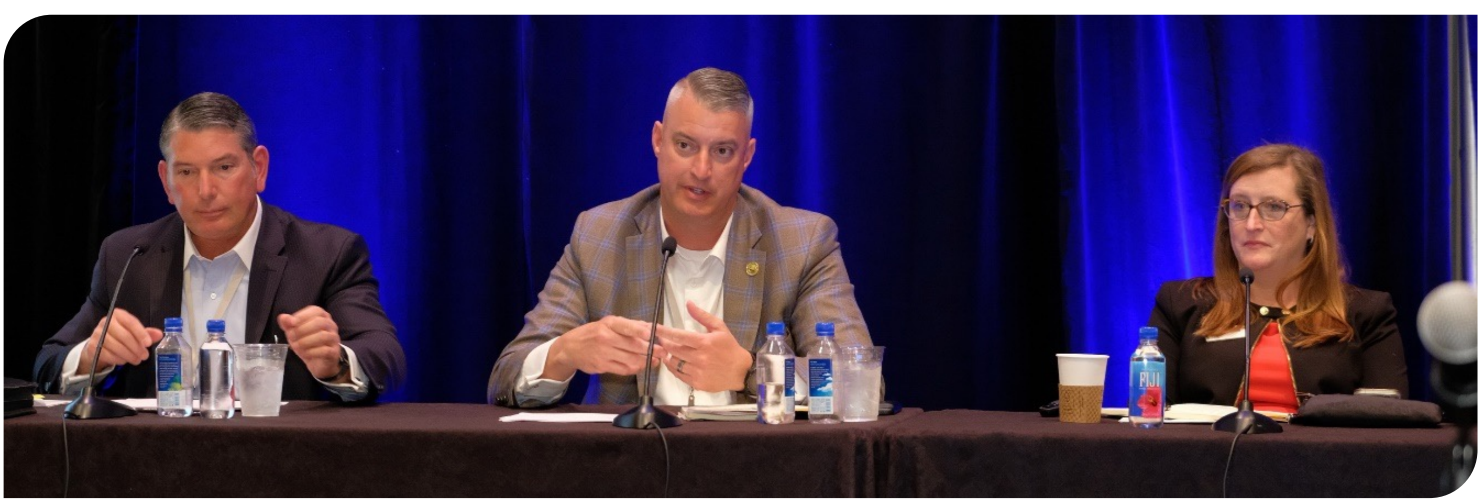
Not only do organizations yearn to hire new staff, they strive to create a dynamic workforce that is diverse and represents the community it serves. Summit Vista tackled this issue by facing the truth, that the market they served was uniform and lacked diversity. The community broke down barriers with the creation of a committee to achieve a more diverse workplace environment. Regularly scheduled meetings actively address workplace diversity and also promote cultural education.

At Peconic Landing, the diversity of the staff is a flagship. The organization currently employees personnel hailing from sixty-seven different countries. Moreover, upper management identified that the immediate market area had a more diverse population then what was currently reflected in the staff. Management conscientiously hired peers that would round-out the team and avoid group polarization. All of these efforts have been noted by residents and staff alike.

Ohio Masonic Home faced a different set of hurdles. The community has long-standing ties with a fraternal society which inherently promoted board members from within and was the foundation of a resolution which did not permit women to serve on the board. Management at Ohio Masonic decided to redraft the existing ideologies of the organization to allow women to play an integral role at the board level. This change helped diversify the perspectives of decision-makers that would lead to a more effective path in fulfilling Ohio Masonic's mission.

Programming

Aside from strictly wages and benefits, each member of the panel has unique mission driven programs which would entice prospective employees or incentivize existing employees to stay within the organization. At Goodwin House, the community has developed a citizenship program which assists its employees to obtain permanent citizenship in the United States. Summit Vista has incentivized the



retention of its original employees by granting ownership rights to those that originally chose to work at the organization, giving them a stake in the company's success. Masonic Home sought to drive its mission by installing food service programs for employees and residents. In a similar vein to drive communal impact, Peconic Landing has recently implemented an Employee Assistance Program (EAP) which receives anonymous calls regarding behavioral health, the program has gone beyond employees and penetrated the local community as well.

As providers face current workforce issues, they should look to these industry leaders to observe how to navigate such a unique labor environment. Seeking talent spanning several generations, inflated wage demands, and short-labor supplies can be challenging. These industry leaders have implemented an array of strategies to help create sustainable workplace environments for employees that span beyond the organization and into the broader community. Whether it's a focus on culture, benefits, or programming senior living providers need to be just a nimble to accommodate labor as they do to accommodate changing market demands from residents. If an organization can shift with the rising tides using some of these ideas as telltales, then it will surely be a smooth sail and a chart that can be easily navigated.

For more information on this session, please contact **Melissa Messina** at mmessina@hjsims.com

Defining the Senior Living Landscape

This session featured senior executives from the for-profit senior living sector as well as an accomplished journalist focused on healthcare finance and seniors housing with the goal of discussing the state of the industry with respect to investment strategy, key challenges to overcome, and outlook for the future.

The panel included:

- **Zach Bowyer**
  MAI, MRICS, Valuation and Advisory
- **Mike Girard**
  Chief Investment Officer at Senior Living Residences
- **Steve Monroe**
  Partner and Managing Editor at Levin Associates

Recent and Anticipated Transactions

The panel began with a discussion on the types of deals that have been in the market recently. **Steve Monroe** observed that the seniors housing market has been challenged to find consistency in asset valuation as of late. With occupancy less than pre-pandemic levels and a lack of stabilized communities for sale, there is uncertainty around where and when stabilization will ultimately occur and how to accurately price such assets. **Zach Bowyer** added that most markets are experiencing sustained occupancy increases over the past few quarters and are approaching stabilization, which could drive an influx of sales in the second half of 2022.

Investor appetite for seniors housing has widely varied depending on the equity partner. **Mike Girard** shared that certain funds recently raised substantial dollars to be deployed into the sector, while others have spent considerable amounts of cash to maintain their existing assets, which they may consider exiting in the near future. Stemming partly from this differing investment focus of their capital partners, Mike has also cultivated relationships with new equity partners, including some new to the seniors housing asset class. With substantial capital available and a limited number of high-quality deals in the market, there may be significant competition that drives higher prices as assets stabilize post-pandemic and are brought to market.

Outlook on Staffing Challenges

In a discussion regarding the focus of underwriting, staffing challenges emerged as the key valuation factor to emphasize. Nearly all seniors housing organizations are experiencing compressed margins that are primarily driven from greater staffing costs along with agency utilization, which Zach notes increased by a factor of 5-7x during the pandemic. He also shared that it is unlikely that pay increases necessary to attract staff members in the current labor market are temporary. Steve agreed and as the conversation shifted to funding the higher cost structure, he added that the sheer number of Baby Boomers will require an immense amount of additional staff members to provide care over the next decade and beyond. With increasing competition from non-licensed hourly positions in other industries, Steve believes that a $20 per hour minimum wage for direct care staff is necessary to attract and maintain the workforce going forward. While resident fee increases can only cover a portion of these costs, Mike noted that investors understand that their risk-adjusted returns are lower than 5-7 years ago and could continue to see downward pressure.

Active Adult – The Hot New Product

Active adult communities were the consensus "hot new product" amongst the panelists. Steve commented on the benefits of the product type, including the higher margin, lower risk profile, and lesser need for labor, all at price points more affordable to the middle market consumer. However, Mike noted the challenges of integrating an active adult product to a community already offering full-service independent living, which could experience a degree of cannibalization. From an investor perspective, the active adult product is valued similarly to multi-family, with recent sales at capitalization rates as low as 4.0%.

For more information on this session, please contact **Brady Johnson** at bjohnson@hjsims or **Brett Edwards** at bedwards@hjsims.com.

The Future of Design: How Do We Design for the 100-Year Life?

Advances in health care have led to longer projected life-spans, resulting in the need to alter the way we live, work, and play significantly. This session discussed how design and architecture will need to change to improve the human experience as we age. The panelists for the session represented two major architectural and design firms that work not only in the senior living space but also in the residential, office, and retail sectors as well. These panelists included:

Tama Duffy Day
Principal and Global Senior Living Practice Leader at Gensler

Michelle DeCurtis
Associate and Strategist at Gensler Research Institute

Alejandro Giraldo
Principal with the Senior Living Practice at Perkins Eastman

Design Strategies for the Human Experience (Gensler)

The first panelists, **Tama Duffy Day** and **Michelle DeCurtis**, spoke about how recent work from the Stanford Center on Longevity is showing up in their design research and architectural work. The Center on Longevity recently published a paper that called for creative changes to prepare for the 100-year life, asking thought provoking questions such as "why are we working 40 hours a week if we are going to be working for 80 years of our life?" and "why are we only focusing on education in the early part of our lives and not incentivizing for life-long learning?"

Gensler's research on how humans experience the spaces and buildings around them found eight meta trends that were consistent with Stanford's research. These trends were exacerbated by the pandemic and have become more pronounced over the past few years:

A Great Experience is About Wellness

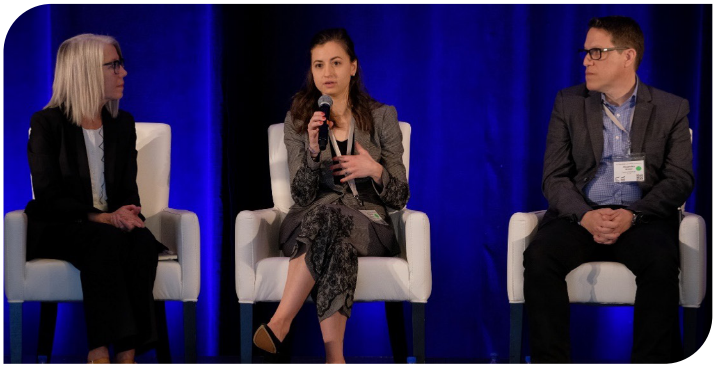
Gensler's research found that wellness is a key driver of how people feel about their workplaces. Adding amenities to both residential and office spaces has been vital to improving the work experience and bringing people together. The pandemic forced people into social isolation and there has been a strong desire to re-connect and build relationships.

A Great Experience is About Community

As mentioned above, the pandemic led to long periods of social isolation. Gensler noted that spaces that allow for the development of a strong community create great experiences for residents. They recently worked on designing an intergenerational development in Huzhou, China that focused on creating a space for all generations to live and develop a strong community.

A Great Experience is Flexible and Customized

Gensler's recent residential experience discovered that spaces that support a wider array of uses and activities allow for a greater experience. This finding is particularly useful for senior living, as many new developments are designing independent living units to allow for aging in place. Gensler pointed to some communities that are developing independent living units that can easily be transitioned to assisted living.



A Great Experience Combines the Needs of Daily Life While Close to Fun

The pandemic exacerbated a trend towards mixed-use developments, whereby retail, residential, and office spaces are situated in close proximity to one another. Gensler's research found that most people now want to live somewhere that is safe, affordable, and in close proximity to stores. This development, also known as the "20-minute neighborhood," has become more common in new developments. For instance, Gensler has been working with Washington, D.C. to develop a 20-minute neighborhood in the Ivy City neighborhood of D.C. They have also worked to ensure that this type of development works for all generations.

A Great Experience is about Discovery and Learning

Over the past two years, in-person learning has been disrupted by the pandemic, often leading to virtual learning. Recent Gensler research found that most students desire a hybrid learning structure, but want to have access to a physical campus so that they can socialize with others and work in-person with teachers and their classmates. Gensler also noted the increased opportunities for intergenerational learning on college campuses.

A Great Experience is about Resilience

The majority of buildings that exist today will exist in the next 30 years, resulting in a need to re-use and re-adapt existing buildings. Gensler recently developed a scorecard that can help cities see which buildings are the best candidates for re-adaption. Readapting buildings has also been a trend in senior living, with many developers transforming hotels or apartments into senior living.

A Great Experience includes Technology

Gensler noted that a great experience in buildings is driven by digital integration, whereby the movement, color, and design of the buildings change over time. This type of digital integration could be vital for the patient experience in the health care sector. Tama Duffy Day gave the example of a patient that walks into a doctor's office that automatically portrays their health care history on the walls.

A Great Experience is Inclusive

Gensler's research found that spaces that were inclusive in their design offered the best experiences. This includes spaces that are structured to support multiple generations. Gensler's research on aging found that over two thirds of older adults would like to age in their current home, but most feel that their home would not support aging in place. They found that those whose current homes are highly supportive of aging in place are more likely to feel safe in their neighborhoods, feel less vulnerable, and live in a neighborhood with strong social cohesion.

"We are entering a new era of human experience in which the value of spaces will be determined by the experiences they provide and how well they address people's needs and expectations."

The Future of Design (Perkins Eastman)

The third panelist, **Alejandro Giraldo**, echoed many of the same trends as Tama and Michelle. Alejandro began the discussion by telling the story of his 99-year old neighbor Herman Tannenbaum. Herman had been a staple of the neighborhood but as he aged he noted that "getting old sucks." Years earlier his wife passed away and he began to feel lonely. Alejandro explained that this story was meant

to show how important community and family connections are as we age and especially for those who age in place like Herman. Research on longevity has found that those that live longer are more likely to have strong connections with their family as well as their "tribe" (or community). This research has led to designs that Perkins Eastman is currently working on, including Apple Valley Vitalocity, a development that focuses on building a community that serves the needs of all residents, regardless of age.

Next, Alejandro discussed the Clean Slate Project, which is an ongoing initiative at Perkins Eastman that calls for completely rethinking the senior living experience. Perkins Eastman's research noted that the senior living industry will need to evolve to meet four macro shocks that are likely to occur in the future:

Technological innovation in health care, as entrepreneurs are drawn to the untapped boomer market

- ➜ *Increased economic disparity between the haves and have-nots*
- ➜ *Increased longevity due to improvements in health care and technology*
- ➜ *"The Third Act," whereby boomers continue to work long after the typical retirement age.*

This research led to potential scenarios in which senior living can evolve and improve. Three of these scenarios include:

WeTest; WeThrive

In this scenario, technology is implemented throughout communities and assists in the caregiving process. This scenario is already being played out in reality with smart watches, clothing, and home devices.

Bed Match and Beyond

Outside of health care, technology can help link like-minded seniors together. For instance, an app could bring seniors together in senior-friendly spaces and real estate. This type of technology could also help bring seniors together outside of a senior living setting to build connections and relationships.

Vertical Main Street

The vertical main street concept pulls together different real estate uses (education, health care, office, residential, and retail) into one location. Perkins Eastman is working on several developments that integrate senior living with other uses. These developments include the Uptown Oaks at the Hallmark development, which integrates senior living in the uptown area of Houston, Texas. Further, Perkins Eastman is working on 2Life Communities in Framingham, Massachusetts, which brings multiple uses into one building to allow seniors to live, learn, worship, and connect all in one easily accessible location.

For more information on this session, please contact **Aaron Rulnick** at arulnick@hjsims.com

Let's Hear from the Leaders

We were thrilled to welcome three industry leaders to a perennially favorite session at the conference. **Jeffrey Farber**, MD, President and CEO, The New Jewish Home, based in New York City, **Anne H. Stuart**, Executive Vice President & Chief Financial Officer, Avalon Health Care, Inc., a multisite provider focusing on the western U.S. and headquartered in Salt Lake City, UT, and **Patrick Crump**, President & CEO, Morningside Ministries, located in San Antonio, TX, participated in a lively discussion, spanning a number of topics.

Geriatrics Career Development (GCD)

Jeffrey Farber discussed the GCD program developed at The New Jewish Home (TNJH). Through partnerships with local public schools and youth organizations, TNJH hires young people from high school age through 24 with the goal of attracting young people to careers in senior care as well as enriching residents' lives.

The GCD program has met with great success, training 225 high school students annually, and having graduated 245 young people from the Young Adult program focusing on those 18-24 years old. Completion of the program leads to a Certified Nursing Assistant credential. Further, students who participate in the high school program have a 99% 4-year graduation rate, and TNJH has hired 76% of those who completed the program.

The program has a substantial impact on the community, achieving over 500 Allied Health Certificates and $1 million in average annual scholarships for those participants continuing on to higher education.

Operations Optimizations

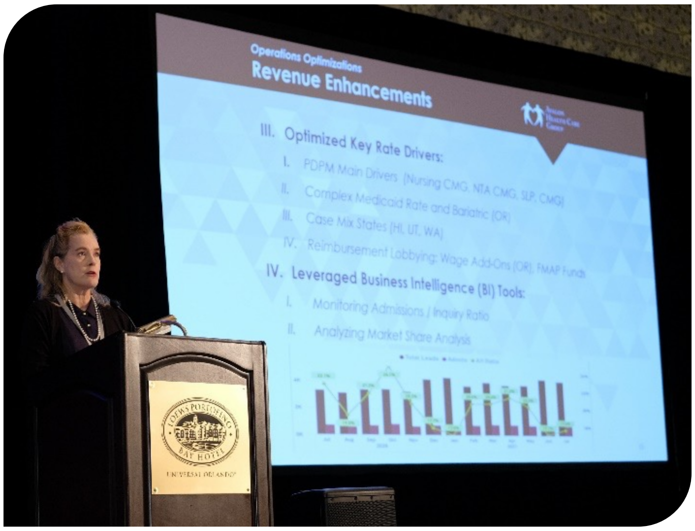
Anne H. Stuart shared the ways Avalon Health Care has enhanced revenues and contained expenses. Revenue enhancements included the addition of 145 SNF beds at 35%+ incremental Net Operating Income with niche programs such as bariatric care, dialysis, veteran's care, behavioral and dementia programs among others. In addition, Anne discussed Avalon's efforts to improve key factors impacting daily rates, such as PDPM drivers, and optimization of the case mix across the states in which it operates.

Anne also discussed Avalon's creation of an internal staffing agency. This agency provides flexible staffing within communities and also has a "Traveler's Division" where members are able to move between affiliated communities to provide additional staffing during periods when local staff is in need of support.

In addition to the efforts to enhance revenues and people management, Avalon has also invested in systems to control costs. These include the maximization of electronic invoicing, investing in accounting systems integrations and making changes to its Pharmacy Benefit Management program.

Middle-Market

Patrick Crump discussed Morningside Ministries' Chandler Estate property. The original home was built in 1880 and still exists on the property today. In the early 1900s the Chandlers left the Estate to benefit "aged gentlewomen". In the 1970s, it was determined that the community could also serve men and during this time, the main house was converted into a senior center.



The community consisted of a large SNF and limited Independent and Assisted Living units (which had been added in the late 1970s and 1980s), the inverse configuration of most communities today. In more recent times, the community had been operating at a deficit, and in 2018 the Board of Directors made the difficult decision to close. Management undertook a comprehensive redevelopment program which added 89 Independent Living Apartments. This significant investment transformed Chandler Estate from one heavily reliant on government reimbursement programs to more lucrative private pay.

For more information about this session, please contact **Andrew Nesi** at anesi@hjsims.com or **Siamac Afshar** at safshar@hjsims.com

Keynote Session: The Financial Markets & the Impact of Policymaking

HJ Sims was afforded the opportunity to interview **Mark Calabria** as the Conference wound to an end. Senior Housing, multi-family housing, tax-exempt borrowing, political landscape and trends of the economy were all blended into one session with the expertise of a former white-house appointed staff member. Dr. Mark Calabria is the former director of FHFA (Federal Housing Finance Agency) which oversees Fannie Mae, Freddie Mac and the Federal Home Loan Banks. Dr. Calabria was the chief economist for Mike Pence serving roles in trade, finance, lending, etc. with his capstone being the work on the Tax Cuts and Jobs Act of 2017. Previously Mark spent years on Capitol Hill including roles in regulatory affairs for HUD, and as a senior aid to the Senate Banking Committee. Calabria's first job out of graduate school was working with the National Senior Housing Council specializing in senior housing. **Curtis King**, Executive Vice President, moderated the session for HJ Sims, addressing pertinent topics that affect the senior housing industry and the economy in general.

Labor and Labor Shortages

Kicking off the session, Curtis inquired about the labor market and the labor issues currently observed as a result of the pandemic. Dr. Calabria saw some immediate relief in the near future and described a host of factors that will play a role in predicting the headwinds and potential tailwinds in one acronym "RIC". The acronym stands for Retirees, Immigrants, and Caregivers. Retirees, with the right set of benefits and salaries, will be willing to entertain reentering the work force. The question then becomes, at what price? With a large gap in the labor supply-demand equation, Mark describes how immigration policies could be an easy lever to help lift the 1-million-person shortage in the labor market today. Lastly, Caregivers are a segment of the market that were observed to shrink the labor supply during the pandemic. This group included persons caring for others at home, persons adverse to working in an office due to fear of contracting the COVID-19 virus or persons that were not allowed to reenter the workforce because they refuse to become vaccinated. All of these segments of the labor market would help relieve some of the current shortages.

Outside of tapping immediate workforces, Mark went on to describe other factors that will help senior living providers find adequate staffing. Employee retention will be a key differentiator for providers to avoid losing staff and having to tap the labor market. "Persons transitioning positions to others companies are at the highest levels ever observed"; therefore, employees will need to focus on internal turnover against industry trends to ensure pay, benefits and culture combine to create a holistic workplace. A workplace that is conducive for employee retention. Additionally, there are methods to help providers cast a broader net into the labor pool. Does this job actually require a college degree? Could we consider a person who has been convicted of

crime for this role? There are numerous criteria that are theoretically "standard" which providers could bend to achieve a competing edge against others drawing from the same potential workforce. The best way for employers to overcome shortages will be to recruit aggressively and consider workers they wouldn't think to otherwise.

Another alternative to curbing the labor shortage is the foresight for automation. As the U.S. population ages, demographic trends observe a population of worked-aged persons. As providers look to position themselves strategically, Mark encourages them to think outside of the box in terms of automating some of the services on campus. "If you're considering investing in automation or hiring an employee, I would lean into automation". He goes on to admit one of his vices is his consumption of fast food and describes how most of the cashier services at these establishments have been replaced with interactive ordering stations. There is an opportunity for providers to take advantage of automation to eliminate labor and also have residents do some of this work on their own accord, just like ordering a combo meal from a fast food restaurant "you're doing all of the work as the customer".

Construction Cost and Supply Constraints

The proposition of expanding existing facilities or building new senior-living inventory on an existing campus is frequently met with extremely high construction costs. These costs often scapegoat supply chain constraints as the causing factor to high costs. Mark notes that upstream supply and domestic supply chains have started to normalize. The constraint remains for materials which are produced internationally and are bottlenecked at shipping ports, weigh stations, etc. Internationally produced goods will also demand higher costs naturally due to the exchange rate of the producer's currency to the U.S. dollar.

The Infrastructure Investment and Jobs Act provided a bipartisan agreement among those seated on Capitol Hill. Mark thought the bill was a refreshing step toward bipartisan relationships; though, noted that this legislation will create additional pressures for labor and constructions costs. The projects will need materials that would otherwise be used for private-sector projects. Furthermore, the majority of the labor associated with the projects, funded through the bill, will have a requirement to be unionized which will create additional competition for providers attempting to construct projects within budget.

Inflation

Curtis King transitioned the subject from construction costs to addressing general inflationary trends. Observing the higher-than-expected inflation, Curtis turned the conversation over to Dr. Calabria in order to obtain his thoughts on the topic. Mark went on to discuss the need to the Federal Reserve to catch-up with inflation. "The definition of full employment has been reached", he explained. Despite monetary policy levers via raising interest rates, winding down asset purchases, etc., he went on to prophesize that inflation could continue to worsen in the next twelve months. "There has been a decade plus of extreme low rates for asset prices". Mark calmed the crowd stating that double-digit inflation is not imminent, but a downturn in real estate prices is likely.

Curtis, latching onto the comments pertaining to the real estate market, then questioned if there could be another real estate crisis similar to 2008. Mark explained that the crisis of 2008 didn't happen overnight. He went on to cite that national housing appreciation is approximately 7% on a nominal basis, he foresees this appreciation diminishing and potentially being negative when adjusted for inflation. "Single-family housing starts for 2022 and 2023 will be the highest since 2006 and 2007", he proclaimed, this will in turn provide housing supply that will outweigh demand and "moderate current housing prices".

Migration Trends

The pandemic acted as a catalyst to perpetuate migration trends that weren't projected to be observed for several years. People, of all ages, uprooted themselves and flocked to various destinations. Mark was asked to distinguish which trends were temporary (and likely to reverse) versus permanent. Conveniently, Dr. Calabria had researched this very topic 20 years prior. He went on to separate trends that were observed in the early 2000s that remain today. "There is still migration in the sun-belt states which include Florida, Arizona and, to a lesser degree, California". With age-qualified individuals for senior living, there was historically a pattern of individuals moving to a location, in order to retire, and then relocating a second time to return "home" to be with family. More recently, children and caregivers of seniors have decided to move with their parents. This pattern will naturally lessen the amount of "reverse migration" previously observed in the senior-living aged population. Mark generalizes that people are, by and large, exiting the Midwest and the Northeast. He predicts that migration to states with "good weather" is here to stay.

Advance Refundings and Appeals to Tax Reform

Tax reform played a large role in the financing landscape for not-for-profit senior living providers. Mark had a unique perspective on this topic and helped craft the Tax Cuts and Jobs Act of 2017 firsthand. When asked about certain language in the bill and its impacts on various sectors, including the elimination of tax-exempt advance refundings, he reminded the audience of the bill's overarching mission, and emphasized "The goal was to get the corporate tax rate as low as possible". "People often forget that corporations are largely pass-through entities" and that "corporations are owned by individuals, pension funds, and the like" he reminded the spectators. The committees crafting tax reform felt that consumers were ultimately bearing the burden of corporate taxes, since entities would pass down the taxes via higher prices.

Russia and Ukraine Conflict

At the time the interview took place, the conflict in Ukraine had just begun to escalate into a full-scale war. Mark was asked to opine on his thoughts regarding the conflict. Dr. Calabria admired the economic sanctions that were enforced on Russia. "These economic sanctions are truly unprecedented", he stated, and went on to discuss some of the implications the war would have on the global economy. He theorized that global energy prices would rise and continue to do so. Additionally, the war would deter most companies from having a relation with Russia for the foreseeable future.

Politics and Conclusions

To conclude the session, Curtis was eager to ask Mark about his experience working within the walls of 1600 Pennsylvania Avenue during the Trump Administration. As an appointed member of former Vice President Mike Pence's cabinet, Mark had the opportunity to collaborate directly with the executive branch and work to execute its agenda. He explained that most economic policy is coordinated through the National Economic Council, which acted to bring in various agencies to craft a plan/resolution that would ultimately be presented to the President in the oval office. Contrary to what is often assumed, cabinet members largely were "rowing in the same direction" and worked as a team with a common objective. Soft laughter and chuckling ensued when Mark described how the media can sometimes exaggerate the inner workings of a coordinated effort by the White House. "People don't anonymously leak to the press for no reason." Additionally, he continued to describe the process of working with various agencies including the Department of Defense and the Department of State. It creates a "unique" work environment when some members of the working group are appointees, others represent agencies such as the Central Intelligence Agency, etc. Ultimately, Mark thought the process worked well and most members of the National Economic Council worked cohesively to accomplish objectives of the executive branch.

Mark fondly recalled some of his other memories that were experienced outside of the White House walls. Flights in Air Force One, international travel, meeting with various delegates, the list goes on. While working on a Free Trade Agreement with Tokyo, he told the audience about a quick pitstop his flight took on the way to Japan. In April of 2017, the flight to Tokyo had a "layover" in South Korea and he was escorted to the DMZ with a military party. In conclusion, Dr. Calabria expressed his gratitude for the opportunity to serve his country and be an appointed member of one of the most powerful governments in the world.

For more information on this session, please contact **Curtis King** at cking@hjsims.com.

Conference Fun-Tivities

We invite you to view photos from the 19th Annual Late Winter Conference.

Below are a few highlights from our conference fun-tivities:

- → **Opening Night Reception & Dinner**
- → **The Wizarding World of Harry Potter™**
- → **Boat Tours around Butler Chain of Lakes**
- → **Scavenger Hunt at Universal Studios**
- → **Golf Tournament**

For even more of our conference photos, please click here

Reach Out Anytime

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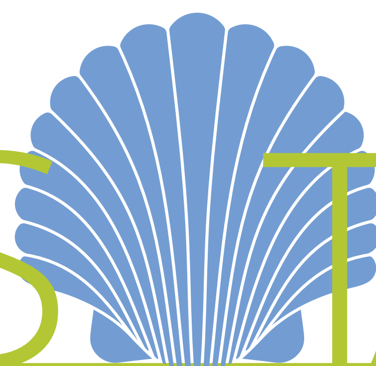

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