

Springs area seeing a boom in assisted-living development

By: [Wayne Heilman](#) May 28, 2016

If housing construction in the Colorado Springs area is heating up, then the local senior housing market is at its boiling point.

An explosion of development of all types of senior housing will add more than 800 living units to the Colorado Springs area market by the end of next year. The 10 projects - including independent living apartments with meal service, assisted-living units and nursing home beds - are either open, under construction or seeking planning approval from local government agencies.

The latest round of development follows a burst of construction that started in late 2011 and added more than 500 units in eight projects, mostly assisted-living centers, by early 2015.

"We are seeing a lot of new development and there are still properties that recently opened that have not been fully absorbed by the market," said Elisabeth Borden, principal of The Highland Group, a Boulder-based consulting firm for the senior housing industry who has worked with developers of several local projects. "There are properties that are still offering concessions" to new residents.

That push to fill empty units is a sign that the latest wave of development may result in even more rental and other incentives to attract tenants.

The occupancy rate for senior housing in the Colorado Springs area drifted lower during the previous building boom from 91.7 percent in 2012 to 88.3 percent last year, according to quarterly surveys by the National Investment Center for the Seniors Housing & Care Industry in Annapolis, Md. Annual rent growth during the same period deteriorated from 2.1 percent in 2012 to 1.5 percent last year, according to the center's surveys. Both occupancy and rent growth were somewhat weaker than the average for cities of similar size, the surveys showed.

The previous round of construction was triggered in part by pent-up demand that developed during the recession and its aftermath, when no new projects were built for three years.

Many developers of the earlier round of facilities had planned their projects before the recession and couldn't land financing during the downturn.

The latest round is driven more by surging population growth of elderly adults - the population 75 years and older in El Paso County is forecast to grow by 62.5 percent to more than 50,000 by 2025, according to the State Demography Office.

The first new project, the Healthcare Resort of Colorado Springs, opened this month in northwest Colorado Springs targeted largely at older adults with Medicare coverage that need short-term rehabilitation - usually two to four weeks - after a hospital stay for surgery, a heart attack or other medical condition.

The \$22 million complex includes 97 beds for patients who need 24-hour nursing care and 28 assisted-living units for patients who need help preparing meals, bathing, dressing, keeping track of medication and other personal care tasks.

"I'm very glad we are at the forefront of this new wave of construction. I think it could get difficult for those projects opening near the end of the boom," said Royal Jensen, CEO of Healthcare Resort of Colorado Springs.

Unlike the last wave of construction that mostly added assisted-living units to the local market, the 10 projects are not targeted at just one type of senior housing.

Four complexes include apartment units with meal service - called independent living - or a mix of retirement housing designed to allow residents to move to a higher level of care as needed. That is similar to the national trend, driven primarily by plentiful financing for assisted-living centers with more money becoming available for independent living projects, Borden said.

"There is a belief that Colorado is a strong, growing market for senior housing. There are a lot of national and regional companies starting to do business in Colorado. That is fueled by the fact that there is a greater supply of equity going into senior housing than ever before," Borden said. "One cautionary note: There is a lot of excitement about the aging of the baby boomers, but the oldest boomers are just turning 70 this year. The average age of assisted-living residents is in the mid-80s. We are talking 10-15 years before boomers are ready for assisted living."

One example of developers expanding into senior housing is The Wolff Co., a Scottsdale, Ariz.-based firm that is building a 162-unit independent living complex near the First & Main shopping center along Powers Boulevard.

"There's an underserved market of renters aged 55-plus, looking for a lock-and-leave lifestyle where we are building," said Mike Milhaupt, a longtime senior housing industry executive who is now vice president of senior housing for Wolff. "These developments will fill a gap in the market and set a new benchmark for senior living rental communities." The Colorado Springs complex will include on-site dining facilities, indoor swimming pools, theaters, fitness centers, lounges and offer a variety of social activities for residents, he said.

Akron, Ohio-based Cedarwood Development Inc. is expanding into senior housing with The Lodge, a 79-bed facility that will have 22 beds set aside for residents with Alzheimer's disease, dementia or other memory impairments.

Laura Hester, Cedarwood's vice president of senior housing, said the company's market analysis shows "strong demand for our product and supports what we are bringing in," drawing residents from the Black Forest, Briargate, Springs Ranch, Stetson Hills and Wolf Ranch areas.

Demand is strong throughout Colorado for independent living units, Borden said, but she is worried the latest round of development could lead to overbuilding in two markets - facilities offering 24-hour nursing care (also called skilled nursing beds), and memory care centers. The latter require secure entrances and

outdoor areas so residents cannot leave the facility and become lost, and are the most difficult facilities to fill, she said.

Traditional nursing homes, which offer 24-hour nursing care, have the lowest occupancy rate of any type of senior housing and are expected to lose patients to short-term rehabilitation facilities like the Healthcare Resort of Colorado Springs and three other facilities built in the past nine years, Borden said.

The four facilities have 250 beds, enough to house nearly three-fourths of the area residents covered by Medicare who received 24-hour nursing care for short-term rehabilitation at the end of last year, she said.

One facility might not be built. Dallas-based Senior Quality Lifestyles Corp., which had sought approval late last year for a 256-unit development in northwest Colorado Springs, told Mike Schultz of the Colorado Springs Planning and Development Department that the company "needed to go back to the board of directors to make sure they wanted to continue pursuing the site" after making concessions on building height to address neighborhood concerns.

A spokeswoman for the company, which operates six retirement complexes in Indiana and Texas, declined to comment.

Larry Smith, president of Bethesda Senior Living Communities, said the Colorado Springs-based nonprofit is building an assisted-living center in Monument in response to that city's booming population.

Bethesda also owns land in the Briargate area where it had considered building a larger retirement complex, but instead has put the 5.9-acre site on the market.

Two other longtime senior housing operators aren't worried about an overbuilt market.

Janet Burns, CEO of Sunny Vista Senior Living, which is building a 66-bed assisted-living center on its campus on Cache La Poudre Street, said the assisted-living center will give Sunny Vista a campus for the first time where residents can "age in place" and move between levels of care as needed.

"I believe these projects are geographically far enough apart that they will be serving different markets," Burns said. "We are a nonprofit with long ties to the community with a campus that is centrally located and the market for assisted living is just exploding with the aging of the baby boomers."

Aaron Koelsch, CEO of Koelsch Senior Communities, said the Olympia, Wash.-based company is building a 72-bed memory care center near the Springs Ranch Golf Course along with 12 cottages for family members as part of its expansion into the memory care market that also includes four other facilities in the Chicago and Seattle areas.

"Just about everywhere we go the senior real estate market is very busy. There is always a bit of risk because this is an inexact science," Koelsch said. "We are going to locations where the demand is steep and the demand is robust in Colorado Springs for memory care services. When we did our market study earlier this year, every facility had an occupancy rate well in the 90s."