HEALTH MANAGEMENT ASSOCIATES

National Church Residences Housing Study Project: A Final Report

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Research and Consulting in the Fields of Health and Human Services Policy, Health Economics and Finance, Program Evaluation, Data Analysis, and Health System Restructuring

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Executive Summary

National Church Residences (NCR) is a not for profit housing organization that began providing housing in 1961. The organization currently provides housing in 28 states and Puerto Rico with over 22,000 units. In Ohio, NCR has been employing multiple funding sources to create an assisted living level of housing that also includes onsite health care services. The funding and individuals served is expected to increase over time as the existing population in the NCR facilities convert to the Ohio Assisted Living Waiver (AL Waiver). Ohio's AL Waiver pays for the costs of care in an assisted living facility for certain people with Medicaid, allowing individuals to use their resources to cover "room and board" expenses. Individuals who meet certain service and level of care needs and meet established financial criteria may be eligible for Ohio's AL Waiver.

This innovative use of funds and services provision has allowed for the diversion of over 90 low-income Ohioans from nursing homes and has successfully resulted in better outcomes at a lower cost with higher levels of satisfaction. As a result of these pilots, NCR believes that it brings valuable social good to expand their development of this model of housing. In order to expand, National Church Residences felt it critical to answer the following questions:

- Can we provide validated proof of the savings to the Medicaid system?
- If we can provide proof, would National Church Residences (and others) want to replicate these pilots?
- If we want to replicate these pilots but the US Department of Housing and Urban Development (HUD) has no additional capital grants available, would the capital markets be willing to provide capital if the state provided a commitment to the supportive services funds?
- If the capital markets would come to the table, what would the structure look like?

NCR plans to expand their development of this model of housing. While the AL Waiver provides funding for the services for individuals, HUD dollars were used to fund required structural and accessibility changes to the facilities in order to comply with physical plant requirements to serve Medicaid AL Waiver recipients. One challenge for supportive housing programs is the need to weave together separate sources of income to pay for the capitalization of the project and the necessary services. Medicaid will not fund the building or renovation of facilities, but will fund services. NCR funded the capital expenses for the last three projects with HUD dollars.

Because HUD funds are limited, capital funding from other sources is needed to continue the nursing home diversion work that NCR began.

The HUD funding received by NCR was from the HUD Assisted Living Conversion Program (ALCP). The ALCP provides funding for the physical costs of converting some or all of the units of an eligible development into a building that can be inhabited by individuals receiving the AL Waiver. This includes the unit configuration, common and services space and any necessary remodeling, consistent with HUD or the State's statute/regulations (whichever is more stringent). The facilities must have sufficient community space to accommodate provisions of meals and supportive services, as well as other requirements described in the Notice of Funding Availability. Funding for the supportive services does not come from HUD but must be coordinated by the owners or residents, either directly or through a third party.

NCR funded this research project with a grant from the Kresge Foundation. NCR sent out a Request for Proposal to find a consulting group who would examine the NCR housing and services model, work with the state of Ohio (Departments of Mental Health and Medicaid), provide data analysis, and provide a literature review.

The first goal of the work was to determine the overall cost differences between the 90 individuals living at NCR facilities when compared with individuals residing in nursing facilities. A comparison was also made between the health services usage (claims data) between individuals with the same functionality scores (RUGs scores) who live either in an AL waiver facility or a nursing facility. The daily rate and cost differential between the individuals in a nursing home and those in under the AL Waiver was a little over 73 dollars. The model demonstrated that if a funder such as Medicaid committed even a small percentage of this dollar difference to community based housing and services, more individuals could be moved or diverted from nursing homes.

A second goal was to determine if there were other states that already had solved these questions in a way that could be replicated in the state of Ohio. NCR requested that the consultant complete a literature review concerning the current model employed by NCR and look to other states for their innovative approach to providing both housing and services. Unfortunately, the search identified limited models that could be imported to the state.

A final goal was for the consultant team to propose a new funding model that could access Medicaid funds for affording housing development. In collaboration with two additional financial consulting firms (Recap Advisors & National Affordable Housing trust), HMA suggested

that there are at least two possible options that should be considered by National Church Residences & the State of Ohio. Details of these options are found in Appendices A & B.

Option A (Appendix A) – utilizes existing affordable housing financing tool referred to as the "low-income housing tax credit" in combination with a federal 1115 waiver requested by the state of Ohio to allow Medicaid reimbursement for capital purposed. After consultation by HMA with Ohio state officials, the Centers for Medicare and Medicaid, and internal waiver experts at HMA, it was determined that the 1115 waiver could be one of the most effective mechanism to achieve the goal of accessing Medicaid funding for the development of affordable housing. This will be an innovative approach to the use of Medicaid funds, but one that clearly would allow for the expansion of more effective housing models. The details of this model were created by the National Affordable Housing Trust.

Option B (Appendix B) – employs an innovative financial approach for scaling social programs. Referred to as a "Social Impact Bond", it is referred to as a "multi-stakeholder partnership in which philanthropic funders and impact investors – not governments – take on the financial risk of expanding preventative programs that help poor and vulnerable people."[1] This model allows for the repayment of bonds based on the savings that will be realized by governments with the development of innovative approaches to services provision. Rather than paying for treatment, Social Impact Bonds would provide the funding to invest in prevention services. As savings are realized, the bonds would be repaid to the investors. This model could easily be applied to housing and the dollars could be used to fund both the capital and services needs of the housing projects. The details of this model were created by Recap Real Estate Advisors.

Proposal Purpose

Health Management Associates was awarded the contract and partnered with the Ohio Colleges of Medicine Government Resource Center (GRC) to assist with the literature review and the data collection and analysis. The tasks of the proposal:

1. Conduct a literature review to include information on existing supportive housing models utilized across the US, with attention to use of evidence-based services/supports

[1] McKinsey & Company. From Potential to Action: Bringing Social Impact Bonds to the US.

and financing models. Summarized the literature and references in the final report along with a catalogue of the articles.

2. In order to examine the characteristics of persons who currently reside in NCR or NCR-equivalent type residences and provide a comparison with residents in nursing facilities, the following tasks were completed:
    - MDS assessments were completed on all of residents in the three AL programs managed by NCR in order to develop a demographic and clinical profile of these residents based on the RUG scores. MDS assessments were obtained for all nursing home residents in the state with the same RUG score.
    - A comparison was made between NCR AL Waiver residents and the nursing home population using a subset of nursing home residents that have a similar clinical and demographic profile to NCR AL Waiver residents (RUG scores).
    - In order to determine the cost differential that exists between consumers served in NCR AL units to similar type consumers residing in nursing homes the following methodology was used:
    - Determined the average nursing home reimbursement rate for individuals residing in nursing homes with characteristics identified above. The average reimbursement rate was determined in part by the acuity score given to the resident and the quality score earned by the nursing home. An average quality score will be assigned to the residents of interest.
    - Calculated the average AL waiver rate for individuals in NCR ALs who receive the AL waiver.
    - For identified Medicaid nursing home and NCR AL residents, determined the service costs for professional health care services provided outside the AL Waiver or nursing home per diem (e.g. card services) from the fiscal year 2010-2011 Medicaid claims data, which was the most current complete data set available for analysis;
    - Calculated the per diem costs difference for all Medicaid services for the NCR AL and the relevant nursing home population.

In addition, HMA also conducted multiple meetings with state agency personnel including the State of Ohio Medicaid Director, the state of Ohio Mental Health Director, and the Director of the Governor's Office of Health Transformation.

Project Timeline/Events

Health Management Associates (HMA) submitted a proposal on January 31, 2012. They provided a team of HMA staff and partnered with Ohio Colleges of Medicine Government Resource Center (GRC) to provide the necessary research-driven approach to determining the impact of the NCR model on the use of nursing home beds.

HMA was contacted on February 28, 2012 and the contract was signed by March 6. March 13, 2012 was chosen as the date for an onsite project kick-off meeting. Kate Lyon and Alicia Smith from HMA and Dushka Crane-Ross and Barry Jamieson from GRC attended the meeting to learn more about NCR, tour the Stygler facility, and meet Jim Bowman and Mike Dummermuth from the National Affordable Housing Trust (NAHT). In addition, Kate Lyon and Alicia Smith met several NCR staff members who are responsible for obtaining MDS (minimum data set) information on individuals living in NCR housing on the AL Waiver.

After the kick-off meeting, HMA began to hold phone meetings with GRC. Outside of this regularly scheduled meeting, the project manager from HMA, Kate Lyon, had multiple calls with Barry Jamieson from GRC to ensure that the data requests were in place, the MDS information was being collected by NCR staff, and that the needed agreements between all three parties (NCR, HMA, GRC) were either in place or in process.

The data request to the Ohio Department of Jobs and Family Services (JFS) was completed and submitted on March 15, 2012. Staff members from the Housing Committee ensured in facilitating this submission and ensuring that it was prioritized within JFS. Barry Jamieson also worked closely with NCR staff to begin the process of obtaining MDS information. NCR developed an abbreviated format which was approved by GRC. This information was obtained on the 90 individuals residing within NCR housing who are on the AL Waiver.

Beginning March 28, 2012, Chris Wilks of GRC began the literature review by surveying articles on the specific topic of housing, housing as a diversion from deep-end service systems, and supplemented the literature review with additional articles.

A meeting (April 17, 2012) was scheduled with the Housing Committee to discuss the outcome of the first planning meeting, progress on the project, and any necessary support the group needed to move the project forward. The Directors of Medicaid (John McCarthy) and Mental Health (Tracy Planck) and the director of the Governor's Office of Innovation were present (Greg Moody). The goal was to provide an overview to the directors on the project, to obtain their buy-in along with introducing the concept of a state investment in housing. In addition to

this local work, Alicia Smith approached CMS about the need for Medicaid to consider some type of provision for housing. She also tapped several HMA Medicaid/waiver experts about how to use traditionally treatment-based dollars for housing.

The meeting was well attended with both state directors remaining for the meeting's entirety. NCR/HMA/GRC learned that the Department of Mental Health was investigating the use of services by individuals under the age of 60 with mental illnesses residing in nursing homes. The staff from the National Affordable Housing Trust presented their model on the costs needed for achieving a conversion of building/housing space to allow for the use of the AL Waiver. The group discussed the capital gap and ways to fill that gap. Both state directors and Mr. Moody expressed a strong interest in the project and wanted to consider ways to fund this type of service. One option is for the state Medicaid office to develop an 1115 waiver that would include the innovative use of Medicaid dollars for housing. Director McCarthy and Mr. Moody both agreed that they would support the state moving in this direction after the analysis of the NCR program is complete.

HMA continued its meetings with the staff from GRC who hired staff from the Plante Moran to assist with the development of a blended nursing home rate to use as a baseline comparison figure in the calculation of the cost differential between nursing homes and assisted living facilities. Plante Moran staff blended rates across different geographic areas and RUG scores that match the RUG scores of the residents within the NCR assisted living programs. The final average nursing home rate that will be used for the comparison is $134.94 per day.

The data sharing agreement between GRC and NCR was completed. GRC staff calculated the average Medicaid service costs for all individuals receiving the AL Waiver within the state of Ohio for fiscal year 2010 to 2011.

Director Tracy Planck asked NCR, HMA, and GRC to provide an updated presentation to the OHT Housing Subcommittee. The goal was to update individuals who attended the April 17, 2012 meeting and to educate other members of the OHT Housing Subcommittee who did not attend the April meeting. The discussion at the meeting focused on the cost of beds, saving funds versus re-balancing the system, and the need to consider changes made during the 2012 legislative session to policy and budgets concerning nursing homes.

These policy and funding changes could impact the data analysis performed within this study, so the decision was made to meet with Julie Evers from JFS. Ms. Evers oversees both policy and funding for the Long Term Care system in Ohio. Obtaining her input into the work proved to be quite valuable. The GRC and HMA team met with Ms. Evers and Adam Anderson on June 11,

2012. After the meeting on June 11th, HMA staff met with Mike Dummermuth from NAHT to review the financial model for NCR.

GRC received permission from JFS for the data use agreement and were able to complete the preliminary analysis which was presented to Ms. Norris. HMA and GRC also met with Julie Evers and Adam Anderson to review the data results. The final report was created and included the literature review, the data analysis and outcomes, conclusions and recommendations.

Subsequent discussions also took place between Michelle Norris and the Recap Real Estate Advisor group to develop a secondary funding source alternative.

Literature Review

Introduction

Health and quality of life are impacted by where we live. Inadequate housing causes or contributes to the development of many preventable diseases and the occurrence of injuries, including respiratory, nervous system and cardiovascular diseases and cancer. [2] Finding safe and affordable housing can be an ongoing challenge for many individuals, particularly those with the health care concerns that often accompany the aging process.

As the population of the United States ages, there is more and more of a demand for alternative housing options. The traditional model of reliance on nursing homes for individuals as they age is a costly one and often results in poor health and satisfaction outcomes. Between 1980 and 1990, expenditures for nursing home care increased by 165% (Somers and Livengood, 1992).[3] This increase in cost has continued and, given the high number of individuals moving into older age, will continue to grow. In 1980, the older population in the United States number 25.7 million. In 2012, that number has increased by 45 percent to 40 million individuals (Payne, Appplebaum, & Straker, 2012). [4]

[2] World Health Organization (2012) http://www.euro.who.int/en/what-we-do/health-topics/environment-and-health/Housing-and-health

[3] Somers, A. and Livengood, W. (1992). Long Term Care for the Elderly: Major Developments of the Last Ten Years. Pride Institutional Journal Long Term Health Care, Winter: 11, 6-18.

[4] Payne, M., Appplebaum, R. & Straker, J. (2012). Locally Funded Services for the Older Population: A Description of Senior-Service Property Levies in Ohio, Scripps Gerontology Center, Miami University.

Examples of Community Alternatives to Nursing Homes

Since the 1980's (Raymond, 2000)[5], efforts to find alternatives to nursing home care have been a priority for funding organizations (state and federal governments, private insurance companies, etc.) as well as advocates for the aging. In addition to financial savings, these alternatives allow individuals to retain their independence in the community for as long as possible. In the year 2000, one in eight in Americans was age 65 or older. By 2030, it is expected to increase to one in five with the senior housing market growing from $126 billion in 2005 to $490 billion by 2030 (Raymond, 2000).[6]

Ohio provides the first example of the use of community alternatives to nursing homes. Ohio's use of nursing home beds is 52 percent higher when compared with the national average. While individuals in Ohio in need of long term care make up only seven percent of the Medicaid population, they account for 41 percent of the Medicaid budget.[7] Recent legislation was adopted requiring the Ohio Department of Aging to address this issue.

Based on this legislation, the Department of Aging focused on Ohioans who were at risk of moving into a nursing home setting in an effort to divert individuals from nursing homes when possible. The Scripps Gerontology Center conducted a follow-up study of these at risk individuals for the Department of Aging. The report, ***"Ohio's Aging Network Efforts to Enhance Nursing Home Diversion and Transition,"*** reveals that, of 1,259 Ohioans who had been in a nursing home for three months or longer and were identified as able to live non-institutionally, 53 percent were living in their own homes and communities after six months, and another 14 percent had transitioned to assisted living. Of 1,974 older Ohioans deemed "at risk" of entering a nursing home, nearly two-thirds were still living in their own homes and communities after six months. In that same time period, 18 percent of these individuals were deceased and only 17 percent had actually entered a nursing home.[8] Through this study, the Scripps Gerontology Center was able to demonstrate that, with the right supports, many individuals can remain independently in the community and no longer need to view nursing homes as their only option.

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[5] Raymond, J. (2000), Senior Living: Beyond the Nursing Home. American Demographics, November 22(11), 58-63.
[6] Ibid
[7] Ohio Department of Aging Website: http://www.aging.ohio.gov/news/agingconnection/2011may/resource.asp
[8] Applebaum, R., Bardo, A., Kunkel, S. and Carpio, E. (2011). Ohio's Aging Network Efforts to Enhance Nursing Home Diversion and Transition, Scripps Gerontology Center, April.

Another example of community alternatives has occurred in Florida. The legislature required that the Office of Policy, Analysis & Government Accountability (OPPAGA) evaluate the effectiveness of Florida's Medicaid home and community based services waiver programs with a particular focus on the three waiver programs that serve frail elders. The study goal was to assess the effectiveness of the programs at delaying nursing home entry along with measuring the total cost to the state for serving frail elders through these waiver programs. The cost of the three largest waiver programs was $338,562,376 to serve 32,683 individuals in 2008-2009.[9] After six months of participation, waiver program participants showed a 4% chance of entering nursing home. Non-participants showed a 35% chance of entering a nursing home. At the end of 24 months of participation, the probability of a nursing home diversion individual entering a nursing home was 12% compared with the 48% probability of waiver participants.[10] OPPAGA also found it was more cost effective for the state to serve elders through the Aged and Disabled Adult and Assisted Living for the Elderly Waiver Programs when compared to the cost of serving elders through the Nursing Home Diversion Program. The costs were adjusted for differences in the characteristics of the individuals enrolled in each program and were based on Medicaid claims data.

Florida Medicaid Waiver Study Results

Waiver Program	Monthly Cost
Nursing Home Diversion	$1,947
Aged and Disabled Adults	$1,260
Assisted Living for Elderly	$1,452

Housing and Finance Models

The state of Illinois has developed innovative ways to achieve, maintain, and fund housing. From individuals struggling to remain in a home facing possible foreclosure to developers working to expand affordable housing options to seniors, the state demonstrates a clear commitment to the provisions of housing for its citizens. Working through the Illinois Housing Development Authority, there are multiple opportunities to expand the housing options in Illinois. Since its creation in 1967, IHDA has allocated more than $10 billion dollars and financed approximately 210,000 affordable units across the state. IHDA accomplishes its mission through

[9] OPPAGA (2010). The State could consider Several Options to Maximize its use of Funds for Medicaid Home and Community-Based Services, March, Report No. 10-33.

[10] OPPAGA (2006). The Nursing Home Diversion Program has Successfully Delayed Nursing Home Entry, May, Report No. 06-45.

a number of federal and state funding sources, including the Illinois Affordable Housing Trust Fund, the Illinois Affordable Housing Tax Credits Fund, the allocation of federal Low Income Housing Tax Credits, and HOME Investment Partnership funds. IHDA is also a bonding authority, and independently sells bonds to finance affordable housing in Illinois.[11]

San Francisco, CA has a limited and expensive housing market. In order to provide housing options for its less affluent citizens, the San Francisco Redevelopment Agency's Citywide Tax Increment Housing Program dedicates a portion of the tax increment generated through the Agency's real estate activities to the development of affordable housing. The primary funding source of the Housing Program is tax increment funding which has far exceeded the statutory 20% of tax increment financing for affordable housing requirement under State law. On a cumulative basis, nearly 50% of tax increment funds generated since 1990 have been devoted to housing. From 1990 through 2008, the Housing Program had committed $506,503,504 in tax increment funding to the development of 10,786 housing units of which 9,628 are classified as affordable housing. The total development cost of these projects is estimated at $2,389,747,504; every dollar the Agency has invested has resulted in over $3.71 in additional investment from other sources, including federal tax credit equity, banks, foundations, and other public programs.[12]

Providence Senior Housing is an example of the type of housing programs that are achieved in San Francisco based on this model and the collaboration of multiple groups. It was co-sponsored by Providence Foundation of San Francisco and Christian Church Homes of Northern California. This housing development offers 50 one-bedroom apartments for residents 62 years and older who have incomes at or below 50% of the mean income in the local area (Area Mean Income). In addition to housing, the Providence Senior Housing program offers services that increase the likelihood that seniors will remain living independently in their apartments. Each apartment features equipment created to allow the residents to age in place. Funding for this project was provided by the San Francisco Redevelopment Agency, and the U.S. Department of Housing and Urban Development's (HUD) Section 202 Supportive Housing for the Elderly program. This project demonstrates the need to bring multiple funding sources together to provide both the capitalization for the building and the separate funding for the services.

[11] State of Illinois Housing Development Authority Website: http://www.ihda.org/
[12] San Francisco Redevelopment Agency Website: http://www.sfredevelopment.org/index.aspx?page=1

Health and Housing

Housing and positive health outcomes are linked. There are numerous studies that demonstrate the impact of supported health services combined with safe and affordable housing. The reduction in emergency department and inpatient bed usage provides cost savings that outweigh the community costs. Housing that is safe and affordable improves health outcomes for the elderly along with disabled individuals, in part, because it provides an organized structure for the delivery of health care (Lubell, Crain & Cohen, 2007). [13]

The Franklin County Alcohol Drug and Mental Health Board (2011) conducted an analysis of behavioral health service utilization at two Columbus, Ohio supported housing sites. The study examined residents' behavioral health utilization two years prior and two years following placement in permanent supportive housing. Preliminary results revealed an 85% reduction in inpatient services, 77% reduction in crisis services, 100% reduction in residential services and a 21% increase in outpatient treatment services among the 128 permanent supportive housing residents.[14]

Sui (2009) examined the impact of housing along with other federally funded supportive services on the elderly and disabled. When a group of residents who received additional supportive services was compared with those who did not, there were notable differences between the two groups. The group receiving supports were less socially isolated, more likely to receive treatment for certain chronic conditions, and less likely to be evicted from their housing. Both groups showed high rates of chronic conditions and issues with accessing healthy foods.[15]

Sadwoski, Kee, VanderWeele, and Buchanan (2009), evaluated the impact of housing and case management for chronically ill homeless adults.[16] The dependent variables measured were emergency department visits and hospitalization. 407 homeless adults with chronic illnesses were participants in the study that lasted from 2003 to 2007. Participants received transitional

[13] Lubell, J., Crain, R., and Cohen, R. (2007). Framing the Issues- the Positive Impacts of Affordable Housing on Health. Center for Housing Policy, July.

[14] Franklin County ADAMH Board (2011), May.

[15] Siu, Collin (2009). Impacts of Nutrition and Human Services Interventions on the Health of Elderly and Disabled Persons in Public Housing. Congressional Hunger Center, February.

[16] Sadowski, L., Kee, R. VanderWeele, T. and Buchanan, D. (2009). Effect of a Housing and Case Management Program on Emergency Departments Visits and Hospitalizations Among Chronically Ill Homeless Adults. JAMA Vol 301(17), 1771-1778.

housing upon hospital discharge followed by long-term housing. They also received case management. Participants demonstrated a 29% reduction in hospitalizations and 24% reduction in emergency department visits.

A collaboration of service and housing provision in Massachusetts (2005)[17] demonstrated savings for individuals living in nursing home alternatives (SHP or Assisted Living) when compared with the costs associated with individuals residing in nursing homes. Each site was provided with $90,000 for supportive services and had 100 or more housing units. Because of this additional cost, each site needed to have six individuals to avoid a full year of nursing home placement to be cost effective. Cost savings are illustrated in the table below:

Table 1: Monthly cost comparison for an individual with no income

Program	SHP		Assisted living		Nursing home	
	State	Federal	State	Federal	State	Federal
SSI*	$128.82	$579.00	$ 454.00	$579.00	$ 30.00	$ 30.00
Medicaid	$ 0	$ 0	$ 560.00	$560.00	$2,287.00	$2,287.00
SHP	$631.00	$ 0	NA	NA	NA	NA
Total	$759.82	$579.00	$1,014.00	$1,139.00	$2,317.00	$2,317.00
Program total	$1,338.82		$2,153.00		$3869.00	

Fonda, Clipp, and Maddox (2002) compared the health outcomes of elderly individuals living in assisted living housing to a similar group of elderly individuals residing in the community. The individuals living in assisted living settings were evaluated to be more physically frail (at "higher risk") than the community counterparts. Despite this, the individuals in the assisted living settings were more likely to have maintained high-functioning and no more likely to have died that the individuals living in the community.[18]

Data Methodology

The Ohio Colleges of Medicine Government Resource Center (GRC) conducted the data collection and the data analysis. The overall goal of the study was to determine the cost differential between the use of the AL Waiver and nursing homes. A comparison was made

[17] Mollica, R. and Morris, M(2005). Massachusetts Supportive Housing Program. Rutgers Center for State Health Policy.

[18] Fonda, Stephenie, Clipp, Elizabeth, and Maddox, George (2002). Patterns in Functioning Among Residents of an Affordable Assisted Living Housing Facility. The Gerontologist 42(2), 178-187.

between the health services usage (claims data) between individuals with the same functionality scores (RUG scores) who live either in an AL Waiver facility or a nursing facility.

Rate Analyses

In determining the costs to the Medicaid program of providing care to a NCR AL waiver eligible resident who is placed in a nursing home, resident acuity must be factored into any analysis. Because Ohio's Medicaid program adjusts its payments to both ALs and to nursing homes based upon the resident's acuity it was important to appropriately account for the differential that exists between the two settings. To measure acuity across settings, a common assessment of the resident's condition needed to be used. For the purposes of this study, NCR staff completed an abbreviated Minimum Data Set (MDS) assessment of every NCR AL Waiver-eligible individual living in each of the three residences included in the study. This was accomplished using nurses who are experienced with completing the assessment.[19]

From these assessments a "Resource Utilization Group" (RUG) score of every resident included in the study was determined. The RUG-III classification system was used to assign an index value for each individual based upon their medical condition. The RUG-III classification system has eight major classification groups: Rehabilitation Plus Extensive Services, Rehabilitation, Extensive Services, Special Care, Clinically Complex, Impaired Cognition, Behavior Problems, and Reduced Physical Function. The eight groups are further divided by the intensity of the resident's activities of daily living (ADL) needs, and in the Clinically Complex category, by the presence of depression. One hundred and eight (108) MDS assessment items are used in the RUG-III Classification system to evaluate the resident's clinical condition. These RUG groups were then used to determine a comparable acuity-adjusted nursing home rate. Based on the MDS assessments completed, the following RUG classes were triggered.

RUG Score	BA1	BB1	CA1	CB1	PB1	PA1
Number	5	3	9	5	7	61

The "BA1/BB1" categories represent the major classification group of "Behavior Problems." Residents in this group display behavior such as wandering, behavior that is verbally or physically abusive or socially inappropriate, or behaviors that results from hallucinations or delusions. The "CA1/CB1" categories represent the major classification group of "Clinically

[19] The MDS assessment is an assessment instrument universally employed in the nursing home field.

Complex." Residents in this group are receiving complex clinical care or have conditions requiring skilled nursing management and interventions for conditions and treatments such as burns, coma, septicemia, pneumonia, foot infections or wounds, internal bleeding, dehydration, tube feeding, oxygen, transfusions, hemiplegia, chemotherapy, dialysis, and physician visits/order changes. The "PB1/PA1" categories represent the major classification group of "Reduced Physical Function". Residents in this group experience needs that are primarily focused around activities of daily living and general supervision. Residents in the Clinically Complex category are considered to have more resource needs than individuals with behavior problems. Similarly, residents in the Behavior Problem category are considered to have more resource needs than individuals with reduced physical functioning.

For this study, each of these RUG groups was used to determine a comparable acuity-adjusted nursing home rate. The total FY13 acuity-adjusted nursing home rates were calculated based upon the methodology detailed in HB 153. The following assumptions were used to calculate total nursing home rates:

- Resident case mix was based on upon the Ohio Medicaid 44 RUGs classification system and associated weights.
- Residents with a RUG class of PA1 and PA2 were excluded from the calculation of the average population case mix.
- PA1s and PA2s received an all-inclusive Medicaid rate for all Ohio Nursing Facilities of $130 per patient day.
- Nursing Facilities were assumed to earn the maximum quality reimbursement of $16.44 per patient day.
- Other components for the Direct, Ancillary/Support, Capital and Tax reimbursement payment categories were paid at the median rate of each nursing facility peer group.
- The total average rate for each peer group was averaged between the PA1/PA2s and the remaining residents weighted by how many of these individuals had these scores. Since PA1 and PA2s are approximately 2/3 of the NCR AL Waiver population they contributed 2/3 of the total average peer group rate.
- The projected statewide average rate was calculated by averaging rates for each Peer Group.

The current weighted average NCR AL Waiver rate is $67.40 for the individuals included in the study. 95 percent are reimbursed at Tier 3 which is $67.88 per day. The other 5 percent are reimbursed at Tier 2 which is $58.20.

Cost Analyses

Medicaid claim information was used to determine the Medicaid costs for those services paid outside the AL Waiver or nursing home daily rate. These typically non-recurring health care costs include the person's hospitalization, medication and physician health care costs. For this study, the period of July 1, 2010 thru June 30, 2011 was used in the analyses. This was the latest information available. The non-recurring costs were calculated on a daily basis so that all total health care costs per individual per day can be constructed.

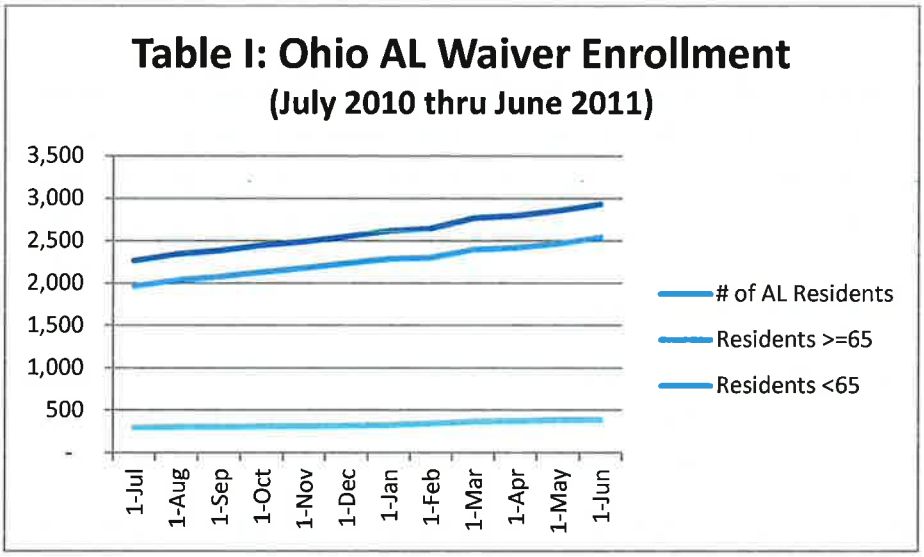
All Medicaid AL Waiver claims were analyzed for all non-AL services because of the relative small number (n=90) of NCR AL Waiver residents. The service utilization of an average AL Waiver resident is not likely to be significantly different than a NCR AL Waiver resident.

Similarly, all nursing homes Medicaid claims for non-nursing home services were analyzed. Only claims of those residents with the same NCR AL Waiver RUG profile (BA1, BB1, CA1, CB1, PB1, and PA1) were included to ensure comparability.

Data Analysis

Demographics of Ohio AL Waiver and NCR AL Waiver Residents

The number of residents enrolled in Ohio's AL Waiver program is growing. Table I shows that for the time period July 2010 thru June 2011, the total number of consumers enrolled on the program increased from 2,275 to 2,938. The table shows that the growth in enrollees occurred for residents both over and under the age of 65. For the group of residents 65 and over, the number of individuals increased from 1,973 to 2,546. For residents under the age of 65, the number of individuals receiving the service grew from 302 to 392. About 13% of the AL Waiver population is under age 65.



Out of the population of all Ohio AL Waiver enrollees, the fraction of residents living in the three NCR residences included in the study is relatively small. The total number of residents living at Stygler Commons, Hopetown Village and Portage Trail is 90. The average age of residents in these three homes is 79, comparable in age to the entire AL Waiver's residents.[20]

The number of residents under 65 is approximately 5% of the NCR AL Waiver population. Nearly all NCR AL Waiver residents living in Stygler Commons, Hopetown Village and Portage Trail are paid at the Tier 3 rate, the highest acuity tier for the AL Waiver. As mentioned above, 95% of the these residents are reimbursed at the Tier 3 waiver rate of $67.88 and 5% are reimbursed at the Tier 2 rate of $58.20. The distribution of residents at these tiers is comparable to the entire AL Waiver population.[21] The weighted average rate across the three residences is $67.40. This reimbursement covers the daily routine room, board and health needs of the resident. Costs covered include personal, care, housekeeping, laundry, maintenance, nursing, transportation, food and social services. Table II shows the Medicaid card costs of all AL Waiver residents by major cost category on a per patient per month basis and on a daily basis.

[20] R.A. Applebaum, V. Wellin, S.A. Mehdizadeh, J.S Brown, K.B. McGrew, L. Manning, H. Menne, K. Brown Wilson, J. Johnson, H. Baker, & K. Chow, March 2009. "An Evaluation of the Assisted Living Program."

[21] Ibid

Table II Medicaid Costs for AL Waiver Residents
Period: July 1, 2010 thru June 30, 2011

Category of Service	Cost Per Patient Per Month	Cost Per Patient Per Day
Drugs	$ 43.65	$1.44
Home Health	$ 2.36	$0.08
Inpatient Hospital	$ 27.12	$0.89
Mental Health Services	$12.07	$0.40
Other	$ 91.31	$3.00
Outpatient Hospital	$ 21.40	$0.70
Physician Services	$ 32.83	$1.08
SNF	$ 41.88	$1.38
Total	**$ 272.63**	**$ 8.97**

Since most AL Waiver residents are over age 65, they are usually dually eligible for both the Medicare and Medicaid program. For dually eligible enrollees, Medicaid pays for the copays and deductibles of these consumers which represent only a small fraction of the total health care costs. The biggest Medicaid cost in the service categories listed is skilled nursing costs, drugs, and physician services. The total Medicaid card costs for all non-AL Waiver costs for the period of July 1 2010 thru June 20, 2011 averaged to $8.97 per day.

Tables IIA and IIB compare the per patient per month and per patient per day costs of AL Waiver residents under and over 65. Table IIA summarizes the average Medicaid health care costs of eligible individuals over age 65 while Table IIB summarizes costs for eligible individuals under 65.

Table IIA
Medicaid Costs for AL Waiver Residents >= 65;

Category of Service	Cost Per Patient Per Month	Cost Per Patient Per Day
Drugs	$11.48	$0.38
Home Health	$0.55	$0.02
Inpatient Hospital	$14.05	$0.46
Mental Health	$5.23	
Services		$0.17
Other	$79.81	$2.62
Outpatient Hospital	$14.04	$0.46
Physician Services	$25.19	$0.83
SNF	37.39	$1.23
Total	**$187.74**	**$6.17**

Table II B
Medicaid Costs for AL Waiver Residents <65;

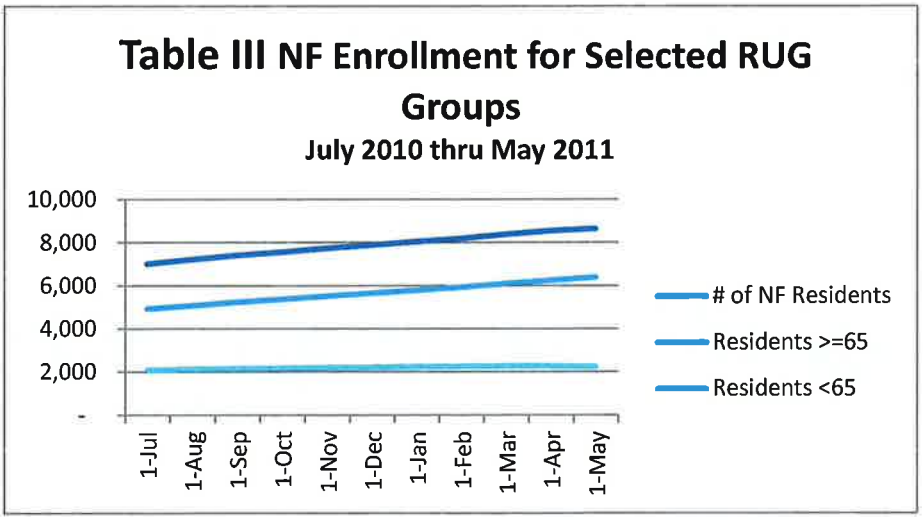
Category of Service	Cost Per Patient Per Month	Cost Per Patient Per Day
Drugs	$257.00	$8.45
Home Health	$14.35	$0.47
Inpatient Hospital	$113.75	$3.74
Mental Health	$57.45	
Services		$1.89
Other	$167.19	$5.50
Outpatient Hospital	$70.18	$2.31
Physician Services	$83.38	$2.74
SNF	$71.50	$2.35
Total	**$834.80**	**$ 27.45**

Since enrollees under age 65 are less likely to be dually eligible compared to those over 65, Medicaid pays a greater portion of the health care costs for these enrollees. This payment difference is reflected in the tables: the total per patient day card costs of individuals over 65 is only $6.17 compared to $27.45 for individuals under 65. The total AL Waiver rate for NCR AL Waiver residents included in the study was determined by adding the weighted average AL Waiver per diem rate of $67.40 to the average card costs per diem of $8.97. The total AL Waiver rate inclusive of Medicaid card costs is $76.37.

Comparable Nursing Home Costs/Rates

Table III shows the growth in enrollment of nursing home residents assessed as having one of the following RUG classifications: BA1, BB1, CA1, CB1, PAB1 and PA1. These specific RUG classifications were selected as they matched the classification of the AL Waiver residents at NCR. The total number of nursing home residents who fell within the same RUGs score categories as the NCR residents grew from 7,040 to 8,678 in from July 2010 to May 2011, a 23% increase. This is an interesting result given the flat to declining Medicaid nursing home population. The comparable population in nursing homes, however grew much more rapidly for the 65 and over population, 30%, compared to 8% growth for the under 65 population.

Table III NF Enrollment for Selected RUG Groups
July 2010 thru May 2011



Nursing Home Rate Calculation

Nursing homes are reimbursed for costs for services such as personal, care, housekeeping, laundry, maintenance, nursing, transportation, food and social services as well oxygen, therapy and capital. Current nursing home per diem rates vary primarily by the resident's RUG class: the

higher the resident's acuity, the higher the dollar amount the nursing home is reimbursed to provide services for that individual. Table IV shows the relative impact the change in RUG class has on the NF total reimbursement using the NCR AL Waiver RUG categories. In addition to the direct care component, average rates were assumed for all other rate components: Tax, Quality, Ancillary Support and Capital using the "Peer Group One – Large" Peer Grouping.

For example, the relative rate difference of a "CB1" Clinically Complex resident compared to a "PA1" or Reduced Physical Functioning resident is a little over $52 per day. As indicated earlier, most NCR AL Waiver residents are classified in the lowest RUG class, PA1. However, the addition of just a few residents who are classified with higher acuity needs can have an impact on the overall rate paid to the facility.

Table IV: Relative RUG Class Nursing Home Rate Impact

Attachment I provides the calculation details used to determine the overall statewide average nursing home rate given the NCR AL Waiver RUG classes. Average rates were used for all nursing home reimbursement components with one exception. The direct cost category used the average cost per case mix unit to calculate average direct care rates by peer group. A weighted average case mix score of 1.397 was used to determine the average direct component by peer group. A statewide average nursing home rate of $134.94 was obtained using the total average rates of each of the peer groups used for nursing home reimbursement purposes.

Similar to the AL Waiver rate/cost calculation, the Medicaid card costs for all NF residents with the NCR AL Waiver RUG classes was calculated (See Table V). The overall per patient per month

costs for the period July 1, 2010 thru May 30, 2011 was $441.57 per patient per month or $14.51 per resident day. This total cost is slightly higher than the AL Waiver card cost of $8.97. The highest cost categories of service for these nursing home residents were drugs and inpatient hospital services.

Table V. Medicaid Card Costs for NF Residents
RUGs =PA1, PB1, BA1, PB1, CA1, CB1 Period: July 1, 2010 thru May 30, 2011

Category of Service	Cost Per Patient Per Month	Cost Per Patient Per Day
Drugs	$ 104.19	**$ 3.42**
Home Health	$ 8.44	**$ 0.28**
Inpatient Hospital	$ 68.62	**$ 2.25**
Mental Health Services	$ 22.44	**$ 0.74**
Other	$ 132.68	**$ 4.36**
Outpatient Hospital	$ 30.53	**$ 1.00**
Passport Services	$ 33.70	**$ 1.11**
Physician Services	$ 40.97	**$ 1.35**
Total	**$ 441.57**	**$ 14.51**

As in Tables II A and B, Tables V A and V B demonstrate a comparison of the Medicaid card costs of RUGs Class for NF residents under and over 65. Comparable to AL Waiver residents, nursing home residents under age 65 are much more expensive to the Medicaid program compared to residents over age 65. The overall card cost difference of $26.57 for younger residents versus $9.13 for older residents is comparable to the experience of AL Waiver residents.

Table V. A NF Residents Age >=65
RUGs =PA1, PB1, BA1, PB1, CA1, CB1
Period ; July 1, 2010 thru June 30, 2011

Category of Service	Cost Per Patient Per Month	Cost Per Patient Per Day
Drugs	$24.05	**$0.79**
Home Health	$6.99	**$0.23**
Inpatient Hospital	$21.51	**$0.71**
Mental Health Services	$11.59	**$0.38**
Other	$126.70	**$4.16**
Outpatient Hospital	$14.21	**$0.47**
Passport Services	$45.63	**$1.50**
Physician Services	$27.35	**$0.90**
Total	**$ 278.02**	**$ 9.13**

Table V. B NF Residents Age < 65

Category of Service	Cost Per Patient Per Month	Cost Per Patient Per Day
Drugs	$284.11	**$9.33**
Home Health	$11.71	**$0.38**
Inpatient Hospital	$174.37	**$5.73**
Mental Health Services	$46.81	**$1.54**
Other	$146.09	**$4.80**
Outpatient Hospital	$67.17	**$2.21**
Passport Services	$6.91	**$0.23**
Physician Services	$71.55	**$2.35**
Total	**$808.72**	**$ 26.57**

Table VI summarizes the costs differences between nursing homes and NCR AL Waiver individuals after adjusting for acuity. The cost differential between NCR AL Waiver residents and comparable nursing home residents is calculated to be $73.08 per resident per day. In their 2009 study Scripps Gerontology found the cost difference between AL Waiver residents and nursing homes without adjusting for acuity to be $101.09 per resident per day. [22] Since this study adjusts for the effect acuity has on Medicaid costs, an estimate of $73.08 between AL Waiver residents and comparable nursing home residents makes sense: one would expect that the overall cost differential between nursing homes and assisted living centers would be higher since the nursing home population has a higher level of acuity.

NCR AL WAIVER to Nursing Home Cost Comparison

Table VI. Summary of NCR AL Waiver/Nursing Home Rates

Average NF Per Diem Rate	**$134.94**
Average NF Card Costs	$14.51
Total NF Rate\Costs	**$149.44**
Average AL Waiver Rate (NCR)	$67.40
Average AL Card Costs	$8.97
Total NCR AL Rate\Costs	**$76.36**
Total NF-AL Rate\Costs Difference	**$73.08**

Data Notes

Because of the numerous changes that occurred to nursing homes as a result of HB153, it was important that this study focused on current NCR AL Waiver rates and nursing home rates in making its cost comparisons. The latest Medicaid claim information available used to determine the Medicaid card costs of AL Waiver and nursing home residents were determined from claims data two years prior to the current period. Ideally all Medicaid costs would be captured from the same time period. Medicaid card costs were averaged across one year's time and not keyed specifically to periods when individuals may or may not have been residing in a nursing home or

[22] R.A. Applebaum et al . "An Evaluation of the Assisted Living Program."

AL Waiver program. Because Medicaid card costs constitute less than 15% of total Medicaid costs for both AL and nursing homes residents and since these costs are not likely to change significantly from year to year, it is likely that the analysis would be similar even if all costs were examined over the same time period.

This analysis does not provide a dynamic cost impact to the state if nursing home residents are suddenly moved to an assistance living residence. For example, if nursing home resident moves to an AL residence and is paid under the AL Waiver program, it is likely that the acuity level of the remaining nursing home residents will increase, increasing the overall case mix and thus the reimbursement level to that nursing home. This marginal increase in costs to the state resulting from a shift in the population from nursing homes to ALs would lessen the overall cost savings to the state.

NCR Financial/Funding Models for Future Projects

Medicaid Contract Savings Note:

Refer to Appendix A for report and financial funding analysis.

Social Impact Bond:

Refer to Appendix B for report and financial funding analysis.

Conclusions

As more and more individuals reach the age when assistance is required to continue to live with dignity and independence, the need for housing options will increase. For several generations, nursing homes have been the traditional placement for the elderly. However, they are neither cost effective nor do they receive high satisfaction ratings from individuals who prefer to remain in the community for as long as possible. The development of other supported housing options is a challenge because the major funder, Medicaid, has traditionally viewed housing as a residence and not part of the service continuum. Meanwhile, nursing homes have traditionally been viewed by Medicaid as a service and not a living environment.

Unfortunately, this facilities or hospital approach to funding has increased the likelihood of individuals being referred to higher levels of care than may be needed. In addition, this has skewed the system toward the more costly end of the service range. In an effort to add more flexibility to this system, states continue to move forward with waivers that provide funding for

assisted living, nursing home diversion programs, and aging in place initiatives. Housing groups continue to work to knit together the different funding sources necessary to provide the most effective system of care, housing and health services. Despite all these efforts, more programs are needed to supply the growing demand for alternatives to nursing homes.

Housing groups like NCR continue to seek innovative ways to offer a service continuum that integrates health services and housing. NCR has created a model using HUD funds that has been effective at creating a number of apartments that meet the physical requirements to allow individuals who receive AL Waiver services to live safely in their community. This work has been commendable and has allowed NCR to offer an alternative to nursing homes. In addition, the assisted living programs offered by NCR provide a more cost-effective and satisfying way for Ohio's elderly individuals to live. To continue to expand this housing option, NCR has to find alternate sources of funding as HUD capital dollars becomes less of an option.

This grant sponsored by The Kresge Foundation allowed for a study to look at the cost differences between individuals with the AL Waiver and those living in nursing homes. With the acuity level controlled by comparing like RUG scores, the rates differed along with the cost for services that were used outside of the bundled costs for AL and nursing homes. Both the rate and the Medicaid card costs were higher for individuals in nursing homes compared with individuals receiving the AL Waivers. Based on this examination of rates and Medicaid Card Costs, the cost differential between the two different services options was a daily cost of $73.08. This represents a 49% savings over the cost of the nursing home bed. This data comparison was made using 90 AL Waiver individuals who lived in one of the three AL housing options offered by NCR. As the number of AL Waiver qualified individuals increase at NCR, these cost differences will continue. As more of this type of housing is available in communities across Ohio, more and more individuals will be able to live independently at a lower cost than that of nursing homes and with higher levels of satisfaction.

There are multiple studies that show the increased health outcomes that can be achieved with safe and affordable housing (see literature review). These positive results are seen across multiple health issues (mental illness, substance abuse, HIV/AIDs, etc.). Despite this, housing has not been viewed by most funders for health services as an imperative. The struggle to find more cost effective models of treatment is a challenge for the public system.

NCR demonstrated a model that can offset the use of federal and state dollars traditionally used for a more costly service system (nursing homes). In addition, this study pointed out the

dearth of innovative funding models for the provision of housing and services for the elderly. The challenging work of integrating funds from multiple sources falls on the providers of these services (health, housing) and can result in wonderful programs (Stygler Commons for example). However, with one change to funding (HUD, for example), these models are put at risk. Ideally, the integration of funding would occur at a different level, leaving the providers to provide services and the residents to live secure in the knowledge that they will continue to live in the community as long as possible.

Social Impact bonds are an innovative way to obtain funding for social issues that began in the United Kingdom. This model allows for the repayment of bonds based on the savings that will be realized by governments with the development of innovative approaches to services provision. Social Impact Bonds provide the funding to invest in prevention services. As savings were realized, the bonds would be repaid to the investors. This approach is being tried in Boston and, most recently in New York City. In NYC, Goldman Sachs will be investing close to 10 million dollars in the development of a new jail program.[23] [24] As the recidivism rates decrease, the savings to the system will be used to repay the investment. This type of investment model could easily be adapted to fund both the capital and the services aspects of housing for seniors. This study has demonstrated that the cost to house and serve elders using the NCR model is less costly when compared with the use of nursing homes. This cost difference would be used to re-pay the bond investment.

This study provides support for NCR to go forward to state and federal agencies to receive additional funding and to suggest innovative ways to demolish the silo between housing and health. It also calls into question the federal view housing as not part of the treatment and prevention continuum for the elderly and the disabled. As the desire for nursing homes decrease, funding can be moved from the deep-end service system into less expensive and more effective models if there are changes in the definition of services.

[23] The New York Times (August 2, 2012), Goldman to Invest in City Jail Program, Profiting if Recidivism Falls Sharply

[24] Boston Globe (August 1, 2012), Mass. Program Ties Non-profits' Pay to Success.

Recommendations

1. **Medicaid Contract Savings Note**: The state of Ohio should pursue an 1115 waiver (see attachment II for details) to include a provision for the funding of housing to allow individuals to remain in the community increasing the likelihood of increased health outcomes coupled with higher quality of life satisfaction. This will also result in a reduction in the use of long term care. Under the waiver, savings from providing assisted living services instead of nursing facility services would be used to finance the conversion of existing housing stock into supportive housing. The program would be requested for a sub-state area (Franklin County). The without-waiver baseline would be cost: total projected Medicaid cost over the life of the waiver for a similar population. With-waiver expenditures would consist of the renovation costs plus the ongoing Medicaid expenditures for the enrolled population (i.e. the assisted living residents).

In order for CMS to consider the waiver request, the State has to first submit an application. In order to get to this point, the following steps would need to take place:

- Establish a point of contact within ODJFS;
- Obtain state buy-in of concept;
- Submit concept paper to CMS; schedule initial discussion; and
- Obtain relevant data from state

HMA is prepared to manage the 1115 waiver process and develop the actual waiver for National Church Residences. The process can take from nine to 12 months to complete.

2. **Social Impact Bonds** are an innovative way to obtain funding for social issues that began in the United Kingdom. This model allows for the repayment of bonds based on the savings that will be realized by governments with the development of innovative approaches to services provision. Rather than paying for illnesses after they have become severe, Social Impact Bonds would provide the funding to invest in prevention services. As savings were realized, the bonds would be repaid to the investors. This approach is being tried in Boston and, most recently in New York City. In NYC, Goldman Sachs will be investing close to 10 million dollars in the development of a new jail program. As the recidivism rates decrease, the savings to the system will be used to repay the investment.

NCR is in discussion with a Massachusetts-based group who is introducing this concept to the United States. NCR plans to hire the group to develop such an initiative in Ohio.

3. **Capital Improvement Funds**: Annually, the state of Ohio (managed through a state agency) should provide capital improvement dollars specifically for the development of nursing home diversion assisted living facilities. These facilities will provide safe and affordable housing along with support services. This capital improvement fund could be provided in a lump sum or could be provided using the calculations demonstrated by NAHT as an enhancement to the daily rate paid for the AL Waiver (see NCR Financing Section above).

4. **Future CMS Innovation Funding to States:** The Health Care Innovation Awards funded up to $1 billion in grants to applicants who will implement the most compelling new ideas to deliver better health, improved care and lower costs to people enrolled in Medicare, Medicaid and Children's Health Insurance Program (CHIP), particularly those with the highest health care needs. The expectation is that this type of innovation grant will be offered again in the next year.

5. **New Section 811 Project Rental Assistance (PRA) Option:** The state of Ohio is applying for an 811 PRA Option Grant. In a discussion with HMA and state staff, it was clear that, should Ohio receive this grant, NCR would be a group that should apply for this type of funding as their model is an ideal fit.

Attachment I Projection of Medicaid Average Rate

Peer Group	One S	One L	Two S	Two L	Three S	Three L	SWA
Tax Rate	$ 1.00	$ 1.22	$ 1.24	$ 1.45	$ 0.81	$ 0.93	$ 1.11
Quality Component	$ 16.44	$ 16.44	$ 16.44	$ 16.44	$ 16.44	$ 16.44	$ 16.44
Direct Care	$ 50.49	$ 50.49	$ 44.39	$ 44.39	$ 38.72	$ 38.72	
	1.3970	1.3970	1.3970	1.3970	1.3970	1.3970	
	$ 70.53	$ 70.53	$ 62.01	$ 62.01	$ 54.09	$ 54.09	$ 62.21
Ancillary/Support	$ 60.97	$ 61.70	$ 57.28	$ 56.59	$ 53.04	$ 50.38	$ 56.66
Capital	$ 10.05	$ 10.74	$ 8.75	$ 10.11	$ 7.67	$ 6.07	$ 8.90
Total Rate	$ 158.99	$ 160.63	$ 145.72	$ 146.60	$ 132.05	$ 127.91	$ 145.32
Annual Census	10,585	10,585	10,585	10,585	10,585	10,585	10,585
Annual Revenue	$ 1,682,953	$ 1,700,313	$ 1,542,473	$ 1,551,788	$ 1,397,766	$ 1,353,944	$ 1,538,206
PA 1 Rate	$ 130.00	$ 130.00	$ 130.00	$ 130.00	$ 130.00	$ 130.00	$ 130.00
Pai Annual Census	22,265	22,265	22,265	22,265	22,265	22,265	22,265
PA1 Annual Revenue	$ 2,894,450	$ 2,894,450	$ 2,894,450	$ 2,894,450	$ 2,894,450	$ 2,894,450	$ 2,894,450
Total Annual Revenue	$ 4,577,403	$ 4,594,763	$ 4,436,923	$ 4,446,238	$ 4,292,216	$ 4,248,394	$ 4,432,656
Average Rate	$ 139.34	$ 139.87	$ 135.07	$ 135.35	$ 130.66	$ 129.33	$ 134.94

Projected Acuity Calculation				
5	*BA1*	*1.0259*	*5.1295*	
3	*BB1*	*1.4116*	*4.2348*	
9	*CA1*	*1.6009*	*14.4081*	
5	*CB1*	*1.8232*	*9.116*	
7	*PB1*	*1.0892*	*7.6244*	
29			*40.5128*	Average Case Mix **1.3970**

Attachment II 1115 Waiver

Introduction

The purpose of this waiver would be to demonstrate that creating additional affordable assisted living capacity generates savings while improving health outcomes and experience of care for low-income individuals. Under this waiver, a portion of projected long term care savings would be made available to finance the conversion of existing housing stock to affordable supportive housing.

Background

Under Section 1115 of the Social Security Act (the Act), the Secretary of Health and Human Services has broad authority to permit flexibility in several programs, including Medicaid. The vehicle for exercising this flexibility is referred to as a waiver. In the case of a Section 1115 Medicaid waiver, the Centers for Medicare and Medicaid Services (CMS) is responsible for review of proposals from states. This section discusses the extent of flexibility under Section 1115, explains the key features of a waiver, and provides details on what is required for waiver approval.

Extent of Flexibility

Under Section 1115, the Secretary has broad, though not unlimited, flexibility. In general, Section 1115 has two major features with regard to Medicaid:

- Waiver authority pertaining to Section 1902; and
- Expenditure authority pertaining to Section 1903.

WAIVERS OF SECTION 1902

In general, Section 1902 specifies the required elements of a Medicaid State Plan. For example, it spells out the mandatory and optional eligibility groups and benefits, and requires that services be provided on a statewide basis and to all who are eligible. Some important Medicaid provisions, such as cost sharing (Section 1916), are codified in sections other than 1902, meaning that waiver authority cannot be used to modify them.

EXPENDITURE AUTHORITY FOR SECTION 1903

Section 1903 of the Act details the items and activities for which states can receive Federal matching funds. The expenditure authority in Section 1115 allows the Secretary to grant approval of Federal matching funds for purposes not otherwise contained in Section 1903. This is often referred to as costs not otherwise matchable or CNOM authority. CNOM has historically been used for such purposes as financing eligibility expansions that would not have otherwise been permitted under law. Like the waivers of Section 1902, however, this authority is not unlimited. The Secretary cannot grant CNOM authority for an expenditure that is otherwise prohibited in a section of the Act other than 1903. Some good examples of this are exceeding the limits applicable to disproportionate share hospital funding (Section 1923) and paying for non-emergency services for non-qualified aliens (contained in welfare reform legislation).

EXAMPLES

Some examples of how states have exercised Section 1115 authority include:

- *Benefits.* Since the requirement for comparability of benefits can be waived, states sometimes use Section 1115 to provider different benefit packages to different populations. Sometimes the design involves a benefit enhancement, like additional long term care services. As an alternative, states might use the authority to place limits on the benefit package for an expansion population. Maryland, Michigan, and Utah are all states that have limited their waiver expenditures by using 1115 authority to restrict the benefit package for an expansion population to primary/preventive care.

- *Eligibility.* Section 1115, through the expenditure authority, has been the main vehicle for expanding eligibility to non-disabled childless adults, who prior to ACA, could not be covered under Medicaid through any other mechanism. Tennessee, Oregon, and New York have all exercised this authority. Section 1115 has also been used to expand to state plan populations in instances where a state might not want to offer a full benefit package (see above). It is important to note than even though states can now offer Medicaid to childless adults through the State Plan because of ACA, there are still states (Arkansas, Ohio and Illinois) requesting the use of Section 1115 authority to implement these expansions on a sub state basis.

- *Geographic Targeting.* As suggested above, the Secretary can use Section 1115 to waive the requirement that Medicaid be designed and administered in a consistent basis

across the state. Under the California Bridge to Reform waiver, for example, counties can opt-in to expanding Medicaid prior to 2014.

- *Program Design.* In limited instances, Section 1115 has been used to make sweeping changes to the design of a state's Medicaid program, or to test a new approach. The State of Oregon used Section 1115 to organize Medicaid services under a prioritized list of condition/treatment pairs and used the savings to expand eligibility. The State of Indiana used a waiver to offer a medical savings account-style approach to coverage to their expansion population.

Key Features

This section describes the key elements that make up a Section 1115 proposal for consideration by CMS.

- *Concept.* The first part of an application is always a high-level explanation of the waiver concept – what is being asked for, when it will be implemented, what outcomes are expected, etc.

- *Reason for Request.* This section is typically an explanation of the problem the waiver is trying to address. Typically a state will present relevant statistics and other environmental considerations to place the waiver request in context. For example, a waiver that expands eligibility would discuss the number of uninsured people and provide relevant facts about health conditions and outcomes in the uninsured population, in order to build a case for why CMS should approve the expansion.

- *Populations Affected.* This section will describe in detail the populations that are affected by the waiver request, whether they are existing State Plan eligibles whose coverage is affected, or expansion populations.

- *Uses of Funding.* Each waiver application will include a detailed explanation of how any additional funding made available by the Federal government through the waiver would be used.

- *Budget Neutrality.* Although this requirement does not appear in statute, CMS requires that waivers pass a budget neutrality test, meaning that they will not cause the federal government to incur costs in excess of what would have been the case without the waiver. This involves creation of a "with waiver" and "without waiver" cost calculation.

The construction of the without waiver side of the equation, against which actual costs are ultimately compared, is flexible and is a matter of negotiation between the CMS and the state. The state's goal is always to build the largest possible without waiver baseline. States get "credit" in this calculation for program changes that could have been made in the absence of the waiver (e.g., the ACA eligibility expansion). The without waiver baseline can be constructed in two distinct fashions: by calculating total projected program costs and using the number as an aggregate cap, or by constructing a per-person cap that will change with the number of eligible individuals. In some past instances, states have used Section 1115 authority to redirect funds that would have otherwise been spent as disproportionate share hospital payments. There have been more rare instances where the without waiver baseline was constructed in a more creative fashion. For example, there were waivers that provided services to HIV patients who could not otherwise qualify for Medicaid, based on the theory that delay or prevention of standard eligibility creates savings (i.e., if HIV patients did not receive care they would become ill enough to qualify on the basis of disability and would be more expensive to care for). Budget neutrality is ultimately measured over the life of the waiver, meaning that it is not necessary to meet the test in each separate year.

- *Waivers Requested.* Each waiver application will include a detailed listing of the provisions from which the state wants a waiver and/or the CNOM authorities that are being requested. Typically, the waiver approval documents will also detail any limitations or specific purposes attached to each provision. This prevents overly broad interpretations of specific individual waivers that are contrary to the original intent of the request or beyond the flexibility that CMS wants to grant.

- *Time Period.* As a general rule, waivers are approved for a five-year time period. Extensions are for three years. The exception to this is the eligibility expansion element of the California Bridge to Reform waiver, which expires when the ACA Medicaid expansion takes effect in 2014.

Requirements for Approval

This section discusses a few important features that are required for CMS approval of a waiver.

- *Public Comment.* As of April 27, 2012, new waiver requests are subject to more rigorous requirements regarding public comment. These requirements apply both to the state and to CMS. Some of the requirements are the posting of waiver documents on public

websites, establishment of a mechanism to receive public comments, and stipulations that CMS cannot act on a waiver request until these requirements have been satisfied.

- *Consistency with Purpose of Medicaid.* In order for CMS to approve a waiver, the agency must be satisfied that the program design is sound, that beneficiaries are protected, and that the overall concept is consistent with the purpose of the Medicaid program.

- *Budget neutrality.* The previous section contains a robust discussion of budget neutrality so it is not repeated here. It is important to note that often, budget neutrality becomes the focal point of negotiations between CMS and the state. Review of budget neutrality also involves the Office of Management and Budget, and negotiations can be lengthy. It is reasonable to assume that in a case where an innovative or untested design of the without waiver cap is proposed, this will be the most time-consuming part of the approval process.

- *Terms and Conditions.* Prior to final approval of a waiver request, CMS will write a set of Special Terms and Conditions, which form the basis for monitoring the waiver and ensuring that it is on track. The STCs will explain what the state is allowed to do under the waiver, what costs are matchable, and how budget neutrality is constructed and administered. The STCs will also include milestones and reporting requirements, as well as any processes or timelines that have been negotiated (e.g., timeline for amendment requests and under what circumstances an amendment is needed). In addition, there are often requirements for the state to prepare any required operational protocols that may be needed to spell out specific program features.

Appendix A

See attached report

Appendix B

See attached report.

APPENDIX A

Option A: *MEDICAID CONTRACT SAVINGS NOTE*

Report Completed By: NATIONAL AFFORDABLE HOUSING TRUST

National Affordable Housing Trust

"MEDICAID CONTRACT SAVINGS NOTE"

NATIONAL CHURCH RESIDENCES

REPORT PREPARED BY
NATIONAL AFFORDABLE HOUSING TRUST

OCTOBER 2, 2012

Using Medicaid Contract Savings Note (MCSN) to leverage debt for Affordable Housing

The Contract

National Church Residences Health Care Inc. ("NCRHC"), a subsidiary of National Church Residences, will enter into a 10 year contract with the State of Ohio to house 75 individuals in the Stygler Village Affordable Assisted Living apartments (Stygler Village) at an initial daily rate of $112.90 per day. NCRHC will receive that rate for each resident who, before coming to Stygler Village, had spent at least 1 year as a resident in a skilled care facility estimated to cost the State $149.44/day.

The payment from the State will be in two parts:

1: $92.90 per day for NCRHC's cost of providing assisted living and risk premium

2: $20.95 per day for NCRHC's cost of financing the conversion of Stygler Village into an affordable assisted living property

In year 1, the $20.95 State payment will be made on the 365th day. In years 2-10, the payments will be made quarterly upon certification from NCRHC that the Stygler Village unit remains occupied by a frail individual that would otherwise be housed in a skilled medical facility were the Stygler unit not available. If the unit was vacant for more than 60 days, the state would not be obligated to make the payment.

The Note

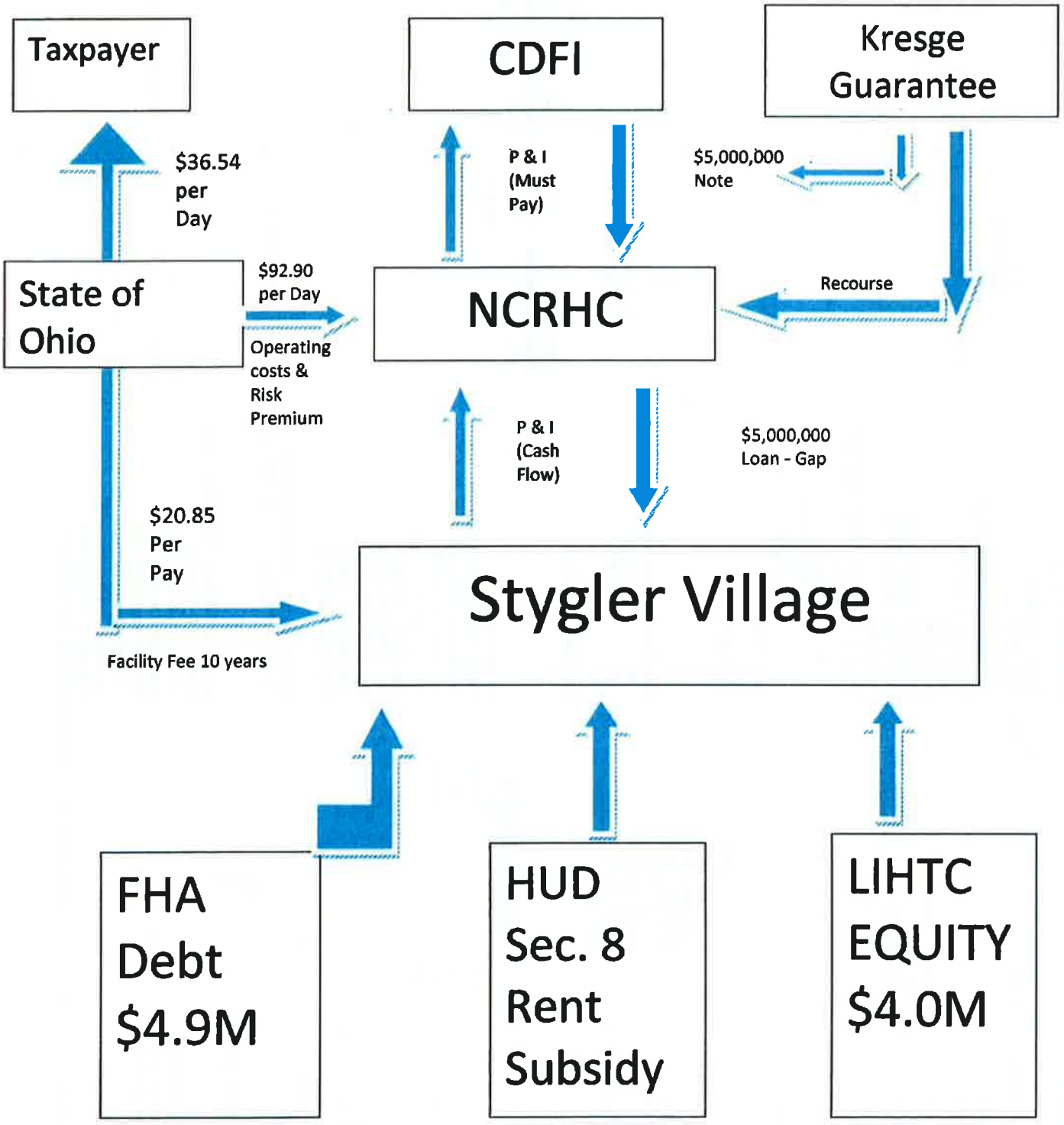
A financial institution makes an enterprise level loan ('the Note") to NCRHC in the amount of $5,000,000. The Note will be at x% and amortized over a 10 year period. NCRHC then loans these funds ("the Loan") to Stygler Village LP which completes the sources of funds (i.e. 'gap' financing) needed to renovate and convert the Stygler Village property into 75 units of affordable assisted living. The Loan will be lent into the project at the interest rate on the Note plus 25 basis points (assumed to be 3.25%) and amortized over a 10 year period., However the loan will be repaid solely from "free cash flow", which is cash flow available after the operating costs and other, must pay requirements of Stygler Village have been satisfied. The Loan will be subordinate to Stygler Village senior debt, asset management fees and paid pari passu with deferred developer fee and senior to the "seller note". NCRHC would be at risk for payments on the Note if the payments received on the Loan from Stygler Village are less than the payments due by NCRHC on the Note.

Because of the uncertainty of the payments by Stygler Village on the Loan and because the 10 year contract with the State is subject to bi-annual appropriation, NCRHC's obligation to repay the Note will be guaranteed by the Kresge Foundation. Kresge will charge NCRHC a guarantee fee of 25 basis points which is included in the interest charge on the Loan.

Schedule 1: Sources and Uses of Funds-Stygler Village

Schedule 2: Stygler Village Cash Flow and LOAN Payment 2% Revenue 3% Expense

Schedule 1


Taxpayer
CDFI
Kresge Guarantee
$36.54 per Day
P & I (Must Pay)
$5,000,000 Note
State of Ohio
$92.90 per Day
Operating costs & Risk Premium
NCRHC
Recourse
P & I (Cash Flow)
$5,000,000 Loan - Gap
$20.85 Per Pay
Facility Fee 10 years
Stygler Village
FHA Debt $4.9M
HUD Sec. 8 Rent Subsidy
LIHTC EQUITY $4.0M

Summary of Project Information

Schedule 2

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Project Location

		LLC or LP?
Legal Name:	National Church Residences of Gahanna	LLC
Project Name:	Stygler Village	
Project Address:	140 Imperial Drive	
City:	Columbus (Gahanna)	
County:	Franklin	
State:	OH	
Zip:	43230	
HUD Statistical Area:	Columbus, OH	
Very Low (50%) Income (Family of Four)	$34,300	$68,600
Year:		2010

Get HUD Income Data

Site/Building Information

Size of Site (acres or square feet):		Acres
Number of Buildings in Project:	1	
Year Built (Existing Buildings Only)		

Timing Assumptions

	DATE
Partnership Closing Date	September 1, 2013
Construction Start Date	September 1, 2013
Acquisition Placed in Service Date	September 1, 2013
Date First Building Placed In Service	October 1, 2014
Construction Completion Date	October 1, 2014
Qualified Occupancy (100% of Tax Credit Units)	October 1, 2014
Permanent Finance Start Date	April 1, 2015
Months during Construction	13
Months during Lease Up	13
Disposition Year	2029

Ownership Assumptions

	LP	For Profit GP	Non Profit GP
Percentage Ownership Interest	99.990%		0.010%
Share of Projec	99.990%		0.010%
Share of Capital Proceeds at Sale	99.990%		0.010%
Investor Income Tax Rate:	35.00%		

Depreciation Assumptions

Is FP GP a For-Profit Subsidiary of a Non-Profit?	
Will a 168 Election be made?	
Is there a Commercial Depreciation Override?	No
Will there be a Building by Building Override?	No

Depreciable Life of Assets

Depreciable Life of Building	27.5
Depreciable Life of Furniture, Fixtures, Equipment	5
Depreciable Life of Site Work	15

Assumptions Affecting CF Calculations

Is the property manager an affiliate of the GP?	Yes
Percent of LP net cash flow to be distributed	0%

File Author: National Affordable Housing Trust

SMT Project ID

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Project Description

Project Location:		Suburban
Construction Type:		Moderate Rehab
For Constr type: Moderate/Substantial Rehab		Occupied? Yes
For Construction type Mixed:	# Of New units:	# Of Rehab units:
Property Type:		Mid-rise Apartment Building(s) (3-6 Floors)
Property Type:		
Property Type - Specify if Other:		
Property Type - Specify if Other:		
Scattered Site		

Population Served (Check ONLY if applicable):

- ☐ Family
- ☑ Senior
- ☐ Native American

	# Units	% Units			
Special Needs		0%			
Type		0%			
(If Applicable):		0%			
		0%			
		0%			

Deal Financing Type (check only if applicable)

- ☑ Bond Deal
- ☐ HOPE VI
- ☐ Rural development
- ☐ Federally Financed (Other)

Tax Credit Information

	Check all that apply	Term (Yrs)	Tax Credit Rate	Credit Allocation Year 1	Multiple year allocations: Credit Allocation Year 2	Multiple year allocations: Credit Allocation Year 3
Allocation Year			Apr 2012			
Federal Acquisition Tax Credits (4%)	☑	10	3.19%			
Federal Constr/Rehab Credits (9% or 4%)	☑	10	3.19%			
Fed Historic Tax Credits	☐	1	20.00%			
State Low Income Tax Credits	☐	10				
State Historic Tax Credit	☐	1				
Other State Credit (Specify)	☐					
Other State Credit (Specify)	☐					
Other Fed Credit (Specify)	☐					
Other Fed Credit (Specify)	☐					

Basis Boost rate: Is Project located in a: % of project eligible 0% 100.00%

If in a DDA/QCT, Basis Boost Rate (100%-130%): Located in CT 74.24 -- not a QCT or DDA

Have Tax Credits Been Allocated to the Project?	No			
Federal Tax Credit Status	Applying			
Lock-in Date for Tax Credit %	Not Locked	Year:		
TC Minimum Set Aside Election:	40%/60%			Comments for additional restrictions
Additional Income Restrictions:	0%	at	0%	
Additional Income Restrictions:	0%	at	0%	
Additional Income Restrictions:	0%	at	0%	
Additional Income Restrictions:	0%	at	0%	
Additional Income Restrictions:	0%	at	0%	

Rental Income Assumptions and Applicable Fraction

SMT PROJECT ID# 10/10/12 9:54 AM

SMT Project ID 0

Project Name: **Stygler Village**

Residential Rental Income Assumptions

Unit Information	No. of BRs	No. of BAs	Unit Sq. Ft.	No. of Units	Tax Credit Unit Check if Yes	Rent Subsidy Check if Yes	Rent and Income Targeting: Max. Tenant Income Limit (% AMI)	Max. Income Target for Rent (% AMI)	Utility Allowance	Maximum Contract Rent	Actual Contract Rent	Market Rents	Affordability and Marketability Analysis: Contract Rent % Below Market	Contract Rent per Sq. Foot	Maximum Tenant Rent Burden %	Minimum Tenant Income	Maximum Tenant Income	Gross Rent Affordability (% AMI)	Total: Total Annual Rental Income
One Bedroom	1	1.0	650	22	☑	☑	35%	35%		450	643	616	-4 38%	$0 99	40%	19,290	18,008	49 99%	169,752
One Bedroom	1	1.0	650	49	☑	☑	50%	50%		643	643	616	-4 38%	$0 99	40%	19,290	25,725	49 99%	378,084
One Bedroom	1	1.0	650	75	☑	☑	0%	0%		-	643	616	-4 38%	$0 99	40%	19,290	-	49 99%	578,700
Two Bedroom	2	1.0	650	1	☑	☑	35%	35%		540	772	779	0 90%	$1 19	40%	23,160	21,609	50 02%	9,284
Two Bedroom	2	1.0	650	2	☑	☑	50%	50%		772	772	779	0 90%	$1 19	40%	23,160	30,870	50.02%	18,528
Two Bedroom	2	1.0	650	1	☑	☑	60%	60%		926	772	779	0.90%	$1.19	40%	23,160	37,044	50 02%	9,264
					☐	☐								-	40%	-	-		-
					☐	☐								-	40%	-	-		-
					☐	☐								-	40%	-	-		-
					☐	☐								-	40%	-	-		-
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					☐	☐								-	40%	-	-		-
					☐	☐								-	40%	-	-		-
TOTAL RENTAL UNITS			97,500	150	150	150					646	620	-4%	$0 99					1,163,592
Manager/Nonrental Units			0	0							0				40%	-	-		-
TOTAL RESIDENTIAL UNITS			97,500	150															**1,163,592**

Commercial Rental Income Assumptions

Description			Annual Rent		
AL Facilities Charge		573,506	573,506	$ 20 95	per AL unit per day
TOTAL	0		573,506		

Rent/Expense Escalation & Vacancy Assumptions

	Residential	Commercial
Projected Annual Rent Increase	2.0%	2.0%
Annual Rent Increase (Year 1 - 2 only)	2.0%	2 0%
Projected Annual Expense Increase	3.0%	3 0%
Annual Expense Increase (Year 1 - 2 only)	3.0%	3.0%
Projected Vacancy Loss, Year 1	5.0%	5.0%
Projected Vacancy Loss Years 2-16	5.0%	5 0%
Interest on Reserve Accounts	2.0%	
Number of Months of Rent in Year 1	Calculated	4
Number of Months of Expenses in Year 1	4	4

Calculation of Applicable Fraction (Low Income %)

	Calculated Residential Rent Units: Units	Sq. Ft.
Tax Credit Eligible Units	150	97,500
Non-tax Credit Eligible Units	0	0
Total Residential Rental Units	150	97,500
Manager or Nonrental Units	0	0
Total Residential Units	**150**	**97,500**
Calculated Applicable Fraction	Units =	Sq Ft =
by Calculation Method:	100 00%	100 00%
Applicable Fraction (Lesser of Two Methods):		**100.00%**
Commercial Rental Spaces (Square footage)		0
Residential Common Areas (Square Footage)		0
Total Project Square Footage		97,500

Other Income

Description	Dollars/ Unit/ Month	Monthly Other Income	Total
Laundry (Dollars/Unit/Month)	$2 89	433	5,200
Vending (Dollars/Unit/Month):		0	0
Other (Dollars/Unit/Month):		0	0
Other (Specify):			0
Other (Specify):			0
Other (Specify):			0
TOTAL	2.89	433 33	5,200

Detailed Schedule of Rents and Tax Credits During Lease-Up

10/10/12 9:54 AM

SMT Project ID 0

Project Name: Stygler Village

% occupied during rehab 80%

Date 1st Bldg Available for Occupancy: 09/01/13 **Const Completion Date:** 10/01/14

Qualified Occupancy(100% of Tax Credit Units) : 10/01/14

Month	Tax Credit Units Leased	Cumulative Tax Credit Units Leased	Non Tax Credit Units Leased	Cumulative Non-tax Credit Units Leased	Total Units Leased	Tax Credit Rental Income	Non-tax Credit Rental Income	Total Rental Income	Tax Credit Unit Delivery	NC/rehab Tax Credits 9% or 4%	Acquisition Tax Credits 4%	Total Tax Credits
Total Number of Units	150		0							201	60	261
Year: 2013												
January-13	N/A	N/A	N/A	N/A	0	0	0	0	N/A	0	0	0
February-13	N/A	N/A	N/A	N/A	0	0	0	0	N/A	0	0	0
March-13	N/A	N/A	N/A	N/A	0	0	0	0	N/A	0	0	0
April-13	N/A	N/A	N/A	N/A	0	0	0	0	N/A	0	0	0
May-13	N/A	N/A	N/A	N/A	0	0	0	0	N/A	0	0	0
June-13	N/A	N/A	N/A	N/A	0	0	0	0	N/A	0	0	0
July-13	N/A	N/A	N/A	N/A	0	0	0	0	N/A	0	0	0
August-13	N/A	N/A	N/A	N/A	0	0	0	0	N/A	0	0	0
September-13	120	120	-	0	120	77,573	0	77,573	0	0	0	0
October-13	0	120	-	0	120	77,573	0	77,573	0	0	0	0
November-13	0	120	-	0	120	77,573	0	77,573	0	0	0	0
December-13	0	120	-	0	120	77,573	0	77,573	0	0	0	0
First Year TOTALS					120	310,291	0	310,291		0	0	0
Year: 2014												
January-14	0	120	0	0	120	77,573	0	77,573	120	24,074	7,192	31,266
February-14	0	120	0	0	120	77,573	0	77,573	120	24,074	7,192	31,266
March-14	0	120	0	0	120	77,573	0	77,573	120	24,074	7,192	31,266
April-14	0	120	0	0	120	77,573	0	77,573	120	24,074	7,192	31,266
May-14	0	120	0	0	120	77,573	0	77,573	120	24,074	7,192	31,266
June-14	0	120	0	0	120	77,573	0	77,573	120	24,074	7,192	31,266
July-14	0	120	0	0	120	77,573	0	77,573	120	24,074	7,192	31,266
August-14	15	135	0	0	135	87,269	0	87,269	135	27,083	8,091	35,174
September-14	15	150	0	0	150	96,966	0	96,966	150	30,092	8,990	39,083
October-14	0	150	0	0	150	96,966	0	96,966	150	30,092	8,990	39,083
November-14	0	150	0	0	150	96,966	0	96,966	150	30,092	8,990	39,083
December-14	0	150	0	0	150	96,966	0	96,966	150	30,092	8,990	39,083
Second Year TOTALS					150	1,018,143	0	1,018,143		315,968	94,398	410,366
Year: 2015												
January-15	0	150	0	0	150	96,966	0	96,966	150	30,092	8,990	39,083
February-15	0	150	0	0	150	96,966	0	96,966	150	30,092	8,990	39,083
March-15	0	150	0	0	150	96,966	0	96,966	150	30,092	8,990	39,083
April-15	0	150	0	0	150	96,966	0	96,966	150	30,092	8,990	39,083
May-15	0	150	0	0	150	96,966	0	96,966	150	30,092	8,990	39,083
June-15	0	150	0	0	150	96,966	0	96,966	150	30,092	8,990	39,083
July-15	0	150	0	0	150	96,966	0	96,966	150	30,092	8,990	39,083
August-15	0	150	0	0	150	96,966	0	96,966	150	30,092	8,990	39,083
September-15	0	150	0	0	150	96,966	0	96,966	150	30,092	8,990	39,083
October-15	0	150	0	0	150	96,966	0	96,966	150	30,092	8,990	39,083
November-15	0	150	0	0	150	96,966	0	96,966	150	30,092	8,990	39,083
December-15	0	150	0	0	150	96,966	0	96,966	150	30,092	8,990	39,083
Third Year TOTALS					150	1,163,592	0	1,163,592		361,107	107,883	468,990

Operating Expense and Fee Assumptions

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Project Name: Stygler Village
SMT Project ID 0
Base Year for Expenses: 2013

Professional Fees	Amount	Per Unit	Inflator
Legal	100	1	
Accounting/Audit	10,320	69	
Bookkeeping	0	-	
Other Prof Fees (specify)	27,495	183	
Professional Fees (combined)	0	-	
Total Professional Fees	**$37,915**	253	3%

Administrative Expenses		Amount	Per Unit	Inflator
Advertising & Marketing		2,500	17	
Monitoring Compliance		6,750	45	
Other Renting Expenses		750	5	
Office Salaries		7,130	48	
Office Expenses		15,200	101	
Office or Model Apartment Rent			-	
Manager or Superintendent Salaries		58,394	389	
Administrative Rent Free Unit			-	
Bookkeeping Fees/Account Services		17,784	119	
Misc. Admin Exp (specify)	dues/subscription	4,700	31	
Misc. Admin Exp (specify)	mtg/training/trav	1,100	7	
Administrative Expenses (combined)		0	-	
Total Administrative		**$121,508**	810	3%

Utilities	Amount	Per Unit	Inflator
Fuel Oil/Coal		-	
Electricity	66,846	446	
Water/Sewer	58,363	389	
Gas	20,764	138	
Other Utilities (specify)		-	
Utilities (Combined)		-	
Total Utilities	**$145,973**	973	3%

Repairs and Maintenance	Amount	Per Unit	Inflator
Payroll	73,240	488	
Supplies	18,900	126	
Decorating	11,500	77	
Contracts	15,900	106	
Exterminating	11,500	77	
Elevators	5,000	33	
Grounds Maintenance	12,680	85	
Operating and Maintenance Rent Free Unit		-	
Garbage and Trash removal	6,021	40	
Security Payroll/Contract	5,000	33	
Security Rent Free Unit		-	
Heating/Cooling Repairs and Maintenance	4,500	30	
Snow Removal	8,500	57	
Vehicle & Maintenance Equipment Op and Rep	750	5	
Misc Op & Maint Exp. (specify)		-	
Misc Op & Maint Exp. (specify)		-	
Repairs and Maintenance (Combined)		-	
Total Repairs and Maintenance	**$173,491**	1,157	3%

Real Estate Taxes and Insurance	Amount	Per Unit	Inflator
Real Estate Taxes	120,458	803	
Less:Abated Taxes Date of Expiration		-	
Net Real Estate Taxes	**$120,458**	803	3%
Payroll taxes (Projects Share)	10,029	67	
Property and Liability Insurance	27,030	180	
Fidelity Bond Insurance		-	
Workmen Compensation	3,138	21	
Health Ins & Other Employee Benefits	31,757	212	
Misc Tax, Licenses and Perm (specify)	946	6	
Misc Tax, Licenses and Perm (specify)		-	
Taxes and Insurance (combined)		-	
Total Other Taxes and Insurance	**$72,900**	486	3%
Total Real Estate Taxes and Insurance	**$193,358**	1,289	

Property Management Fee	Amount	Total	Per Unit	Inflator	
Method for calculating Residential PM Fee:					
Percent of Effective Gross Income ○		0	-		
Flat Fee Per Unit/Per Month: ○		0	-		
Total Annual Amount ◉	$74,394	74,394	496		6.39%
Commercial Property Management Fee			-		
Total Property Management Fee		**$74,394**	496	3%	

Other Miscellaneous Operating Expenses	Amount	Per Unit	Inflator
Monitoring Compliance	-	-	
Specify:	-	-	
Specify: Assisted Living Expense	-	-	
Total Misc.Expenses	**$0**	-	3%

Total Operating Expenses	**$746,639**	4,978	
Total Net of Real Estate Taxes	626,181	4,175	
Total Net of Real Estate Taxes and Misc Expenses	626,181	4,175	

Annual Contributions To Reserves	Per Unit Per Annum	Total Per Annum	Inflator
Replacement Reserve	350	52,500	3%
Operating Reserve		0	3%
Other Reserve (specify)		0	3%
Other Reserve (specify)		0	3%

Total Operating Expenses (Including Annual Contributions to Reserves)	Total	Per Unit
	799,139	5,328

Cash Flow Contingent Fees, Expenses and Distributions	Amount	Annual Inflator	Accrue	Cap Amount	% Available Cash Flow
Investor Services Fee	0	3.0%	Yes		100%
Partnership Administration Fee	30,000	3.0%	Yes		100%
Tenant Services Fee	0	3.0%	No		100%

Priority Cash Flow Distribution to GP?
Gross Income Allocation to GP

Uses of Funds - Project Development Budget

10/10/12 9:54 AM

Project Name: Stygler Village
SMT Project ID 0

Sources-Uses Surplus/(Gap): 0

Cost Item					Total	Residential Cost Per Unit	Residential Percent of Total	Tax Treatment of Assets: Depreciable	Non Depreciable	Amortized	Expensed	OK ?	Allocation of Depreciable Basis: Residential Acquisition	Residential Rehab / New Construction	Commercial Acquisition	Commercial Rehab / New Construction	OK ?	Historic Credit Basis: Residential Historic Eligible %=	Commercial 0.00%	OK ?
															Commercial %=	0.00%		Commercial %=	0.00%	
A. ACQUISITION COSTS																				
Purchase Price: Land	Total Cost Land/Build	4,249,912	% Land =	12.5%	531,239	3,542	3.0%		531,239											
Purchase Price: Buildings			% Commercial =	0	3,718,673	24,791	21.0%	3,381,927	336,746				3,381,927		-					
Title Insurance, Recording, Closing Costs						-		-	-				-		-					
Acquisition Legal Fees						-		-	-				-		-					
Demolition: Razing of Buildings						-			-											
Holding Costs						-		-	-				-		-					
Other Acq (Specify:)						-		-	-				-		-					
TOTAL ACQUISITION COSTS					$4,249,912	28,333	24.0%	3,381,927	867,985	-	-		3,381,927		-					
B. CONSTRUCTION / REHABILITATION COSTS																				
Site Work: Off-Site/Non-Depreciable						-			-											
Site Work: On-Site Improvements-15 Year Property					150,000	1,000	0.8%	150,000						150,000		-				
Demolition: Interior						-		-						-		-		-	-	
New Construction: Residential						-		-						-						
New Construction: Commercial						-		-								-				
Rehabilitation: Residential	Total HCC	6,750,000			6,300,000	42,000	35.6%	6,300,000						6,300,000				-		
Rehabilitation: Commercial	pu	45,000				-		-								-			-	
General Requirements	total contract	7,866,499		0	405,000	2,700	2.3%	405,000						405,000		-		-	-	
Contractor Overhead				0	135,000	900	0.8%	135,000						135,000		-		-	-	
Contractor Profit				0	405,000	2,700	2.3%	405,000						405,000		-		-	-	
Payment & Performance Bond					58,999	393	0.3%	58,999						58,999		-		-	-	
Appliances			% Comm =	0.0%	150,000	1,000	0.8%	150,000						150,000		-				
Furniture, Fixtures and Equipment			% Comm =	0.0%	150,000	1,000	0.8%	150,000						150,000		-				
Other Constr. (specify):			% Comm =	0.0%		-		-						-		-		-	-	
Other Constr. (specify):			% Comm =	0.0%		-		-						-		-		-	-	
Contractors Contingency						-		-						-		-		-	-	
Construction Contingency	% of construction:			10.00%	775,400	5,169	4.4%	775,400						775,400		-		-	-	
TOTAL CONSTRUCTION COSTS					$8,529,399	56,863	48.2%	8,529,399	-	-	-			8,529,399		-		-	-	
C. PROFESSIONAL FEES & OTHER SOFT COSTS																				
Architect Design	% of Construction $			3.0%	255,882	1,706	1.4%	255,882						255,882		-		-	-	
Architect Supervision	% of Construction $			1.5%	127,941	853	0.7%	127,941						127,941		-		-	-	
Engineering						-		-						-		-		-	-	
Geotechnical/Soils Engineering						-		-						-		-		-	-	
Environmental Site Assessment					7,500	50	0.0%	7,500						7,500		-		-	-	
Survey (Boundary/Topo/As-Built)					10,000	67	0.1%	10,000						10,000		-		-	-	
Building Permits					112,500	750	0.6%	112,500						112,500		-		-	-	
Utility Tap Fees						-		-						-		-		-	-	
Impact Fees						-		-						-		-		-	-	
Hazard & Liability Insurance (Construction Period)					15,000	100	0.1%	15,000						15,000		-		-	-	
Closing Costs/Title Insurance					15,000	100	0.1%	15,000						15,000		-		-	-	
Real Estate Taxes/ Fees						-		-						-		-		-	-	
Market Study					10,000	67	0.1%	10,000						10,000		-		-	-	
Appraisal					10,000	67	0.1%	10,000						10,000		-		-	-	
Accounting/Audit					10,000	67	0.1%	-			10,000			-		-		-	-	
Cost Certification					10,000	67	0.1%	10,000						10,000		-		-	-	
Legal Fees: Real Estate (Developer)					121,777	812	0.7%	121,777						121,777		-		-	-	
Development Consultant Fees					75,000	500	0.4%	75,000						75,000		-		-	-	
Construction Management Fees						-		-						-		-		-	-	
Developer Fees	% of total less dev fee			10.54%	1,688,423	11,256	9.5%	1,688,423	-	-			-	1,688,423		-		-	-	
Developer Overhead	% of total less dev fee			0.00%		-		-						-		-		-	-	
Soft Cost Contingency					25,000	167	0.1%	-	25,000					-		-		-	-	
Other Soft Cost (specify; Owner Elective furnishings					55,000	367	0.3%	55,000						-		-	NO	-	-	
Other Soft Cost (specify; Investor 3rd Party Reports					15,000	100	0.1%	10,000	5,000					10,000		-		-	-	
Other Soft Cost (specify; PNA/Engineering					13,000	87	0.1%	13,000						13,000		-		-	-	
Other Soft Cost (specify;						-		-						-		-		-	-	
TOTAL PROFESSIONAL FEES & OTHER SOFT COSTS					$2,577,022	17,180	14.6%	2,537,022	30,000	-	10,000			2,482,022		-		-	-	

Cost Item			Total	Residential Cost Per Unit	Residential Percent of Total	Tax Treatment of Assets: Depreciable	Tax Treatment of Assets: Non Depreciable	Tax Treatment of Assets: Amortized	Tax Treatment of Assets: Expensed	OK ?	Allocation of Depreciable Basis: Residential Acquisition	Allocation of Depreciable Basis: Residential Rehab / New Construction	Allocation of Depreciable Basis: Commercial Acquisition (Commercial %)	Allocation of Depreciable Basis: Commercial Rehab / New Construction 0.00%	OK ?	Historic Credit Basis: Residential Historic Eligible %= Commercial %	Historic Credit Basis: Commercial 0.00% Commercial % 0.00%	OK ?
D. FINANCING COSTS																		
Construction Loan Only																		
Loan Points/Fees				-		-						-		-		-	-	
Loan Inspections				-		-						-		-		-	-	
Loan Title & Recording				-		-						-		-		-	-	
Loan Legal (Bank)				-		-						-		-		-	-	
Loan Interest	% depreciable =	10%	285,346	1,902	1.6%	28,535			256,812			28,535		-		-	-	
Other Loan Cost:				-		-						-		-		-	-	
Bridge/Interim Loan Costs				-		-						-		-		-	-	
Permanent Only or Construction/Perm		% Depreciable																
Loan Points/Fees		0%	147,630	984	0.8%	-		147,630				-		-				
Loan Inspections		0%		-		-		-				-		-				
Loan Mortgage Insurance (MIP)		0%		-		-		-				-		-				
Loan Title & Recording		0%		-		-		-				-		-				
Loan Legal (Bank)		0%		-		-		-				-		-				
Loan Interest		0%		-		-		-	-			-		-				
Loan Legal (Developer)		0%		-		-		-				-		-				
Cost of Issuance (Bonds)		0%	526,840	3,512	3.0%	-		526,840				-		-				
FHA Fees		0%		-		-		-				-		-				
Ginnie Mae Fees		0%		-		-		-				-		-				
Letter of Credit Fees		0%		-		-		-				-		-				
Credit Report		0%		-		-		-				-		-				
Negative Arbitrage				-					-			-		-				
Other Loan Cost:		0%		-		-		-				-		-				
Other Loan Cost:		0%		-		-		-				-		-				
				-														
TOTAL FINANCING COSTS			$959,816	6,399	5.4%	28,535	-	674,470	256,812			28,535		-		-	-	
E. TAX CREDIT & SYNDICATION COSTS																		
Tax Credit Application and Allocation Fees			25,450	170	0.1%			25,450										
Tax Credit Monitoring Fees			135,000	900	0.8%			135,000										
Legal/Organizational Fees (Developer)	% Amortized =	50%	10,000	67	0.1%		-	5,000	5,000			-		-		-	-	
Legal Fees (Investor) % Amortized=>	% Amortized =	50%	15,000	100	0.1%		7,500	7,500										
Tax Credit Consultant	% Amortized =	0%		-			-	-										
Other Syndication Costs:	% Amortized =	100%	136,000	907	0.8%		-	136,000										
TOTAL TAX CREDIT & SYNDICATION COSTS			$321,450	2,143	1.8%	-	7,500	308,950	5,000			-		-				
F. START-UP COSTS, RESERVES & ESCROWS																		
Leasing/Marketing Expenses			37,500	250	0.2%			37,500										
Tenant Relocation (Basis Eligible)			225,000	1,500	1.3%	225,000						225,000				-		
Tenant Relocation (Non Basis Eligible	% Amortized =	0%		-			-	-				-		-				
Escrows & Prepaids			98,420	656	0.6%		98,420											
Rent Up Reserve			37,500	250	0.2%		37,500											
Operating Reserves (Capitalized)	No. Months OpExp, RR, Must Pay	6.00	516,000	3,440	2.9%		516,000											
Replacement Reserve (Capitalized)			150,000	1,000	0.8%		150,000											
Other Reserve:				-			-											
Other Reserve:				-			-											
TOTAL START UP COSTS, RESERVES & ESCROWS			$1,084,420	7,096	6.0%	225,000	801,920	37,500	-			225,000		-				
TOTAL USES OF FUNDS			$17,702,018	118,013	100.0%	14,701,883	1,707,405	1,020,920	271,812		3,381,927	11,284,956	0	0		0	0	

Sources of Funds - Summary of Project Debt Financing

10/10/12 9:54 AM

Project Name: Stygler Village
SMT Project ID 0
Sources-Uses Surplus/(Gap): 0

Payment Priority Wizard

Project Loan Information:

	LOAN 1	LOAN 2	LOAN 3	LOAN 4	LOAN 5	LOAN 6	LOAN 7	LOAN 8
Lender Name	1st Mortgage	PRI Loan	Deferred Developer Fee	HDAP	Seller Note			
Financing Source	Bank/Conventional	Other	Other	Other				
Loan Amount:	4,921,000	5,000,000	252,712	0	2,670,277			
Interest Rate:	2.50%	3.25%	0.00%	0.00%	5.00%			
Mortgage Insurance Premium	0.50%	0.00%	0.00%	0.00%	0.00%			
Fixed or Variable	Fixed	Fixed	Fixed	Fixed	Fixed	Fixed	Fixed	Fixed
Term:	30	30	15	30	32			
Amortization	30	30	15	30	32			
Loan Type	Conventional Must pay	Contingent		Contingent				
Loan Repayment Type	Fully Amortizing	Cash Flow Contingent	Cash Flow Contingent	Cash Flow Contingent	Cash Flow Contingent			
Loan First Payment Date:	4/1/2015	4/1/2015	10/1/2014	9/1/2013	9/1/2013	4/1/2015	4/1/2015	4/1/2015
No. of Months in First Year:	9	9	3	4	4	9	9	9
Monthly Payment	19,444	0	0	0	0	0	0	0
Annual Payment:	233,327	0	0	0	0	0	0	0
Non-Recourse Loan?	Non-Recourse	Non-Recourse	Non-Recourse	Non-Recourse	Non-Recourse	Non-Recourse	Non-Recourse	Non-Recourse
Related Party Loan?	Non-Related Party	Non-Related Party	Non-Related Party	Non-Related Party	Non-Related Party	Non-Related Party	Non-Related Party	Non-Related Party
Federal Loan	No	No	No	No	No	No	No	No
Loan Restrictions								

CASH FLOW CONTINGENT LOAN OPTIONS (DO NOT COMPLETE CELLS BELOW FOR LOANS THAT ARE "MUST-PAY")

Percent of Cash Flow Available:	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%
Interest Rate Paid (if different)	2.50%	3.25%	0.00%	0.00%	5.00%	0.00%	0.00%	0.00%
Interest-Only or P&I	P&I	P&I	P&I	P&I	P&I	P&I	P&I	P&I
Simple Interest or Compound:	Compound	Compound	Compound	Compound	Compound	Compound	Compound	Compound
Fixed Payment:								
Accrued Interest During Construction:								
Comments:			14.97%					

Construction Loan Information

	Construction Loan #1	Construction Loan #2	
Lender Name:	short term bonds	PRI Loan	
Loan Amount:	8,250,000	3,475,000	1,804,000
Interest Rate:	3.00%	3.25%	1,808,415
Term (months):	16	16	4,415

Bond 50% Test 52.9%

Estimate of Outstanding debt
1,808,488 Oct-09

Cash Flow Priority

1	Loan 1 - 1st Mortgage
2	Loan 3 - Deferred Developer Fee
3	Loan 2 - PRI Loan
4	Partnership Administration Fee
5	Loan 5 - Seller Note
6	Loan 4 - HDAP
7	
8	
9	
10	
11	
12	
13	
14	
15	

Maximum Loan Calculator

FIRST MORTGAGE	
Net Operating Income =	311,213
Required DSCR =	1.25
Loan Interest Rate:	3%
Loan Amortization:	30
Max. Annual Payment	248,971
Max. Monthly Payment	20,748
Loan Amount:	4,921,101
SECOND MORTGAGE	
Required DSCR =	1.10
Loan Interest Rate:	1%
Loan Term:	30
Max. Annual Payment	33,951
Max. Monthly Payment	2,829
Loan Amount:	879,622

Calculation of Tax Credits

10/10/12 9:54 AM

Project Name: Stygler Village
SMT Project ID 0

LIHTC Rehab/New Construction Credits

Total Development Costs	17,702,019
Less:	
Acquisition Costs	4,249,912
Non Depreciable (non-acquisition)	839,420
Amortized	1,020,920
Expensed	271,812
Commercial	0
Eligible Rehab/N.C. Basis	11,319,956
Less:	
Historic Tax Credits (Residential)	0
Federal Grants	0
Other Ineligible Costs	0
Net Eligible Rehab/N.C. Basis	11,319,956
Adjusted for:	
DDA/QCT Basis Boost	100.00%
Applicable Fraction	100.00%
Qualified Rehab/NC Basis	11,319,956
Tax Credit Rate	3.19%
Calculated Rehab/ NC Credit	**361,107**
Amount Projected/ Allocated	**0**
Annual Rehab/NC Tax Credit	**$361,107**
Number of Years of Annual Credit:	10
Total Rehab/NC Credits	**$3,611,066**
Unused Tax Credit Basis	0
Unused Tax Credits	0

LIHTC Acquisition Credits

Total Acquisition Costs	4,249,912
Less:	
Land	531,239
Federal Grants	0
Other Non-Eligible Costs	336,746
Eligible Acquisition Basis	3,381,927
Applicable Fraction	100.00%
Qualified Acquisition Basis	3,381,927
Tax Credit Rate	3.19%
Calculated Acquisition Credit	**107,883**
Amount Requested/Allocated	**0**
Annual Acquisition Tax Credit	**$107,883**
Number of Years of Annual Credit:	10
Total Acquisition Credits	**$1,078,835**
Unused Tax Credit Basis	0
Unused Tax Credits	0

UT,MO or GA State Low Income Credits

State of UT,MO or GA only	
Annual State Credit Amount	0
Number of Years of Annual Credit:	10
Total State Low Income Credits	**0**

Federal Historic Tax Credits

Total Costs Eligible for HTC	
Acquisition	Not Eligible
Residential Rehab/ NC	0
Commercial Rehab/ NC	0
Federal Historic Tax Credit Basis	0
HTC Rate	20.0%
Historic Tax Credit Amt.	**$0**

State Historic Tax Credits

Total Costs Eligible for HTC	
Acquisition	Not Eligible
Residential Rehab/ NC	0
Commercial Rehab/ NC	0
State Historic Tax Credit Basis	0
HTC Rate	0.0%
Calc. Historic Tax Credit Amt.	**0**
Amount Requested/Allocated	**0**
Annual Historic Tax Credit	**0**

CA State Low Income Credits only

State of CA only	
Calculated State Credit Amount	0
State Credits Allocated	0
Total CA Low Income Credits	**0**

Sources of Funds - Limited Partner Equity

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Project Name: Stygler Village
SMT Project ID 0

Sources-Uses Surplus/(Gap): 0

Z IRR 6.56%

Limited Partner Capital Contributions

	Total Credits		Credit Price (Cents/$)		Total LPEquity
LIHTC Acquisition Credits	1,078,835				
LIHTC Rehab/New Construction Credit	3,611,066				
Total LIHTC Credits	4,689,901	x	$0.8500	=	$3,986,415
Federal Historic Tax Credits	0	x		=	$0
State Historic Tax Credits	0	x		=	$0
State Low-Income Housing Tax Credits	0	x		=	$0
Other Credits	0	x		=	$0
Total Limited Partner Equity		Round Total Equity To:		0	$3,986,415

Copy Cell:

Timing Assumptions

	DATE
Partnership Closing Date	September 1, 2013
Acquisition Placed in Service Date	September 1, 2013
Construction Start Date	September 1, 2013
Date First Building Placed in Service	October 1, 2014
Construction Completion Date	October 1, 2014
Qualified Occupancy (100% of Tax Credit Uni	October 1, 2014
Permanent Finance Start Date	April 1, 2015
Months during Construction	13.0
Months during Lease Up	13.0

Choose "Percentage ("P") or Amount ("A") method: P

Timing and Amount of LP Capital Contributions

Payment	Project Milestone	Date	Amount	Percent	Cumulative	
1	Admission	09/01/13	797,283	20.00%	20.00%	P
2	During Construction	12/31/13		0.00%	20.00%	P
3	Stabilization & Conversion	03/31/15	2,391,849	60.00%	60.00%	P
4	1st Year Tax Return	05/15/15	797,283	20.00%	100.00%	P
5				0.00%	100.00%	P
6				0.00%	100.00%	P
7				0.00%	100.00%	P
8				0.00%	100.00%	P
9				0.00%	100.00%	P
10				0.00%	100.00%	P
11				0.00%	100.00%	P
12				0.00%	100.00%	P
13				0.00%	100.00%	P
14				0.00%	100.00%	P
15				0.00%	100.00%	P
TOTAL			$3,986,415		100.00%	
					Check:	

Allocation of LP Capital Contributions

Project Costs	Developer Fee and Overhead	Inv. Legal & AMFs	Lease Up Reserve	Operating Reserve	Replacement Reserve	Other Reserve	Other Reserve	BL P&I	Total	Check
1,906,746	1,375,169	151,000	37,500	516,000	0	0	0			
98,331	369,962	33,500	37,500	258,000					797,283	0
-									0	0
1,808,415	207,934	117,500		258,000					2,391,849	0
-	797,283								797,283	0
-									0	0
-									0	0
-									0	0
-									0	0
-									0	0
-									0	0
-									0	0
-									0	0
-									0	0
-									0	0
$1,906,746	$1,375,169	$151,000	$37,500	$516,000	$0	$0	$0		$3,986,415	
0	0	0	0	0	0	0	0			

Construction Payments Schedule 0

Payment	Date	Amount	Cumulative	Percent
First	12/31/13		0	0.00%
Second	01/01/14		0	0.00%
Third	02/01/14		0	0.00%
Fourth	03/01/14		0	0.00%
Fifth	04/01/14		0	0.00%
Sixth	05/01/14		0	0.00%
Seventh	06/01/14		0	0.00%
Eight	07/01/14		0	0.00%
Ninth	08/01/14		0	0.00%
Tenth	09/01/14		0	0.00%
Eleventh	10/01/14		0	0.00%
Twelfth	11/01/14		0	0.00%
Thirteen	12/01/14		0	0.00%
Fourteen	01/01/15		0	0.00%
Fifteen	02/01/15		0	0.00%
Sixteen	03/01/15		0	0.00%
Seventeen	04/01/15		0	0.00%
Eighteen	05/01/15		0	0.00%
Nineteen	06/01/15		0	0.00%
Twenty	07/01/15		0	0.00%
Twenty-one	08/01/15		0	0.00%
Twenty-two	09/01/15		0	0.00%
Twenty-three	10/01/15		0	0.00%
Twenty-four	11/01/15		0	0.00%
Total		0	0	0.00%

Quarterly Pay-in Schedule

Year	Quarter	Amount
2013	1	0
	2	0
	3	797,283
	4	0
2014	1	0
	2	0
	3	0
	4	0
2015	1	2,391,849
	2	797,283
	3	0
	4	0
2016	1	0
	2	0
	3	0
	4	0
2017	1	0
	2	0
	3	0
	4	0
2018	1	0
	2	0
	3	0
	4	0

Quarterly Pay-in Schedule

Year	Quarter	Amount
2019	1	0
	2	0
	3	0
	4	0
2020	1	0
	2	0
	3	0
	4	0
2021	1	0
	2	0
	3	0
	4	0
2022	1	0
	2	0
	3	0
	4	0
2023	1	0
	2	0
	3	0
	4	0
2024	1	0
	2	0
	3	0
	4	0

Quarterly Pay-in Schedule

Quarter	Quarter	Amount
2025	1	0
	2	0
	3	0
	4	0
2026	1	0
	2	0
	3	0
	4	0
2027	1	0
	2	0
	3	0
	4	0
2028	1	0
	2	0
	3	0
	4	0
2029	1	0
	2	0
	3	0
	4	0
2030	1	0
	2	0
	3	0
	4	0
		3,986,415

Sources and Uses Summary

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Project Name: Stygler Village
SMT Project ID 0

Permanent Loan Sources

Lender Name	Int. rate	Term	Amortization	Amount	Amount/Unit	% of Total Dev Cost
1st Mortgage	2.50%	30	30	4,921,000	32,807	28%
PRI Loan	3.25%	30	30	5,000,000	33,333	28%
Deferred Developer Fee	0.00%	15	15	252,712	1,685	1%
HDAP	0.00%	30	30	0	0	0%
Seller Note	5.00%	32	32	2,670,277	17,802	15%
					0	
					0	
					0	
LIMITED PARTNER EQUITY				3,986,415	26,576	23%

Other Sources	Financing Source	Amount		
GP Equity		399	3	0%
Construciton Period Income		534,470	3,563	3%
Acquired Reserves		336,746	2,245	2%
			0	
			0	
			0	
			0	
			0	

TOTAL SOURCES OF FUNDS:	17,702,019	118,013
TOTAL USES OF FUNDS:	17,702,019	118,013
FUNDING SURPLUS/<GAP>	0	0

Project Cash Flow

Project Name: Stygler Village
SMT Project ID 0

		1 2013	2 2014	3 2015	4 2016	5 2017	6 2018	7 2019	8 2020	9 2021	10 2022	11 2023	12 2024	13 2025	14 2026	15 2027	16 2028
RENTAL INCOME	Year:																
Gross Potential Rental Income - Tax Credit Units	102%	310,291	1,038,506	1,210,601	1,234,813	1,259,509	1,284,700	1,310,394	1,336,601	1,363,333	1,390,600	1,418,412	1,446,780	1,475,716	1,505,230	1,535,335	1,566,042
Gross Potential Rental Income - Non-Tax Credit Units	102%	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Gross Potential Rental Income - Other (Specify)																	
Total Gross Potential Rental Income		310,291	1,038,506	1,210,601	1,234,813	1,259,509	1,284,700	1,310,394	1,336,601	1,363,333	1,390,600	1,418,412	1,446,780	1,475,716	1,505,230	1,535,335	1,566,042
Other Income - Residential	102%	1,733	5,304	5,410	5,518	5,629	5,741	5,856	5,973	6,093	6,214	6,339	6,466	6,595	6,727	6,861	6,999
Less Vacancy (Year 1/Years 2-16 [Incl Line 10 Income? Y]	5%	15,601	52,190	60,801	62,017	63,257	64,522	65,812	67,129	68,471	69,841	71,238	72,662	74,116	75,598	77,110	78,652
Gross Potential Rental Income - Commercial	102%	0	292,488	596,676	608,609	620,782	633,197	645,861	658,778	671,954	685,393	699,101	356,541	0	0	0	0
Less Vacancy (Year 1/Years 2-16 5.0%	5.0%	0	14,624	29,834	30,430	31,039	31,660	32,293	32,939	33,598	34,270	34,955	17,827	0	0	0	0
Effective Gross Income		296,423	1,269,484	1,722,052	1,756,493	1,791,624	1,827,456	1,864,006	1,901,285	1,939,311	1,978,097	2,017,659	1,719,298	1,408,195	1,436,359	1,465,086	1,494,388
EXPENDITURES	Inflator																
Professional Fees	103%	12,638	39,052	40,224	41,431	42,674	43,954	45,273	46,631	48,030	49,471	50,955	52,484	54,059	55,681	57,351	59,072
Administrative Expenses	103%	40,503	125,153	128,908	132,775	136,758	140,861	145,087	149,440	153,923	158,541	163,297	168,196	173,242	178,439	183,792	189,306
Total Utilities	103%	48,658	150,352	154,863	159,509	164,294	169,223	174,300	179,529	184,915	190,462	196,176	202,061	208,123	214,367	220,798	227,422
Total Repairs and Maintenance	103%	57,830	178,696	184,057	189,579	195,266	201,124	207,158	213,373	219,774	226,367	233,158	240,153	247,358	254,779	262,422	270,295
Total Real Estate Taxes	103%	40,153	124,072	127,794	131,628	135,577	139,644	143,833	148,148	152,592	157,170	161,885	166,742	171,744	176,896	182,203	187,669
Total Other Taxes and Insurance	103%	24,300	75,087	77,340	79,680	82,050	84,512	87,047	89,658	92,348	95,118	97,972	100,911	103,938	107,056	110,268	113,576
Total Property Management Fee [Incl Line 10 Income? Y]	103%	24,798	76,626	78,925	81,292	83,731	86,243	88,830	91,495	94,240	97,067	99,979	102,979	106,068	109,250	112,528	115,903
Assisted Living Expense	103%	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Total Expenditures		248,880	769,038	792,111	815,874	840,350	865,561	891,528	918,274	945,822	974,196	1,003,422	1,033,526	1,064,532	1,096,468	1,129,362	1,163,243
NET OPERATING INCOME		47,543	500,446	929,942	940,619	951,273	961,895	972,477	983,011	993,489	1,003,901	1,014,236	685,773	343,663	339,891	335,725	331,145
Scheduled Additions to Residential Replacement Reserve	103%	0	13,519	55,697	57,368	59,089	60,862	62,688	64,568	66,505	68,501	70,556	72,672	74,852	77,098	79,411	81,793
Scheduled Additions to Operating Reserve	103%	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Other Reserve	103%	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Other Reserve	103%	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Construction Period Income		47,543	486,927														
NOI Adjusted For Reserves		0	0	874,244	883,251	892,184	901,033	909,790	918,442	926,984	935,400	943,681	613,100	268,810	262,793	256,314	249,351
DEBT SERVICE AND CASH FLOW FEES																	
Loan 1 - 1st Mortgage		0	0	193,449	257,515	256,946	256,363	255,766	255,153	254,525	253,881	253,221	252,544	251,850	251,138	250,408	249,660
Debt Service Coverage Ratio				4.52	3.43	3.47	3.51	3.56	3.60	3.64	3.68	3.73	2.43	1.07	1.05	1.02	1.00
Loan 3 - Deferred Developer Fee		0	0	252,712	0	0	0	0	0	0	0	0	0	0	0	0	0
Debt Service Coverage Ratio				1.96													
Loan 2 - PRI Loan		0	0	428,084	625,736	635,238	644,670	654,024	663,289	672,459	681,519	690,460	174,689	0	0	0	0
Debt Service Coverage Ratio				1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.44				
Partnership Administration Fee		0	0	0	0	0	0	0	0	0	0	0	185,867	16,961	11,655	5,905	0
Loan 5 - Seller Note		0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Debt Service Coverage Ratio																	
Loan 4 - HDAP		0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Debt Service Coverage Ratio																	
		0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
		0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
		0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
		0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
		0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
		0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
		0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
		0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
		0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Net Cash Flow		0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	(309)
GP Fees as % Effective Gross Income		8.37%	5.04%	4.58%	4.63%	4.67%	4.72%	4.77%	4.81%	4.86%	4.91%	4.96%	16.80%	8.74%	8.42%	8.08%	7.76%
Self Manage (Y/N)? Yes																	

DISPOSITION OF POSITIVE NET CASH FLOW

Project Cash Flow

Project Name: Stygler Village
SMT Project ID 0

		Year:	1 2013	2 2014	3 2015	4 2016	5 2017	6 2018	7 2019	8 2020	9 2021	10 2022	11 2023	12 2024	13 2025	14 2026	15 2027	16 2028
to Limited Partner: % Distributed:	0%	99.99%	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
to General Partner		0.01%	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
PAYMENT AND DISTRIBUTION OF RESERVES																		
LEASE-UP RESERVE																		
Contribution of Capitalized Lease-Up Reserve			37,500															
Lease-Up Period Deficit			0	0														
Guarantor Contribution			0	0														
Lease-Up Reserve Balance			37,500	37,500														
OPERATING RESERVE																		
Capitalized Contribution to Operating pay in schedule from equity			258,000	0	258,000	0	0	0	0	0	0	0	0	0	0	0	0	0
Scheduled Additions to Operating Reserve			0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Cash flow to(from) Operating Reserve			0	37,500	0	0	0	0	0	0	0	0	0	0	0	0	0	(309)
Interest on Operating Reserve	2.00%		0	5,160	6,013	11,293	11,519	11,750	11,985	12,224	12,469	12,718	12,973	13,232	13,497	13,767	14,042	14,323
Operating Reserve Balance			258,000	300,660	564,673	575,967	587,486	599,236	611,220	623,445	635,914	648,632	661,605	674,837	688,333	702,100	716,142	730,156
REPLACEMENT RESERVE																		
Capitalized Contribution to Replacem payin schedule from equity			150,000	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Scheduled Additions to Replacement Reserve			0	13,519	55,697	57,368	59,089	60,862	62,688	64,568	66,505	68,501	70,556	72,672	74,852	77,098	79,411	81,793
Expenditures from Replacement Reserve			0	0	0	0	0	0	(336,136)	0	0	0	0	0	0	(490,440)	0	0
Interest on Replacement Reserve	2.00%		0	3,000	3,330	4,511	5,749	7,045	8,403	3,103	4,456	5,875	7,363	8,921	10,553	12,261	4,239	5,912
Replacement Reserve Balance			150,000	166,519	225,546	287,425	352,263	420,170	155,125	222,796	293,757	368,133	446,051	527,645	613,050	211,969	295,619	383,325
OTHER RESERVE																		
Capitalized Contribution to Reserve payin schedule from equity			0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Scheduled Additions to Reserve			0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Expenditures from Reserve			0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Interest on Reserve	2.00%		0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Reserve Balance			0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
OTHER RESERVE																		
Capitalized Contribution to Reserve payin schedule from equity			0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Scheduled Additions to Reserve			0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Expenditures from Reserve			0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Interest on Reserve	2.00%		0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Reserve Balance			0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0

Depreciation, Amortization and Tax Credits

FOR BUILDING BY BUILDING DEPRECIATION SEE BELOW

Project Name: Stygler Village
ACTIVE: No
SMT Project ID 0

DEPRECIATION SCHEDULE	Start Month In Yr 1	TERM	AMOUNT	1 2013	2 2014	3 2015	4 2016	5 2017	6 2018	7 2019	8 2020	9 2021	10 2022	11 2023	12 2024	13 2025	14 2026	15 2027	16 2028
Furniture, Fixtures, Equipment, Appliances - General	10	5	300,000	0	15,000	114,000	68,400	41,040	32,820	28,740									
Furniture, Fixtures, Equipment, Appliances - Alternative	10	10	0	0	0	0	0	0	0	0	0	0	0	0	0				
Sitework: On site Improvements Depreciable - General	10	15	150,000	0	1,875	14,820	13,335	12,000	10,800	9,720	8,850	8,850	8,850	8,865	8,850	8,865	8,850	8,865	8,850
Sitework: On site Improvements Depreciable - Alternative	10	20	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Commercial Override - Acquisition	9	39.0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Commercial Override - Rehab/NC	10	39.0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Real Property Acquisition - General	9	27.5	3,381,927	35,882	122,967	122,967	122,967	122,967	122,967	122,967	122,967	122,967	122,967	122,967	122,967	122,967	122,967	122,967	122,967
Real Property Acquisition - Alternative	9	40.0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Real Property Rehab/NC - General	10	27.5	10,869,956	0	82,394	395,232	395,232	395,232	395,232	395,232	395,232	395,232	395,232	395,232	395,232	395,232	395,232	395,232	395,232
Real Property Rehab/NC -Alternative	10	40.0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Replacement Assets (7 Year) General	6	5.0	336,136							67,227	107,564	64,538	38,723	38,723	19,361				
Replacement Assets (7 Year) Alternative	6	10.0	0							0	0	0	0	0					
Replacement Assets (14 Year) General	6	5.0	490,440														98,088	156,941	94,164
Replacement Assets (14 Year) Alternative	6	10.0	0														0	0	0
TOTAL			15,528,459	35,882	222,236	647,019	599,934	571,239	561,819	623,886	634,613	591,587	565,772	565,787	546,410	527,064	625,137	684,005	621,213
CUMULATIVE DEPRECIATION				35,882	258,118	905,137	1,505,071	2,076,310	2,638,129	3,262,015	3,896,628	4,488,215	5,053,987	5,619,774	6,166,184	6,693,248	7,318,385	8,002,390	8,623,604
		Check:	(0)																

AMORTIZATION SCHEDULE	Loan Costs Yr 1 / Other Costs Yr 1	9 / 4	Amortize over (yrs)	Amt	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028
Loan Points/Fees	am over loan term		30	147,630	0	0	3,691	4,921	4,921	4,921	4,921	4,921	4,921	4,921	4,921	4,921	4,921	4,921	4,921	4,921
Loan Inspections	am over loan term		30	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Loan Mortgage Insurance (MIP)	am over loan term		30	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Loan Title & Recording	am over loan term		30	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Loan Legal (Bank)	am over loan term		30	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Cost of Issuance (Bonds)	am over loan term		30	526,840	0	0	13,171	17,561	17,561	17,561	17,561	17,561	17,561	17,561	17,561	17,561	17,561	17,561	17,561	17,561
FHA Fees	am over loan term		30	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Ginnie Mae Fees	am over loan term		30	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Letter of Credit Fees	am over loan term		30	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Credit Report	am over loan term		30	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Negative Arbitrage	am over loan term		30	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Other Loan Cost:	am over loan term		30	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Other Loan Cost:	am over loan term		30	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Tax Credit Fees	am over 15 years		15	160,450	3,566	10,697	10,697	10,697	10,697	10,697	10,697	10,697	10,697	10,697	10,697	10,697	10,697	10,697	10,697	7,131
Legal/Organizational Fees (Developer)	am over 15 years		15	5,000	111	333	333	333	333	333	333	333	333	333	333	333	333	333	333	222
Legal Fees (Investor)	am over 15 years		15	7,500	167	500	500	500	500	500	500	500	500	500	500	500	500	500	500	333
Tax Credit Consultant	am over 15 years		15	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Leasing/Marketing Expenses	1/2 exp, 1/2 am over 15 years		15	37,500	6,667	13,750	1,250	1,250	1,250	1,250	1,250	1,250	1,250	1,250	1,250	1,250	1,250	1,250	1,250	833
Perpaid AMF	am over 15 years		15	136,000	3,022	9,067	9,067	9,067	9,067	9,067	9,067	9,067	9,067	9,067	9,067	9,067	9,067	9,067	9,067	6,044
					0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
					0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Expenses during construction (allocate by year incurred)				271,812	45,302	181,208	45,302													
TOTAL				1,292,731	58,834	215,554	84,010	44,329	44,329	44,329	44,329	44,329	44,329	44,329	44,329	44,329	44,329	44,329	44,329	37,047
			Check	0																

TAX CREDIT SCHEDULE	Term	Rate	Allocations	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028
Federal Acquisition Tax Credits (4%)	10	3.19%	107,883	0	94,398	107,883	107,883	107,883	107,883	107,883	107,883	107,883	107,883	107,883	13,485	0			
Federal Constr/Rehab Credits (9% or 4%)	10	3.19%	361,107	0	315,968	361,107	361,107	361,107	361,107	361,107	361,107	361,107	361,107	361,107	45,138	0			
Fed Historic Tax Credits	1	20.00%	0	0	0														
State Low Income Tax Credits	10	0.00%	0	0	0	0	0	0	0	0	0	0	0	0	0	0			
State Historic Tax Credit	1	0.00%	0	0	0														
Other State Credit (Specify)	0	0.00%	0																
Other State Credit (Specify)	0	0.00%	0																
Other Fed Credit (Specify)	0	0.00%	0																
Other Fed Credit (Specify)	0	0.00%	0																
TOTAL HOUSING TAX CREDITS			468,990	0	410,366	468,990	468,990	468,990	468,990	468,990	468,990	468,990	468,990	468,990	58,624	0	0	0	0

Taxable Income, Capital Account and Tax Benefits

SMT Project ID: 0

Project Name: Stygler Village

TAXABLE INCOME			2013 1	2014 2	2015 3	2016 4	2017 5	2018 6	2019 7	2020 8	2021 9	2022 10	2023 11	2024 12	2025 13	2026 14	2027 15	2028 16
NET OPERATING INCOME			47,543	500,446	929,942	940,619	951,273	961,895	972,477	983,011	993,489	1,003,901	1,014,236	685,773	343,663	339,891	335,725	331,145
Other Taxable Income			0	0														
Interest on Operating Reserve			0	5,160	6,013	11,293	11,519	11,750	11,985	12,224	12,469	12,718	12,973	13,232	13,497	13,767	14,042	14,323
Interest on Replacement Reserve			0	3,000	3,330	4,511	5,749	7,045	8,403	9,103	4,456	5,675	7,383	8,921	10,553	12,261	4,239	5,912
Interest on Other Reserve			0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Interest on Other Reserve			0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Total Net Inc (including Interest on Reserves)			47,543	508,606	939,285	956,423	968,541	980,690	992,866	998,338	1,010,414	1,022,494	1,034,572	707,926	367,712	365,919	354,006	351,380
Deductions																		
Interest Paid			0	0	213,451	272,191	253,937	234,803	214,761	193,785	171,849	148,925	124,985	100,000	90,991	87,392	83,701	79,917
Interest Accrued			44,505	135,739	142,526	149,652	157,135	164,992	173,241	181,903	190,999	200,548	210,576	221,105	232,160	243,768	255,956	268,754
Mortgage Insurance Premium			0	0	18,454	24,188	23,619	23,037	22,439	21,827	21,198	20,554	19,894	19,217	18,523	17,811	17,082	16,333
Depreciation (from schedule)			35,882	222,238	647,019	599,934	571,239	581,619	623,886	634,813	591,587	565,772	565,787	546,410	527,064	625,137	684,005	621,213
Amortization and Expense (from Schedule)			58,834	215,554	84,010	44,329	44,329	44,329	44,329	44,329	44,329	44,329	44,329	44,329	44,329	44,329	44,329	37,047
Investor Services Fee			0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Partnership Administration Fee			10,000	30,900	31,827	32,782	33,765	34,778	35,822	36,896	38,003	39,143	40,317	41,527	42,773	44,056	45,378	46,739
Tenant Services Fee			0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
			0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
			0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Total			149,221	604,430	1,137,287	1,123,076	1,084,025	1,083,757	1,114,478	1,113,353	1,057,965	1,019,272	1,005,888	972,589	955,840	1,062,493	1,130,450	1,070,004
Total Taxable Income			(101,678)	(95,824)	(198,002)	(166,653)	(115,484)	(83,067)	(121,612)	(115,015)	(47,551)	3,222	28,684	(264,663)	(588,127)	(696,574)	(776,444)	(718,624)
Effect of Gross Income Allocation to GP																		
Gross Income Allocation to GP (GIA)			0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Allocable Income/loss (adjusted for GIA)			(101,678)	(95,824)	(198,002)	(166,653)	(115,484)	(83,067)	(121,612)	(115,015)	(47,551)	3,222	28,684	(264,663)	(588,127)	(696,574)	(776,444)	(718,624)
Allocation of Income/Loss to GP																		
GP Share of GIA			0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
GP Share Allocable Income/Loss		0.01%	(10)	(10)	(20)	(17)	(12)	(8)	(12)	(12)	(5)	0	3	(26)	(59)	(70)	(78)	(72)
Reallocated Losses			0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
GP Total Income/Loss			(10)	(10)	(20)	(17)	(12)	(8)	(12)	(12)	(5)	0	3	(26)	(59)	(70)	(78)	(72)
Allocation of Income/Loss to LP																		
LP Share Allocable Income/Loss		99.99%	(101,667)	(95,814)	(197,982)	(166,636)	(115,472)	(83,059)	(121,600)	(115,004)	(47,545)	3,222	28,681	(264,636)	(588,068)	(696,504)	(776,367)	(718,552)
Reallocated to GP		Yes	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Net Allocation of Income/Loss to LP			(101,667)	(95,814)	(197,982)	(166,636)	(115,472)	(83,059)	(121,600)	(115,004)	(47,545)	3,222	28,681	(264,636)	(588,068)	(696,504)	(776,367)	(718,552)
Check			*(1)*	*0*	*0*	*0*	*0*	*(0)*	*(0)*	*1*	*(0)*	*0*	*(0)*	*(1)*	*(0)*	*(0)*	*1*	*(0)*
Credit Allowable			100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%
L.P. Capital Account Analysis																		
Net Investment		0	797,283	0	3,189,132	0	0	0	0	0	0	0						
<less> Historic Credits		0		0	0	0	0	0										
<less> Cash Distributed to LP		0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
<less> Syndication Costs		(7,500)	(7,500)															
<less> Net Allocation to Income/Loss to LP		(4,057,004)	(101,667)	(95,814)	(197,982)	(166,636)	(115,472)	(83,059)	(121,600)	(115,004)	(47,545)	3,222	28,681	(264,636)	(588,068)	(696,504)	(776,367)	(718,552)
Capital Account Balance			688,116	592,302	3,583,452	3,416,816	3,301,344	3,218,285	3,096,685	2,981,681	2,934,135	2,937,357	2,966,038	2,701,402	2,113,334	1,416,830	640,463	(78,089)

L.P. SHARE OF TAX BENEFITS			2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028
Tax Benefits @	35.00%																	
From Tax Losses	1,166,458		35,583	33,535	69,294	58,323	40,415	29,071	42,560	40,251	16,641	(1,128)	(10,036)	92,623	205,824	243,776	271,728	251,493
Tax Credits																		
Federal Acquisition Tax Credits (4%)			0	94,389	107,873	107,873	107,873	107,873	107,873	107,873	107,873	107,873	107,873	13,484	0	0	0	0
Federal Constr/Rehab Credits (9% or 4%)			0	315,937	361,070	361,070	361,070	361,070	361,070	361,070	361,070	361,070	361,070	45,134	0	0	0	0
Fed Historic Tax Credits			0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
State Low Income Tax Credits	Net Benefit=	65%	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
State Historic Tax Credit	Net Benefit=	65%	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Other State Credit	Net Benefit=	65%	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Other State Credit	Net Benefit=	65%	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Other Fed Credit			0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Other Fed Credit			0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Total Tax Credits	Include State=	Y	0	410,325	468,943	468,943	468,943	468,943	468,943	468,943	468,943	468,943	468,943	58,618	0	0	0	0
Total Tax Benefits from Credits and Losses			35,583	443,860	538,237	527,266	509,358	498,014	511,503	509,194	485,584	467,815	458,905	151,241	205,824	243,776	271,728	251,493
Project Investment	0	0	797,283	0	3,189,132	0	0	0	0	0	0	0	0	0	0	0	0	0
NET BENEFIT	0	0	(761,700)	443,860	(2,650,895)	527,266	509,358	498,014	511,503	509,194	485,584	467,815	458,905	151,241	205,824	243,776	271,728	251,493

Project IRR: 9.81%

APPENDIX B

Option B: ***SOCIAL IMPACT BOND***

Report Completed By: RECAP REAL ESTATE ADVISORS

RECAP
REAL ESTATE ADVISORS

"HEALTHY ELDERLY AT HOME"

PAYING FOR SUCCESS IN OHIO
WITH SOCIAL IMPACT BONDS

NATIONAL CHURCH RESIDENCES

REPORT PREPARED BY
RECAP REAL ESTATE ADVISORS

OCTOBER 2, 2012

RECAP
REAL ESTATE ADVISORS

Contents

1. Executive Summary

> *"We allowed Mom and Dad to stay in their own homes, if able, instead of going into a nursing home, where the costs were five times as high, and when they're in their own homes they're healthier, and happier, and frankly more independent. And that saved us a lot of money because we made government work better, and that made a heck of a lot of sense for us."*
>
> **Ohio Governor John Kasich**
> **Republican National Convention**

More than 1,622,000 Ohioans are elderly, of whom 67,000 live in nursing homes, and the remaining 1,555,000, it is safe to say, want to be able to live independently at home for the rest of their lives. Pay-for-Success (P4S) contracts with non-profit housing providers like National Church Residences offer the chance for many of them to do just that, and at the same time, save the State of Ohio millions of dollars annually in Medicare and Medicaid funding costs.

In a P4S contract, the State changes the rules of the paradigm of service delivery from one that tells heartwarming stories to one that in addition yields tangible results. P4S is a contract between a State agency and a Program Intervention Provider (PIP), under which the state agrees to make payments to the PIP if that provider achieves better results for their vulnerable population. The PIP, in turn and backed by a philanthropic guarantor, finances its up-front costs for retrofitting the property to serve the purpose and its ten-year operating costs by selling a new financial instrument, the Social Impact Bond (SIB), in the capital markets. SIB investors are repaid their yield based on the P4S incentive payments.

Under P4S:

- Wellness intervention happens *before* the elderly suffer adversity, not after.
- The elderly are *helped at home*, with services brought to them instead of sending them via ambulance to an emergency room or hospital.
- The state pays *after* success, not before, so the performance risk is shifted to the Program Intervention Provider, NCR, and its guarantor.
- Success is measured by *observable, quantifiable metrics* that everyone agrees connect to keeping the elderly healthy and saving the State money.

Not only is P4S a strong idea whose time has come, the vulnerable elderly are the right population to target, Ohio is a perfect state to pioneer it, and National Church Residences is a perfect P4S contracting partner for Ohio.

In terms of lives improved and costs saved, the vulnerable elderly are far and away the best population for a P4S/SIB intervention. The elderly are numerous. They are deserving of help, because they become needy only through age and outliving their spouses and family support networks. Many of them live in purpose-built properties that are operated and managed by non-profits like NCR who have a mission motivation in addition to a financial one. And the services

to keep them healthier are simple, common-sense things which are readily replicable and scalable.

The State of Ohio currently pays over $37 billion annually in Medicaid/Medicare costs,[1] and has made health care reinvention a priority, establishing the Office of Health Transformation (OHT) as a cabinet-level position. P4S is an ideal tool for OHT, because it *crosses funding silos:* it uses housing-related expenses to save money for the state's health costs.

NCR, whose headquarters is in metropolitan Columbus, uniquely combines elderly housing and elderly health-care expertise. It is the nation's largest non-profit owner and manager of affordable elderly housing in the country, with more than 19,700 apartments in 330 communities across 28 states and Puerto Rico. Moreover, NCR's elderly care division, Home & Community Services, has recently implemented a service enriched elderly housing model at three Ohio communities, one in Chillicothe, one in Gahanna and one in Akron. NCR also has a strong balance sheet and excellent relationships with funders, lenders, and investors, so that a guaranteed NCR-issued Social Impact Bond will command attention nationwide.

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[1] Almost $18 billion in FY2011 for Medicaid, according to the Ohio Governor's Office of Health Transformation, http://oacbha.org/wp-content/uploads/2011/03/Medicaid-Transformation-Summary.pdf, and $19.263 billion in 2011 on Medicare, according to the Henry J. Kaiser Foundation; statehealthfacts.org; Ohio Medicare Spending, http://www.statehealthfacts.org/profileind.jsp?cat=6&sub=72&rgn=37.

2. Introduction

We know the adage to be true – "An ounce of prevention is worth a pound of cure." And yet, we often don't implement these cost-saving strategies because of two key structural problems – a time disconnect, where it's often easier to pay for things tomorrow than today, and a silo or free-rider problem, that the person or organization saving the money isn't the one paying for the prevention.

The P4S paradigm addresses both of these structural problems and is an immediate and viable solution for governments interested in greater efficiency and social return on taxpayer investments.

Care for the vulnerable elderly is a classic example of the value in prevention. We know that the elderly will need health services and that, as we age, we will get to the point of needing some help. We also know how to reduce expenses for the elderly – specifically, through prevention which delays the moment they begin needing help and once they become somewhat vulnerable, delivering the help they need in the least intrusive way, maintaining their independence as long as possible. Conveniently, many elderly households are clustered in purpose-built senior apartment communities, where delivering these services is both efficient and cost effective.

The elderly, therefore, are a natural constituency for the P4S model. Their numbers are big, the costs once they need nursing care are exceptionally high, and the costs are easily reduced with some preventive investments. Unfortunately, many proponents of the P4S model have focused on less natural venues for a P4S implementation, such as homelessness, individuals aging out of foster care and criminal re-offenders. While expensive for the State, these populations are much smaller, reducing the potential impact of a P4S approach. Further, the place-based delivery system and the housing issues for these populations are part of the hurdle to be overcome, not part of the solution. Elderly residents, meanwhile, are already physically aggregated in their senior independent living communities; the P4S contract only needs to solve the services side of the equation, not the housing as well.

> *"An ounce of prevention is worth a pound of cure."*
>
> **Benjamin Franklin**

The P4S model is also the natural next step in the evolution of service delivery for vulnerable populations. In a previous era, non-governmental organizations (NGOs) could ask for and get grants to provide services with relatively little accountability for the impact of their efforts. More recently, with a shift to payment for performance contracts, there has been some focus on measurement of activities and outputs. The P4S model pushes the thinking to true accountability, paying for the NGO's ***results*** (outcomes) instead of their ***activities*** (outputs). The focus is not only on outcomes, but on the statistics and scientific documentation of those outcomes. The P4S model is a fundamental realignment of how services for vulnerable populations are delivered and demands that service providers think differently about their work, with a rigorous and explicit focus on the return to the State of documented value from taxpayer investments.

In the elderly context, we look to the prevention of four major adverse event categories to yield savings to the State, each of which represents significant cost to the State Medicare/Medicaid system. They are nursing home admissions, the most expensive service option and the venue for the greatest savings, followed by hospitalizations, emergency room admissions and falls. Each of these adverse events has a clear and significant financial impact on State budgets. The prevention model, however, goes much further. Adverse events earlier in a person's life trajectory, which are also either cost centers themselves or lead to major expenditures, include high blood pressure, obesity, depression, over-prescription of pharmaceuticals and poor understanding/coordination of care issues. Those who have studied the care of aging seniors consistently believe that preventive attention to this latter group, as well as the former group, will both reduce the incidence of the former group and save public funds. The P4S model focuses on payment when the four high-cost adverse effects (nursing home admissions, hospitalizations, emergency room admissions and falls) are reduced, but the service providers can use the funds to target all nine.

To work, the P4S delivery system connects the NGO service provider that generates desirable social outcomes with the governmental agency that benefits financially from these outcomes. The contract allows the beneficiary, in one silo of government activity (health, in this instance), to pay for the intervention in another silo (housing). The P4S model also overcomes the time disconnect because, under the P4S contract, the government pays for the services *after the fact* from the savings that the NGO's success generated. The P4S model is a vehicle for funding services in an extremely efficient, market-based way to deliver the greatest possible value from taxpayer investments.

3. Pay for Success through a Social Impact Bond Transaction

The P4S transaction structure consists of four distinct components: the Pay for Success contract, the Program Intervention Provider's service model, the Social Impact Bond financing and finally the Audit function, each described in detail below.

Pay for Success (P4S) Contract

The P4S contract transforms the structure of service delivery from the historically common outputs-focused system to a highly accountable results-focused system. The P4S contract is a bilateral contract between the non-governmental PIP and the government agency which will benefit from the cost savings. For elderly aging in place, this agency would be the State's Medicare and Medicaid administration. Some efforts to demonstrate an SIB model have struggled with the inability to persuade the appropriate agency to engage in a relatively novel cost-savings relationship. Key terms in the P4S contract include the following:

- Identification of the state agency that will make performance payments under the P4S contract and the budgetary line items from which payment will come.
- A clearly defined population to be impacted by the PIP.
- A clearly defined baseline against which to compare outcomes.
- Clear moments in time at which to evaluate success and savings to the State, and hence payments to the PIP, on a multi-year basis going out to approximately 8 or 10 years.
- Clearly defined outcomes to be compared between the PIP's population and an agreed baseline (such as the State's Office of Budget and Management projections of elderly health-care costs per capita).[2]
- Outcomes reflecting a mix of minor and major results so that there is some room for partial payments.
- Clearly defined compensation for results with respect to some, if not all, of the documented outcomes.
- Adequate compensation to cover the risk to both the PIP and the PIP's guarantor represented by multiple years of work on a contingent fee basis.
- Agreed methodologies and systems to collect data about results.
- Agreement on a disinterested but capable auditor to make results determinations.

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[2] Health care experts have noted that there is no clear "smoking gun" documentation of the impacts of particular service interventions, in large part because of the way data is (or is not) collected and reported. While the causation arguments may not be settled at this point, the correlation is sufficiently strong to warrant implementation of the SIB transaction structure.

In addition, the P4S contract must be enforceable against the State throughout its full term, not subject to appropriations or the caprices of a new legislature or a new governor,[3] because repayments to the SIB investors will be wholly dependent on those payments for their return. If they are 'subject to appropriations,' the capital markets and the PIP guarantor will be unable to price the political and appropriations risk.

Program Intervention Provider (PIP) Service Model.

The PIP service model clearly identifies and prescribes the target population and the service delivery model. The definition of the target population is the foundational element of the model. Distinguishing features of the ideal target population, such as elderly aging in place, are the following:

- *Number served* – The people within the PIP service model must be a sufficient number so that their outcomes are not overly influenced by one or two outliers. In the elderly aging in place example, an ideal population might be 200-300 across the measurement pool, although not all would need to be in one physical location. Certainly any population of 50 or more should be viable.
- *Representative of a large population* – Those participating in the service model should be representative of a large population, both so that the SIB model can be replicated widely with maximum effect and so that the control group against which the PIP's outcomes are compared is relatively stable and not influenced by the service intervention itself.
- *Deserving* – The ideal PIP is focused on a population seen as deserving of government support and services, with vulnerabilities that arise not because of personal failures or self-destructive choices, but from things beyond their control. The elderly become vulnerable because they age, they outlive their spouses and they overburden their family support networks.
- *Expensive* – The government must currently have accepted a financial obligation with respect to the target population. Low income elderly are known as "dual eligible" individuals – eligible for both Medicare and Medicaid services. Given that the highest health care costs are incurred at the later stages of life, this group is a significant expense for the State.
- *Reasonably similar in composition* – The service model depends on systematized offerings, particularly if the model is to be replicated across a larger population, so the profile of the PIP clients is reasonably similar to the profile of the comparison group of individuals not served by the PIP. Certainly those "dual eligibles" within a pilot program will be similar to "dual eligibles" not in the program. Significantly for the potential replication of the model, they will be similar to the broader Medicare population since the infirmities of age do not discriminate by income.

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[3] There are some fairly challenging appropriations-obligation and contractual challenges associated with this requirement; particulars depend on each state's specifics, and the design of an appropriate mechanism for Ohio is beyond the scope of this paper.

- *Able to be helped* – The PIP must have some prospect of producing results. The literature on the impact of services in reducing the rate of falls, depression, obesity, hospital admissions and re-admissions and nursing home utilization is robust and compelling.
- *Not currently well served* – Corollary to being able to have an impact, the population must not be currently well served by the existing delivery system. Relatively few low-income elders are in living environments which actively support aging in place.
- *Suitable for place-based intervention* – Given that the PIP must produce results over time, there is a premium on sustained participation in the PIP's activities from a consistent pool of individuals. The elderly move homes relatively infrequently, so services provided in a residential apartment complex are likely to have that sustained contact with participants. A residentially-focused place-based approach also enables economies of scale and allows for cross-benefits between health-care and housing activities.

The second core element of a successful PIP is that they have a clearly defined service delivery model. Program interventions and protocols must be fully developed, routinized, and not dependent on idiosyncratic conditions such as the dynamism of particular staff. Elements of a strong service delivery model include:

- Routinized procedures which can be monitored and replicated;
- Quantitative evidence to support program interventions;
- The ability to document and quantitatively test new innovations within the programming;
- The rigor to tailor the service delivery primarily to results-oriented activities[4];
- Quantified inputs, such as up-front capital costs and on-going operating costs;
- Data systems adequate to track outcomes; and
- Quantified, observable outcomes that all parties accept as good proxies for program success.

The PIP can implement the model with its own staff or by contract with one or more service providers working under the PIP's supervision and programmatic direction. (The PIP's guarantor may want to have some reporting oversight to ensure quality control.) Whether delivered directly or by subcontract, the PIP must ensure full integration of the components of the service model and accurate data collection by all members of the PIP implementation team.

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[4] This rigor has been resisted by some potential PIP sponsors. The tension lies between an "all-you-can-eat approach" in which the PIP sponsor provides a range of services which undoubtedly improve quality of life but which may not have a direct cost-savings impact and a "what-we-will-pay-for" method framed by the potential savings to the government. The SIB transaction must be focused on those interventions that have quantified or quantifiable results with respect to the Medicare/Medicaid budgets. Other quality of life services would still need to be paid from the sponsor's cash flow (profit) or philanthropic funds.

Social Impact Bond (SIB) Financing

The P4S contract only pays the PIP after results have been achieved. The PIP and its guarantor need to find a source of funds to implement the services program for up to 10 years before recovering their costs. The SIB financing, which can be structured as either debt or equity, bridges this funding gap.[5] The funds cover several distinct cost categories, including:

- Up-front capital costs to launch the PIP's service model, such as physical retrofits of program space and purchase and development of data systems;
- Transaction costs, including legal fees, any loan or investment asset management fees, guarantee fees and potentially a sponsor fee to the PIP;
- A declining balance reserve to fund operating costs through the term of the P4S contract;
- A declining balance reserve to fund interest payments (if applicable) through the term of the P4S contract; and
- A declining balance reserve to compensate the auditor through the term of the audit contract (see description below).

While all of these funds must be identified at the time of the financial transaction closing, the parties may be able to sequence the draw amounts over time in order to manage the cost of capital. Similarly, interim payments under the P4S contract may obviate the need for operating funds in the out-years, or may permit partial returns of the capital advanced.

The central underwriting questions in the SIB financing transaction are the likelihood that the PIP will achieve the contracted results, triggering the P4S contract payments and avoiding the need to call on the PIP's guarantor. The underwriting will look to the quality of the sponsor and guarantor, the PIP's track record in achieving outcomes and the terms of the P4S contract. The SIB financing may also be a shorter-term instrument than the P4S contract. The SIB financing may be, for example, a 5-7 year instrument relative to an 8-10 year P4S contract.

During the pilot period, the terms of the SIB financing are likely to be more lenient with respect to any failure to meet the P4S outcomes in order to help prove the concept. However, even now and especially as the SIB industry moves to scale, security for the financing is likely to be a major subject of negotiation. Lenders or investors may seek above-market returns, guaranties or a security interest in real or personal property to guard against defaults and any failure to meet the P4S outcomes. The PIP will want a guarantor to share the risk, particularly during the pilot period. Philanthropies will be necessary to credit enhance the transactions, backing guaranties with their grant funding capacity and protecting the PIP from some of the uncertainty and risk of the new legal structures. As the SIB market matures, service best practices will be more widely understood and disseminated, sponsors will have better data and a comfort level with underwriting their results and performance will be more easily underwritten. These trends may reduce the need for credit enhancing guaranties over time and, eventually as the SIB concept becomes less novel and the perceived risk of the investment falls, the financing terms will relax.

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[5] The SIB financing is sometimes referred to as a Socially Aligned Value Investment (SAVI).

Some SIB lenders and investors may be brokers or syndicators, acting on behalf of third party impact investors. In other cases, the PIP may be sufficiently sophisticated to eliminate the need for a broker or syndicator, working directly with the investors.

Audit Function

The fourth and final component of the P4S structure is the audit function. This is a multi-lateral contract arrangement involving, at least, the PIP, the government agency and an auditor. Ideally, however, it might also include the lender or investor in the SIB financing contract and the PIP's guarantor. This contract defines the predetermined methodology to evaluate results, and identifies an independent third party to evaluate whether payment is due under the P4S contract. This evaluation mechanism does raise potential privacy and information security concerns under the federal Health Insurance Portability and Accountability Act of 1996 (HIPAA), but HIPAA experts have identified workarounds that would comply with the letter and spirit of the law and provide adequate information to support the audit function.

Ideally, the audit contract would also include a pre-determined strategy to address exogenous policy changes. For example, changes in the Medicare or Medicaid rules at either the State or Federal level may make some services more widely available in the comparison group, thereby reducing the differential between the PIP participants and the comparison group and reducing the payment amounts. Given the potential changes in the health care delivery system nationwide, it is particularly important for the parties to anticipate how they would address these outside influences.

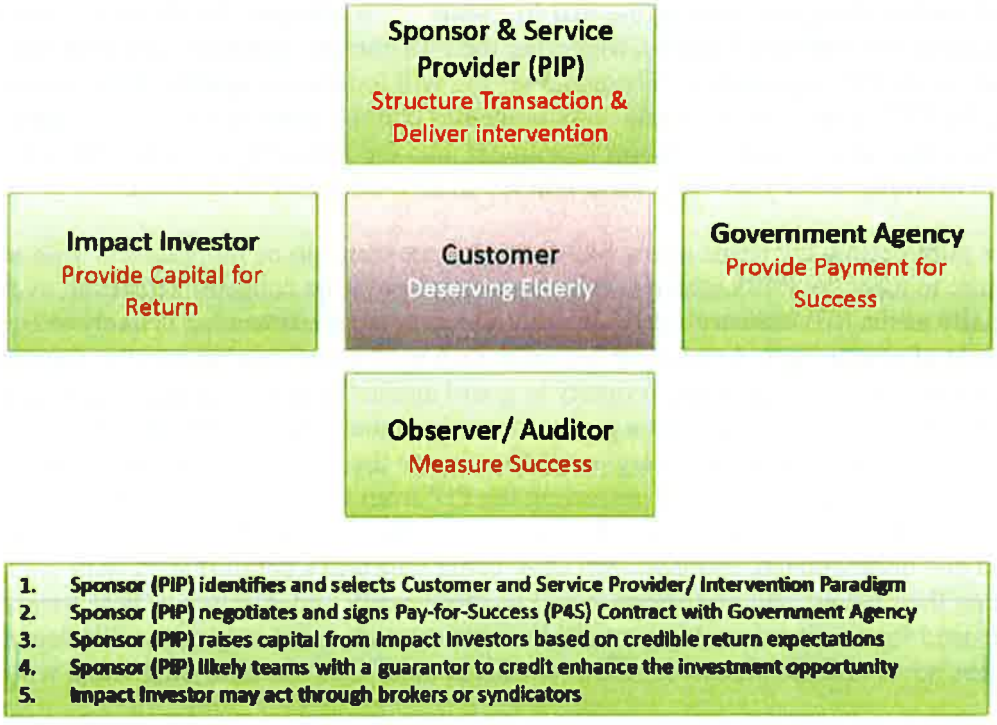

Figure 1: Who does what, with whom? The graphic identifies the major parties in a P4S transaction and their primary roles.

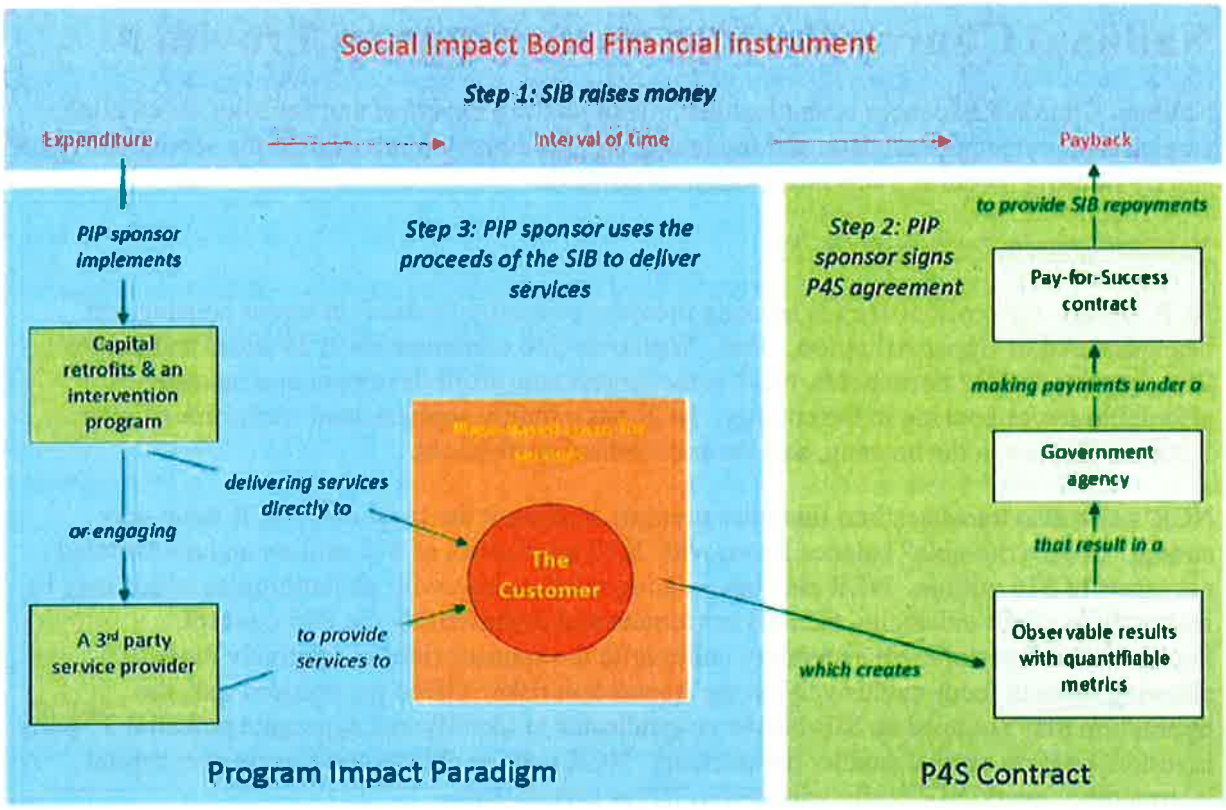

Figure 2: Social Impact Bond Transaction Structure. The graphic illustrates the relationships among the major components of a SIB transaction and the flow of deliverables.

4. National Church Residences as Program Provider

National Church Residences is an ideal PIP, given its deep expertise and capacity, its existing emphasis on outcomes and data, and the fact that it has already implemented the service-enriched elderly housing model at a few sites within its portfolio.

National Church Residences (NCR)

NCR is a not-for-profit 501(c)(3) housing provider primarily focused on senior housing and headquartered in Upper Arlington, Ohio. With over 330 communities in 28 states and Puerto Rico, serving 19,722 households, NCR is the largest non-profit developer and manager of affordable senior housing in the country. NCR has a highly sophisticated workforce of over 2,200 employees in the housing, service and medical professions.

NCR's size also translates into financial strength, making it the ideal PIP. NCR has a very strong, "underwrite-able" balance sheet, with 2010 total assets of $75 million and unrestricted net assets of $16 million. NCR also has existing relationships with philanthropies which may be interested in credit-enhancing the SIB instrument and underwriting the P4S concept. Sophisticated investors will accurately underwrite the sponsor risks as relatively modest, allowing them to focus exclusively on the transaction risks. Given the reduced risk, the transaction may not need an SIB broker or syndicator to identify and aggregate potential 3rd party investors pooling several smaller investments. NCR may be able to serve as its own capital intermediary, working directly with fewer, larger investments.

NCR pairs its size and stability with deep substantive knowledge of both housing and health care issues, and the intersection between them. In addition to its many independent living apartment communities, NCR owns and operates five assisted living/skilled nursing facilities and six continuing care retirement communities. Through these properties, as well as NCR's senior home health care agency (Home & Community Services) and six adult day care centers, NCR staff has developed an in-depth knowledge of both the services and health care needs of Ohio's seniors and the affordable housing communities in which those services can be offered.

The NCR team has built a track record of achieving impact. NCR recently implemented a service enriched elderly housing model at three sites in Ohio. Although these were fully licensed facilities and were implemented with a more grants-dependent funding structure, they are a close model for the P4S service enriched housing model. NCR's accounting and technology staff have developed strong organizational information systems which would be the foundation for necessary data gathering in the P4S context. NCR is also familiar with the issues raised by such data needs, as the NCR team worked closely with a health data consultant to measure the impact of their service model on resident health and on medical expenditures. The resulting study, "National Church Residences Housing Study Project: A Final Report," by Health Management Associates, dated July, 2012, independently verified and documented the outcomes, including cost savings, from NCR's service delivery model at these three pilot sites.

NCR is a PIP with deep financial, organizational and substantive capacity, and its 58 senior living communities in Ohio offer multiple venues to replicate the pilot at scale. As noted above, a successful elderly-oriented P4S model depends on the availability of low-income senior

apartment communities in which to nest the services. NCR's affordable housing communities – supported as they are by housing subsidies – provide the ideal locations. As demonstrated at the three pilot sites, the P4S contract only needs to sustain the services overlay, not the entire program. As residents and the existing housing subsidies fully cover the shelter costs, NCR's portfolio is the perfect vehicle for a place-based solution to promote elderly aging in place with services to prevent or postpone expensive Medicare/Medicaid costs.

Figure 3: Dining room at Stygler Commons

NCR's Senior Housing Model

NCR has implemented an Assisted Living Waiver (ALW) model for seniors to age in place at three Ohio communities - Hopeton Village in Chillicothe, OH, with 108 units, 41 of which are part of the ALW program, Stygler Commons in Gahanna, OH, with 33 ALW units, and Portage Trail in Akron, OH, with 183 units, of which 71 are ALW units. The ALW program is a close template for NCR's proposed Enhanced Community Living (ECL) model. Due to the funding for these three pilot properties, NCR was required to implement these efforts as fully licensed Residential Care Facilities. The ECL model would not seek RCF status and would implement most elements of the ALW model – as many as possible absent RCF licensing status. NCR believes the service levels would be quite comparable between its proposed ECL model and the ALW model, but could be achieved at significantly lower cost.

NCR's ECL is designed to meet established health goals, proactively manage chronic health conditions and ultimately reduce Medicare/Medicaid health care costs. The communities, like the three pilot sites, would serve a "dual eligible" population – seniors eligible for Medicare services who are also low income and therefore eligible for Medicaid.

Figure 4: Physical therapy at Hopeton Village.

The services are delivered in multifamily affordable housing which has been retrofitted to accommodate the program. The pilot communities were built with federal and state affordable housing subsidies and consequently serve seniors with incomes at or below 60% of Area Median Income (AMI). Medicaid eligibility is calculated in relation to a percentage of the Federal Poverty Level (FPL). In Ohio, the eligibility thresholds for elderly Medicaid participation are 65% of the

FPL for singles and 83% of the FPL for couples.[6] While not complete, there is significant overlap between the housing eligibility and the Medicaid eligibility among typical residents of NCR's housing portfolio.

Under the ECL model, the resident lives in his/her own private apartment with on-site access to the individually-tailored supportive and health-related services necessary to avoid institutionalization and maintain optimal health status. The program priorities are to:

- Engage residents in the management of their chronic conditions;
- Increase coordination of the care of each resident's conditions;
- Increase the likelihood that changes in health status will be identified in a timely way;
- Expand access to services and supports delivered on an intermittent basis;
- Reduce emergency room visits due to preventable medical issues;
- Reduce hospital admissions or re-admissions within 30 days;
- Reduce nursing home placements; and
- Increase the length of time living in the community.

Figure 5: Computer lab at Hopeton Village

The program integrates health status monitoring activities, flexible delivery of direct services, and social supports to encourage physical activity and combat social isolation and depression. The services are delivered by a team of nurses and direct care staff. Elements of the service program include:

Health status monitoring

- A "Nurse Navigator";
- Establishing measurable health goals:
- Identifying modifiable health care risks;
- Implementing and monitoring specific activities to achieve these goals and reduce risk;
- Medication administration;
- Assistance accessing other health services;
- Emergency response system (pendants and emergency pull cords); and
- Education on self-managing chronic diseases and chronic health conditions.

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[6] Henry J. Kaiser Family Foundation; statehealthfacts.org; Income Eligibility Requirements Including Income Levels, Disregards and Asset Limits for the Aged, Blind, and Disabled in Medicaid, 2009, http://www.statehealthfacts.org/comparereport.jsp?rep=59&cat=4.

Direct service activities

- Daily on-site access to assistance with activities of daily living;
- Assistance with household management and personal affairs;
- Monthly housekeeping;
- Laundry service;
- Daily or monthly wellness checks;
- Physical therapy, occupational therapy and speech language therapy; and
- Assistance with the transition home following a hospitalization or nursing facility stay.

Social supports

- Adult day services;
- Dining services (continental breakfast and evening dinner);
- Beauty salon;
- Fitness equipment;
- Computers, libraries and lifelong learning centers;
- Scheduled life enrichment activities;
- Scheduled transportation to appointments and activities; and
- Facilities for resident-organized social activities.

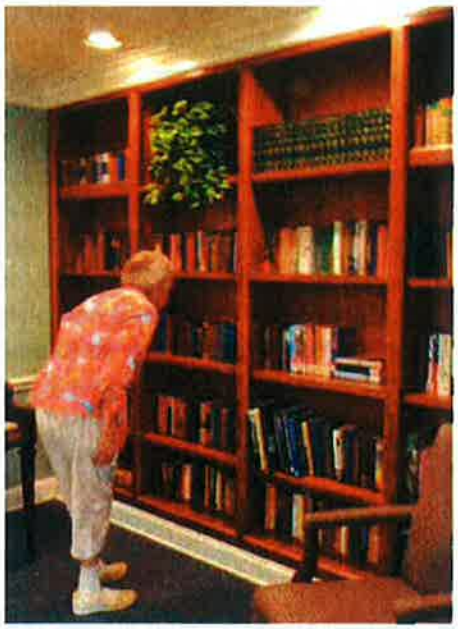

Figure 6: Library at Hopeton Village

NCR has established these programs in a highly replicable way, with consistent processes, manuals, handbooks and forms used at both facilities. Further, these procedures are routinized, as is necessary for a successful P4S initiative, and tailored for impact on the State's Medicare/Medicaid expenditures.

As noted above, the study by Health Management Associates (HMA) also documents the cost savings of these interventions. HMA assessed the residents/participants in the Hopeton Village and Stygler Commons based on medical acuity and functionality scores, using the Resource Utilization Group (RUG) scoring methodology, and then compared these individuals with residents of Ohio nursing facilities assessed as having similar RUG scores. HMA documented that the differential in health expenditures between the two groups is $73.08 dollars per day.[7] This differential included all professional health care services provided to the studied individuals. HMA has also documented that these results are supported by the literature regarding services for elderly residents living independently and by the recent experience of Ohio's efforts in this area.[8]

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[7] "National Church Residences Housing Study Project: A Final Report," by Health Management Associates, dated July, 2012, p. 20. The total NCR PIP participant cost is $76.36, including the day rate of $67.40 and the Medicare/Medicaid reimbursed "card costs" of $8.97. The nursing facility numbers for the population with comparable RUG scores are $149.44, $134.94 and $14.51, respectively.

[8] "National Church Residences Housing Study Project: A Final Report," by Health Management Associates, dated July, 2012, p. 6-11.

5. Financial Model

Based on the data from HMA's study of cost savings, as well as operating expense figures from the Hopeton Village and Stygler Commons communities and the capital investment figures from the Hopeton and Stygler build-outs, Recap has developed illustrative financial projections regarding an SIB transaction. Some of the figures from the Hopeton and Stygler transactions have been adjusted based on the scale of the modeled transaction and other assumptions.

While a P4S contract could be instituted on a property by property basis, there are significant transaction and administrative cost savings – both to the State of Ohio and to NCR – from working on a pooled basis. A pooled P4S contract would draw units from several different properties, overlaying the ECL service model on some units within each property. The initial capital investment could be delivered either all at once or sequenced if conversion of the properties cannot occur simultaneously. From the State's perspective, the timing issues are irrelevant since the State only pays under the P4S model for savings actually delivered. The details of fund advances and launch dates would be negotiated between NCR and its investor – the parties to the SIB financial transaction documents.

Recap has modeled a $15.5 million transaction, which would serve 200 units pooled across four sites. Each of the four sites would have 50 ECL units and a150 standard independent living apartments. This model replicates the continuing care community model which provides quality service and is popular among higher-income groups (although not at the levels of non-medical service and luxury available in those communities). If the nursing home eligibility outcomes are tracked for the additional, standard independent living apartments, prevention measures offered throughout the continuing care community which delay the onset of the need for additional skilled care could also be valued. A system focused exclusively on the nursing home eligible clients, such as the ALW financing program, may not have the flexibility to serve both the ECL residents and the associated independent living residents and reduces the extent of prevention efforts before the acuity levels reach the point of needing an ECL apartment. Since the P4S model only pays for specified results, the State would not need to implement regulatory oversight as to whether the services are necessary, allowing the PIP flexibility to invest in limited services to the larger population if the PIP determines it is cost effective to achieve the specified results.

Recap has not modeled any P4S payments associated with adverse events other than the daily census of residents living in the ECL community who otherwise would be living in a nursing facility. We would anticipate, however, that the data systems, and potentially the P4S contract, would track additional measures of impact on adverse events such as hospitalizations, hospital re-admissions, emergency room visits, falls, pharmaceutical over-prescription and many other cost centers, and could even compare the health effects of the associated, fully-independent living apartments at each site against a parallel-capacity senior population.

Key assumptions in the model are set forth below:

- 10 year P4S contract negotiated with the State of Ohio;
- 10-year SIB financing based on an equity investment model;

- Cost savings per day equal to the 52% savings per day relative to nursing facility care that the HMA data documented for the ALW model;
- 75% of cost savings paid to the PIP as the pay-for-success fee;
- 3% of P4S payments as a priority distribution to the PIP in fee;
- $77,500 up-front capital investment per unit;
- $22,000 annual operating cost of the PIP service model; and
- 8% priority returns for the investor's limited partners.

Based on these assumptions, the model indicates that the investor would receive an 8% IRR, net after fees and splits, from the transaction. While P4S contracts are still relatively new, the SIB investors and the PIP itself may look to credit enhancement from philanthropic program related investments in order to mitigate risk and uncertainty. The model could be adjusted to provide a portion of the potential investor return as a guarantee fee. The impact of credit enhancement is not specifically modeled in this scenario. The model further indicates that the State of Ohio would save over $10 million on this population of only 200 individuals.

6. The State of Ohio as Government Counterparty

Governor Kasich observed in his August 28 speech to the Republican National Convention that keeping older Ohioans living independently saves the taxpayer significant funds. The concept of the SIB transaction is an intuitively elegant and efficient way to operationalize this strategy. Finding the unitary governmental counterparty to make the deal work may be more challenging.

Multiple state agencies, and silos within agencies, may see savings from the PIP's service model. Given the pressures on state budgets, each agency or silo would prefer to be the "free rider," benefiting from those savings while allowing other budgets to shoulder the administrative and payment obligations under the P4S contract. Given these pressures, it likely will fall on the Governor's Office itself to bring the key governmental parties to the table and reallocate budget authority among silos to fund the P4S payments. In Ohio, the following Cabinet officers will probably need to be involved in these discussions:

- David Goodman, Director of the Department of Commerce and Chair of the Ohio Housing Finance Agency
- Bonnie Kantor-Burman, Director of the Department of Aging
- Timothy S. Keen, Director of the Office of Budget and Management
- Greg Moody, Director of the Office of Health Transformation
- John McCarthy, Medicaid Director, Department of Job and Family Services
- Tracy Plouck, Director of the Department of Mental Health

These discussions would need to achieve several outcomes to prepare the State to be an appropriate counterparty for an SIB transaction. First, one agency would need to be identified as the lead agency to execute the P4S contract and to have the authority to determine, on behalf of all of the agencies, whether the success benchmarks have been met. Second, the savings that would accrue to each agency from a successful PIP would need to be identified. Third, the respective agencies would need to agree on a mechanism to reallocate budget authority 2, 5 and 10 years down the line from the "free rider" agencies to the lead agency. Fourth, the lead agency would need to identify the appropriate budget line item from which to allocate funds and to determine whether to appropriate funds annually to reserve against the future payment obligations. Finally, the respective agencies would need to agree on whether the allocation is subject to adjustment if the savings prove to land in unexpected ways. (If the savings are not realized, no payment would be required under the P4S contract.) The specific mechanics will vary from what is described here in order to match the State of Ohio's budget processes, but the general concepts are applicable.

7. Potential for Scale and Future Growth

According to the 2010 Census, Ohio is home to 1,622,000 seniors,[9] of whom 67,000 live in nursing homes.[10] As the HMA data indicates, every 200-unit ECL occupied by seniors who would otherwise be in nursing homes will save the State over $1 million per year.

Further, if the ECL is place-based with other independent living senior apartments, incidental levels of service to those living more independently could avoid other health care costs associated with conditions from depression to falls and hospitalizations. A literature review by the Affordable Housing Institute found that pharmaceutical use interventions could reduce over-prescription adverse events by 11-17%. Similarly, different prevention strategies reduced falls between 7% and 66%, emergency room visits by 17%, inpatient hospitalizations by 33%, re-hospitalizations by 30-45% and nursing home admissions by 17-42%.[11] As the 1,555,000 seniors currently not living in nursing facilities age, these programs and the potential to delay nursing facility admissions could yield significant additional savings. During the early years of the SIB demonstration, these ancillary savings would probably not be covered by a P4S contract, but would be documented for purposes of future SIB transactions.

The potential benefit to Ohio from the SIB model is further reinforced when one looks at the Medicaid population specifically. Individuals in need of long term care represent 7% of the Medicaid population, yet consume 41% of the Medicaid budget.[12] According to the Kaiser Family Foundation, Ohio currently serves over 312,000 "dual eligibles."[13] Ohio typically spends over $6.1 billion per year on long-term care, of which over $2.7 billion is on nursing facility care.[14] As these numbers suggest, when the SIB model is rolled out broadly across the state, the potential savings are enormous.

Having already implemented the ALW service delivery model at Hopeton Village and Stygler Commons, NCR has a good understanding of its ability to replicate the model in the ECL format elsewhere across Ohio and the demand for the service is likely to remain strong.

NCR is poised to implement the ECL at several of its senior independently living communities across the state. Each specific property might have a blend of service-intensive households in a mixed community with more independent households in order to maintain a more normal social structure, permit seniors to move in when they are healthier and age-in-place within the community, and permit some of the second tier interventions to prevent conditions such as

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[9] U.S Census Bureau; American Fact Finder; American Community Survey; Population 65 Years and Over in the United States; http://factfinder2.census.gov/faces/tableservices/jsf/pages/productview.xhtml?src=bkmk.

[10] OH Dept. of Development - Policy Research & Strategic Planning Office - Complete Content Profile for Ohio - Dec. 2011, pg. 13-14; http://development.ohio.gov/research/documents/P1119.pdf.

[11] Affordable Housing Institute, June 15, 2012.

[12] Health Management Associates, p. 7.

[13] Henry J. Kaiser Foundation; statehealthfacts.org; Individual State Profiles; Ohio: Dual Eligible Beneficiaries: http://www.statehealthfacts.org/profileind.jsp?ind=303&cat=6&rgn=37

[14] Henry J. Kaiser Family Foundation; statehealthfacts.org; Individual State Profiles; Ohio: Distribution of Medicaid Spending on Long Term Care, FY2010; http://www.statehealthfacts.org/profileind.jsp?ind=180&cat=4&rgn=37&cmprgn=1

depression and over-prescription of pharmaceuticals among the more independent members of the community.

NCR could implement the ECL program either on a property by property basis or through a P4S transaction which pools units across many senior living communities. While the pooled structure introduces certain legal and structuring complications, it also offers significant transaction cost savings and allows a more rapid roll-out. Even at a modest pace of only 200 units launched in 2013, NCR could save the State of Ohio over $1 million annually, even after paying the PIP its share of the savings under the P4S contract, with a $4 million savings through December 31, 2014, due to the delayed payment structure. At the rates documented in the HMA study, a more aggressive pace of P4S contracts which cover 1,000 units – units which already exist in the State – could save Ohio well over $50 million, after payment of the P4S obligation, over a 10-year period.

8. Conclusion

As this feasibility concept note indicates, the potential to implement a P4S model focused on vulnerable elderly is very achievable within the next handful of months, assuming interest from the parties described here. NCR offers the ideal locus for place-based services in the independent living senior apartment communities NCR owns and operates across the state. These communities can be transformed to provide NCR's Enhanced Community Living model, which NCR has successfully tested at both the Hopeton Village and Stygler Commons communities.

The P4S-SIB transaction model also provides a relatively straightforward mechanism to implement this reform in the delivery of health services. Unlike the Hopeton and Stygler efforts, which relied on cobbling together multiple funding sources and discretionary grant funds to cover capital improvements, the P4S-SIB model offers a single, unitary financing mechanism entirely within the reach of the two critical players – NCR and the State of Ohio. The shelter costs are already structured, and the SIB will fund both the up-front capital conversion to the ECL model and the ongoing services program.

The P4S model when applied in the elderly context provides a powerful opportunity to overcome the timing and silo barriers which so often block preventive investments. The State of Ohio has the opportunity to save millions of dollars over the next 10 years, while NCR has the opportunity to enhance its mission of delivering quality living options to low-income residents of Ohio. The P4S model is, literally, the ounce of prevention to produce a pound of cure.

Exhibit 1: Glossary of Acronyms

ALW	Assisted Living Waiver
AMI	Area Median Income
ECL	Enhanced Community Living
FPL	Federal Poverty Level
HIPAA	Health Insurance Portability and Accountability Act of 1996, often referring to the patient privacy and information security provisions
HMA	Health Management Associates
NCR	National Church Residences
NGO	Non-Governmental Organization
OHT	Office of Health Transformation
P4S	Pay for Success, often used in counterpoint to a pay for performance (P4P), outputs-oriented structure
PIP	Program Intervention Provider
RCF	Residential Care Facility
RUG	Resource Utilization Group
SIB	Social Impact Bond

Exhibit 2: Pay for Success Model

Please see attached.

Social Impact Bond Model
Hypothetical Ohio SIB Pool
Recap Real Estate Advisors

Project

Project Name:	*Hypothetical Ohio SIB Pool*	Location:	*Scattered Site, Ohio*
Sponsor:	*National Church Residences*	Last major revision:	*10/2/2012*

Notes and Instructions

Yellow cells are underwriting inputs
Blue cells are reference assumptions
Purple cells are contract terms in the P4S contract
Red cells are contract terms in the SIB financing
Green cells are notations
Orange cells are totals

Transaction Structure

Number of properties:	4	Present Value Discount Rate:	8.00%
Is the SIB using a debt or equity structure?	Equity	Investor Discount Rate:	8.00%

		Unit mix								
	Property:	Prop A	Prop B	Prop C	Prop D					Total
Independent Living	0 BR									0
	1 BR	150	150	150	150					600
	2 BR									0
	Subtotal Independent	150	150	150	150	0	0	0	0	600
Enhanced Services	0 BR									0
	1 BR	50	50	50	50					200
	2 BR									0
	Subtotal Enhanced	50	50	50	50	0	0	0	0	200
Licensed Services	0 BR									0
	1 BR									0
	2 BR									0
	Subtotal Licensed	0	0	0	0	0	0	0	0	0
	Totals	200	200	200	200	0	0	0	0	800

Results

10	Year Pay for Success Contract	$ 77,484	Capital cost of PIP intervention per Enhanced Unit
75%	of cost savings paid to the PIP as the success fee	$ 22,019	Annual cost of PIP intervention per Enhanced Unit
$ 15,500,000	Social Impact Bond Equity Investment	$ 10,314,650	Present value of savings to government
8%	IRR net to the SIB Investor		

First Year Operating Pro Forma

	Reference Per Unit Income and Expenses			Underwriting				
				Per Unit Income & Expenses				
Source:	*Licensed*	*Licensed*	*Licensed*	Independent	Enhanced	Licensed	Aggregate	
Year:	*Hopeton* *2012*	*Stygler* *2012*	*Blended* *2012*		*2012*		Total	Notes
Income								
Gross Potential Residential Revenue	8,059	11,921	9,781	9,780	9,780	9,780	7,824,000	
Vacancy and Concessions	(1,144)	(367)	(798)	(489)	(489)	(782)	(391,200)	
Vacancy/Concessions Rate	14.2%	3.1%	8.2%	5%	5%	8%	5.0%	
Laundry & Other Residential Income	37	7	23	23	23	23	18,400	
Residential Effective Gross Income	6,951	11,560	9,006	9,314	9,314	9,021	7,451,200	
Medicaid Reimbursement	26,614	21,649	24,400			-	-	
SIB Operating Sinking Reserve				211	3,210	-	768,935	
Pay for Success Contract Payment				1,235	18,748	-	4,490,582	
Grants	606	2,108	1,276		550	-	110,000	RSC grants
Sponsor Investment from Cash Flow						-	-	
Services Effective Gross Income	27,220	23,758	25,676	1,446	22,508	-	5,369,518	
Expenses								
Administration & Payroll	1,444	2,040	1,709	1,720	1,720	1,720	1,376,000	
Maintenance & Operating	582	828	692	700	700	700	560,000	
Utilities	1,104	1,544	1,300	1,300	1,300	1,300	1,040,000	
Real Estate Taxes & Insurance	355	749	531	530	530	530	424,000	
Management Fee	597	933	747	745	745	722	596,096	
Management Fee as % of EGI	8.6%	8.1%	8.3%	8%	8%	8%	8.0%	
Replacement Reserve Deposits	264	458	351	350	350	350	280,000	
Other							-	
Residential Operating Expenses	4,345	6,553	5,330	5,345	5,345	5,322	4,276,096	
Resident Services Coordination	613	2,014	1,238	1,000	1,000	1,000	800,000	Service coordination for all units
Program Ops & Partner Agencies				200	200	200	160,000	Joe Hall e-mail 9/14: RSC line item excludes program activities - only staff, training, office supplies, etc
Protected Costs (Medical Supply)	260	236	249	25	235	235	62,000	
Direct Care Costs (Nursing)	6,837	10,967	8,679	100	8,675	8,675	1,795,000	
Indirect Care Costs (Food, Admin, etc.)	5,510	6,133	5,788	-	5,750	5,750	1,150,000	Hopeton includes tech fees; Stygler hadn't started pay tech; no food for IUs; less delivery for EUs
Non-Reimbursable (Therapy)	1,881	1,020	1,497	75	1,000	1,000	245,000	
AL Card Costs					3,274	3,274	654,810	From HMA data
Technology & Data				35	35	35	28,000	Tech fees at $7k/property per year
Management Fee, Legal & Other	2,369	1,191	1,844		1,850	1,850	370,000	Management fee for independent is primarily covered by residential fees
Services Operating Expenses	17,470	21,562	19,295	1,435	22,019	22,019	5,264,810	
Services per diem rate	47.86	59.07	52.86	3.93	60.33	60.33		
Residential Net Operating Income	**2,606**	**5,007**	**3,677**	**3,969**	**3,969**	**-**	**3,175,104**	
Services Net Operating Income	**9,750**	**2,196**	**6,381**	**11**	**489**	**-**	**104,708**	
Aggregate Net Operating Income	**12,356**	**7,203**	**10,058**	**3,980**	**4,458**	**-**	**3,279,812**	

Sources & Uses

Source:	Reference Per Unit: *Licensed Hopeton I*	*Licensed Hopeton II*	*Licensed Stygler*	*Licensed Blended*	Underwriting: Per Unit (Enh. & Lic.)	Total	Notes
Uses of Funds							
Upfront Capital Investment	161,774	139,274	61,193	109,319	54,600	10,920,000	
Architectural/Soft Costs	7,815	7,111	2,850	4,545	4,500	900,000	10% of hard construction
Construction	130,211	120,569	51,417	95,326	45,000	9,000,000	$2M per site for commercial kitchen/laundry & $5k per Enhanced/Licenced Unit
Contingency	12,750	11,600	5,916	8,658	4,500	900,000	10% of hard construction
Furnishings & Equipment	-	-	-	-	600	120,000	$30k per property
Transaction Costs	33,181	20,281	7,239	17,254	12,364	2,472,750	
Relocation	8,985	8,225	1,622	5,943	4,000	800,000	$4000 per Enhanced/Licensed Unit
Vacancy Loss	17,719	6,756	3,920	9,672	5,700	1,140,000	$5700 per Enhanced/Licensed Unit
Administration/Insurance/Cost Cert	4,064	2,220	1,875	2,633	1,200	240,000	$60k per property
Legal Fees & Closing Costs	94	200	303	225	375	75,000	Estimate
Consultants	8,322	8,582	1,515	4,671	500	100,000	Estimate
Soft Cost Contingency					589	117,750	5% of other soft costs
SIB Loan Fees					3,875	775,000	
SIB Audit Reserve					1,500	300,000	$30,000 per year of P4S Contract term
SIB Operating Sinking Reserve					4,000	800,000	
SIB Interest Reserve					-	-	
1.5% Sponsor Fee					1,145	229,016.25	Percentage at left applied to hard & soft costs, financing fees and reserves
Total Uses of Funds	194,955	159,555	68,432	126,573	77,484	15,496,766	
Sources of Funds							
Social Impact Bond					77,500	15,500,000	
Grants/Subsidies	132,455	159,555	66,512	112,203	-		
Other Residual Receipts	62,500	-	-	13,514	-		
Other Amendment Funds	-	-	1,920	856	-		
Other					-		
Total Sources of Funds	194,955	159,555	68,432	126,573	77,500	15,500,000	
Surplus/(Gap)	-	-	-	-	16	3,234	

15 Year Pro Forma

	Inflation Factor	Year 1 2014	Year 2 2015	Year 3 2016	Year 4 2017	Year 5 2018	Year 6 2019	Year 7 2020	Year 8 2021	Year 9 2022	Year 10 2023	Year 11 2024	Year 12 2025	Year 13 2026	Year 14 2027	Year 15 2028
Income																
Gross Potential Residential Revenue	2.0%	8,140,090	8,302,891	8,468,949	8,638,328	8,811,095	8,987,317	9,167,063	9,350,404	9,537,412	9,728,161	9,922,724	10,121,178	10,323,602	10,530,074	10,740,675
Vacancy and Concessions		(407,004)	(415,145)	(423,447)	(431,916)	(440,555)	(449,366)	(458,353)	(467,520)	(476,871)	(486,408)	(496,136)	(506,059)	(516,180)	(526,504)	(537,034)
Vacancy/Concessions Rate		5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%
Laundry & Other Residential Income	2.0%	19,143	19,526	19,917	20,315	20,721	21,136	21,559	21,990	22,429	22,878	23,336	23,802	24,278	24,764	25,259
Residential Effective Gross Income		7,752,228	7,907,273	8,065,419	8,226,727	8,391,261	8,559,087	8,730,268	8,904,874	9,082,971	9,264,631	9,449,923	9,638,922	9,831,700	10,028,334	10,228,901
Medicaid Reimbursement	2.0%	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
SIB Operating Sinking Reserve	2.0%	800,000														
Pay for Success Contract Payment	2.0%	4,672,002	8,165,451	8,410,414	8,662,727	8,922,608	9,190,287	9,465,995	9,749,975	10,042,474	10,343,749	4,375,281	-	-	-	-
Grants	2.0%	114,444	116,733	119,068	121,449	123,878	126,355	128,883	131,460	134,089	136,771	139,507	142,297	145,143	148,046	151,006
Sponsor Investment from Cash Flow	2.0%	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Services Effective Gross Income		5,586,446	8,282,184	8,529,482	8,784,176	9,046,486	9,316,642	9,594,878	9,881,435	10,176,564	10,480,520	4,514,788	142,297	145,143	148,046	151,006
Expenses																
Administration & Payroll	3.0%	1,459,798	1,503,592	1,548,700	1,595,161	1,643,016	1,692,306	1,743,076	1,795,368	1,849,229	1,904,706	1,961,847	2,020,702	2,081,323	2,143,763	2,208,076
Maintenance & Operating	3.0%	594,104	611,927	630,285	649,193	668,669	688,729	709,391	730,673	752,593	775,171	798,426	822,379	847,050	872,462	898,636
Utilities	3.0%	1,103,336	1,136,436	1,170,529	1,205,645	1,241,814	1,279,069	1,317,441	1,356,964	1,397,673	1,439,603	1,482,791	1,527,275	1,573,093	1,620,286	1,668,895
Real Estate Taxes & Insurance	3.0%	449,822	463,316	477,216	491,532	506,278	521,467	537,111	553,224	569,821	586,915	604,523	622,658	641,338	660,578	680,396
Management Fee		620,178	632,582	645,233	658,138	671,301	684,727	698,421	712,390	726,638	741,170	755,994	771,114	786,536	802,267	818,312
Management Fee as % of EGI		8.0%	8.0%	8.0%	8.0%	8.0%	8.0%	8.0%	8.0%	8.0%	8.0%	8.0%	8.0%	8.0%	8.0%	8.0%
Replacement Reserve Deposits	3.0%	297,052	305,964	315,142	324,597	334,335	344,365	354,696	365,336	376,297	387,585	399,213	411,189	423,525	436,231	449,318
Other	3.0%	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Residential Operating Expenses		4,524,290	4,653,817	4,787,106	4,924,267	5,065,413	5,210,663	5,360,135	5,513,955	5,672,250	5,835,151	6,002,794	6,175,318	6,352,866	6,535,587	6,723,632
Resident Services Coordination	3.0%	848,720	874,182	900,407	927,419	955,242	983,899	1,013,416	1,043,819	1,075,133	1,107,387	1,140,609	1,174,827	1,210,072	1,246,374	1,283,765
Program Ops & Partner Agencies	3.0%	169,744	174,836	180,081	185,484	191,048	196,780	202,683	208,764	215,027	221,477	228,122	234,965	242,014	249,275	256,753
Protected Costs (Medical Supply)	3.0%	65,776	67,749	69,782	71,875	74,031	76,252	78,540	80,896	83,323	85,822	88,397	91,049	93,781	96,594	99,492
Direct Care Costs (Nursing)	3.0%	1,904,316	1,961,445	2,020,288	2,080,897	2,143,324	2,207,624	2,273,852	2,342,068	2,412,330	2,484,700	2,559,241	2,636,018	2,715,099	2,796,552	2,880,448
Indirect Care Costs (Food, Admin, etc)	3.0%	1,220,035	1,256,636	1,294,335	1,333,165	1,373,160	1,414,355	1,456,786	1,500,489	1,545,504	1,591,869	1,639,625	1,688,814	1,739,478	1,791,663	1,845,412
Non-Reimbursable (Therapy)	3.0%	259,921	267,718	275,750	284,022	292,543	301,319	310,359	319,669	329,260	339,137	349,311	359,791	370,584	381,702	393,153
AL Card Costs	3.0%	694,688	715,529	736,994	759,104	781,877	805,334	829,494	854,379	880,010	906,410	933,602	961,611	990,459	1,020,173	1,050,778
Technology & Data	3.0%	29,705	30,596	31,514	32,460	33,433	34,436	35,470	36,534	37,630	38,759	39,921	41,119	42,353	43,623	44,932
Management Fee, Legal & Other	3.0%	392,533	404,309	416,438	428,931	441,799	455,053	468,705	482,766	497,249	512,167	527,532	543,357	559,658	576,448	593,741
Services Operating Expenses		5,585,437	5,753,000	5,925,590	6,103,358	6,286,458	6,475,052	6,669,304	6,869,383	7,075,464	7,287,728	7,506,360	7,731,551	7,963,498	8,202,402	8,448,475
Residential Net Operating Income		**3,227,938**	**3,253,456**	**3,278,313**	**3,302,460**	**3,325,848**	**3,348,424**	**3,370,133**	**3,390,919**	**3,410,721**	**3,429,480**	**3,447,129**	**3,463,604**	**3,478,834**	**3,492,747**	**3,505,269**
Services Net Operating Income		**1,009**	**2,529,184**	**2,603,892**	**2,680,818**	**2,760,028**	**2,841,590**	**2,925,574**	**3,012,052**	**3,101,099**	**3,192,791**	**(2,991,573)**	**(7,589,254)**	**(7,818,355)**	**(8,054,357)**	**(8,297,468)**
Aggregate Net Operating Income		**3,228,947**	**5,782,639**	**5,882,204**	**5,983,278**	**6,085,876**	**6,190,014**	**6,295,707**	**6,402,971**	**6,511,821**	**6,622,271**	**455,557**	**(4,125,650)**	**(4,339,521)**	**(4,561,610)**	**(4,792,199)**
Less Residential Debt Service		(2,414,732)	(2,414,732)	(2,414,732)	(2,414,732)	(2,414,732)	(2,414,732)	(2,414,732)	(2,414,732)	(2,414,732)	(2,414,732)	(2,414,732)	(2,414,732)	(2,414,732)	(2,414,732)	(2,414,732)
Less Investor Fees and Return		-	(2,366,289)	(2,434,308)	(2,504,346)	(2,576,463)	(2,650,720)	(2,727,181)	(2,805,912)	(2,886,981)	(2,970,456)	-	-	-	-	-
Residential Cash Flow		**813,206**	**838,724**	**863,580**	**887,728**	**911,116**	**933,692**	**955,401**	**976,186**	**995,989**	**1,014,747**	**1,032,397**	**1,048,872**	**1,064,102**	**1,078,015**	**1,090,537**
Services Cash Flow		**1,009**	**162,895**	**169,583**	**176,471**	**183,565**	**190,870**	**198,393**	**206,140**	**214,119**	**222,335**	**(2,991,573)**	**(7,589,254)**	**(7,818,355)**	**(8,054,357)**	**(8,297,468)**
Aggregate Cash Flow		**814,215**	**1,001,619**	**1,033,164**	**1,064,199**	**1,094,681**	**1,124,562**	**1,153,794**	**1,182,326**	**1,210,108**	**1,237,082**	**(1,959,175)**	**(6,540,382)**	**(6,754,253)**	**(6,976,342)**	**(7,206,931)**

times 200 units, 79% occupancy, 365 days

times 200 units, 79% occupancy, 365 days

Recap Real Estate Advisors
Social Impact Bond Model

Hypothetical Ohio SIB Pool
10/2/2012

Pay for Success Contract Terms

Savings Share to PIP	75%	Are costs reimbursed in addition to share of savings?	Yes
Contract Duration (Years)	10		

Current Costs Comparison - Adverse Events

	Current				Research		Projected							
	Unit of measure	Cost/unit	# of units	Cost per year	Potential PIP Impact	Source	Base cost/unit	Margin of Error	# of units	Adjuster #1	Adjuster #2	Effective cost/unit	Cost per year	Notes
Nursing home use - Enhanced Units	Daily rate	149.44	200	8,618,205	Reduced per diem rate	HMA	60.33	0%	200	365	79%	76.36	4,403,810	#1: days/yr; #2: occupancy
Other														
Other														
Other														

Pay for Success Contract Payments

	Year of Costs 2012	Inflation Factor	Year 1 2014	Year 2 2015	Year 3 2016	Year 4 2017	Year 5 2018	Year 6 2019	Year 7 2020	Year 8 2021	Year 9 2022	Year 10 2023	Year 11 2024	Year 12 2025	Year 13 2026	Year 14 2027	Year 15 2028
Calculations																	
Current costs w/o P4S	8,618,205	3.0%	9,143,053	9,417,345	9,699,865	9,990,861	10,290,587	10,599,305	10,917,284	11,244,803	11,582,147	11,929,611	-	-	-	-	-
Cost	4,403,810	3.0%	4,672,002	4,812,162	4,956,527	5,105,223	5,258,379	5,416,131	5,578,615	5,745,973	5,918,352	6,095,903	-	-	-	-	-
Savings	4,214,395		4,471,051	4,605,183	4,743,338	4,885,639	5,032,208	5,183,174	5,338,669	5,498,829	5,663,794	5,833,708	-	-	-	-	-
% Savings to PIP	75%		75%	75%	75%	75%	75%	75%	75%	75%	75%	75%	75%	75%	75%	75%	75%
Savings Payment to PIP	3,160,796		3,353,289	3,453,887	3,557,504	3,664,229	3,774,156	3,887,381	4,004,002	4,124,122	4,247,846	4,375,281	-	-	-	-	-
Schedule of Payment																	
Cost Reimbursement			4,672,002	4,812,162	4,956,527	5,105,223	5,258,379	5,416,131	5,578,615	5,745,973	5,918,352	6,095,903	-	-	-	-	-
Savings Pay Annually?	Yes		0	3,353,289	3,453,887	3,557,504	3,664,229	3,774,156	3,887,381	4,004,002	4,124,122	4,247,846	4,375,281	-	-	-	-
If no, indicate milestone payments:																	
P4S Contract Payment Obligations - Total Due PIP			**4,672,002**	**8,165,451**	**8,410,414**	**8,662,727**	**8,922,608**	**9,190,287**	**9,465,995**	**9,749,975**	**10,042,474**	**10,343,749**	**4,375,281**	-	-	-	-
Net Savings to Government			**4,471,051**	**1,251,894**	**1,289,451**	**1,328,135**	**1,367,979**	**1,409,018**	**1,451,289**	**1,494,827**	**1,539,672**	**1,585,862**	**(4,375,281)**	-	-	-	-

P4S payment amount:
see 15 Year Pro Forma Sheet (2014 value = $4,672,002)
and Operating Expense Sheet (2012 value = $4,490,582)

SIB Investment Model Terms

PIP Incentive Fee (off P4S payment)	3.0%
Investor AM Fee (off initial investment)	0.0%
Investor Priority Return (off initial investment)	8.0%
Investor Incentive Fee (off cash flow)	0.0%
Investor Residual Share	95.0%
Investment	15,500,000

Investment Model: Analysis of Investor and PIP Return

	Maximum Fee Amount	*Year 1 2014*	*Year 2 2015*	*Year 3 2016*	*Year 4 2017*	*Year 5 2018*	*Year 6 2019*	*Year 7 2020*	*Year 8 2021*	*Year 9 2022*	*Year 10 2023*	*Year 11 2024*	*Year 12 2025*	*Year 13 2026*	*Year 14 2027*	*Year 15 2028*
Services Net Operating Income		1,009	2,529,184	2,603,892	2,680,818	2,760,028	2,841,590	2,925,574	3,012,052	3,101,099	3,192,791	-	-	-	-	-
PIP Incentive Fee		(1,009)	(103,617)	(106,725)	(109,927)	(113,225)	(116,621)	(120,120)	(123,724)	(127,435)	(131,258)	-	-	-	-	-
Investor Capital Asset Mngt. Fee	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Investor Priority Return	1,240,000	-	(1,240,000)	(1,240,000)	(1,240,000)	(1,240,000)	(1,240,000)	(1,240,000)	(1,240,000)	(1,240,000)	(1,240,000)	-	-	-	-	-
Investor Incentive Fee		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Net Cash Flow After Priority Fees & Distributions		-	1,185,567	1,257,167	1,330,891	1,406,803	1,484,968	1,565,454	1,648,329	1,733,664	1,821,533	-	-	-	-	-
Residual Distribution to Investor		-	(1,126,289)	(1,194,308)	(1,264,346)	(1,336,463)	(1,410,720)	(1,487,181)	(1,565,912)	(1,646,981)	(1,730,456)	-	-	-	-	-
Residual Distribution to PIP		-	(59,278)	(62,858)	(66,545)	(70,340)	(74,248)	(78,273)	(82,416)	(86,683)	(91,077)	-	-	-	-	-
	Initial Capital															
Total Investor Fees (AM and Incentive)		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total Investor Capital Flow	(15,500,000)	-	2,366,289	2,434,308	2,504,346	2,576,463	2,650,720	2,727,181	2,805,912	2,886,981	2,970,456	-	-	-	-	-
Total Investor Payments	(15,500,000)	-	2,366,289	2,434,308	2,504,346	2,576,463	2,650,720	2,727,181	2,805,912	2,886,981	2,970,456	-	-	-	-	-
Total PIP Fees & Distribution		1,009	162,895	169,583	176,471	183,565	190,870	198,393	206,140	214,119	222,335	-	-	-	-	-

APPENDIX B

Option B: *SOCIAL IMPACT BOND*

Report Completed By: RECAP REAL ESTATE ADVISORS