

Demand Analysis Summary for Seniors Housing in Fort McMurray

Feasibility Forecast Calculations

All feasibility forecasts are based upon the Market Demand Study completed at the request of the Wood Buffalo Housing and Development Corporation (WBHDC) by the Altus Group, Ltd., Canada's leading real estate appraisal company.

Altus, in keeping with industry norms, uses the Demand Coverage Ratio (DCR), an indicator that measures the relationship between potential market demand and competitive supply, to quantify market conditions. To calculate the DCR, divide qualified demand – the target market determined by age, health service requirements, income, marital status, *etc.* – by net supply. Altus contends the market is in balance when the DCR falls between 2.0 and 3.0 – that is, when there are two to three qualified residents (age/income/need) for every unit of supply. A lower number indicates a market over-supply of, in the case of this study, any particular type of seniors housing; a higher number indicates a corresponding market shortage.

For the purposes of its study, Altus assumed population growth in Fort McMurray to be 3.1 percent from 2014 to 2019, and 1.3 percent from 2019 to 2024, with a retention rate (qualified residents who choose to remain in Fort McMurray) estimated at two scenarios, 55 and 60 percent. The “subject property” in the Altus report is the site at the intersection of Franklin Avenue and Hospital Street formerly known as “Willow Square”; however, the catchment area is the entire Regional Municipality (except Fort Chipewyan), as indicated in the report.

The Full Spectrum of Seniors Housing in Fort McMurray – Today and Tomorrow

Because the site plan for the Parsons Creek Long-Term Care facility¹ has been submitted to the Regional Municipality, Altus included its units in its calculations of current market demand for the various types of seniors housing, even though the facility is not yet built.

The proposed [Parsons Creek] development will reportedly include 100 units comprised of 70 [Assisted Living], 20 [Long-Term Care], and 10 [Memory Care] beds to be built and operated by Alberta Health Services (“Market Demand Study,” Altus Group Limited, page 56).

Market demand in this study, summarized in Figure 1 on page 3, is estimated based on existing capacity and *inclusive* of those units provided by the planned Parsons Creek facility, all of which will be ‘convertible’; that is, they can provide AL, LTC or MC services as demand necessitates.²

¹ “Government moving ahead with continuing care centre in Fort McMurray,” 9 December 2011. See <http://alberta.ca/release.cfm?xID=3167424FE3163-D103-9BC8-A86CC6C280D1E03F>.

² Because of the variable service potential of the units in the Parsons Creek facility, Altus strongly recommends further supply/demand analysis once the facility is occupied.

Independent Living

The DCR for **market/private-pay** Independent Living (IL) units in Fort McMurray based on current supply is 7.7; in 2017 it is 12.6; and in 2019 it is 13.8, all significantly out-of-balance ratios. Altus has proposed the addition of 25 market/private-pay IL units could be provided in the community. Twenty-five new units reduce the current DCR to 1.9, in 2017 to 3.2, and in 2019 to 3.5. Thirty-five new units reduces the current DCR to 1.5, a temporary over-supply, in 2017 to 2.5, and in 2019 to 2.7, which, in the long-term, are balanced ratios between 2.0 and 3.0.

Summary: Development in the range of 25 to 35 **market/private-pay** IL units in Fort McMurray by 2019 is within acceptable ranges and is feasible from a supply/demand perspective.

Independent Supportive Living and Assisted Living

Altus calculated the DCR for **market/private pay** Independent Supportive Living (ISL) and/or Assisted Living (AL) units at 1.0, indicating an existing over-supply. It is Altus's opinion that Fort McMurray does not need additional market/private-pay ISL or AL units from a demand/supply perspective. This opinion assumes 70 AL units will be available at the Parsons Creek facility. That said, Altus performed a sensitivity analysis under two seniors' population growth scenarios that suggests development of 20 to 40 additional ISL and/or AL units could be appropriate five to ten years out, depending on market conditions.

Summary: Development in the range of 20 to 40 **private pay** ISL and/or AL units in Fort McMurray between 2019 and 2024 is likely feasible from a supply/demand perspective.

Long-Term Care

Altus estimates the DCR for Long-Term Care (LTC) units is currently 6.1, including the 20 units identified in the proposed facility at Parsons Creek. This indicates the market is under-supplied and development of additional LTC units is feasible at this time. Currently, a fluctuating number of 30 to 40 LTC residents in Fort McMurray occupy acute-care beds on the third and fourth floors of the Northern Lights Regional Health Centre; another ten or so occasionally occupy acute-care beds elsewhere in the health centre. It is Altus's opinion the addition of 40 LTC units in Fort McMurray – resulting in a current DCR of 2.1 and in 2019 to 3.7– is feasible from a demand/supply perspective. The Parsons Creek facility should absorb all immediate LTC demand.

Summary: Because the Parsons Creek facility can be reconfigured, it has sufficient capacity to absorb the current demand for 20 LTC units and the forecast for an additional 20 units. No further LTC beds are required in Fort McMurray than what will be provided at the Parsons Creek facility until at least after 2019.

Memory Care

Finally, in terms of Memory Care (MC) units, the DCR analysis based on existing supply – again, designated units at the proposed Parsons Creek facility included and assumed – indicates the market is currently under-supplied. Altus suggests an addition of 10 more MC units in Fort McMurray would be feasible from a demand/supply perspective. Further, with forecast population growth and even with the addition of another 10 MC units to yield 20 in total, the DCR increases to 3.8 by 2019, and to 6.3 by 2024.

Summary: Immediate development of 10 additional MC units in Fort McMurray is feasible from a supply/ demand perspective, and 10- 20 additional units are likely to be required between 2019 and 2024.

Figure 1: Demand analysis summary for seniors housing in Fort McMurray

Demand Analysis Summary						
Industry Standard	Alberta Health Services	Service Offering	Current supply	Current demand	2017 demand	2019 to 2024 demand
Independent Living (IL) market/private pay	n/a	Individuals at home with sufficient income who need occasional home care.	Unknown	25 units	35 units	50-55 units
Independent Living (IL) social/subsidized	Residential Living (DSL1)	Individuals at home who need occasional home care and provincial support.	30 units (Araubasca House and Legion Manor)	31	35*	37*
Independent Supportive Living (ISL) market/private pay	Lodge Living (DSL2)	Individuals with sufficient income to blend independent living with 24-hour health care and security that cannot be delivered at home.	0 units	0 units	0 units	20 units
Independent Supportive Living (ISL) social/subsidized	Lodge Living (DSL2)	Individuals blending independent living with 24-hour health care and security that cannot be delivered at home who need provincial support.	39 units (Rotary House Lodge) [†]	29 [†]	33*	35*
Assisted Living (AL)	Assisted Living & Enhanced Assisted Living (DSL3 & DSL4)	Some complex health care needs that do not require long-term care.	70 units proposed at Parsons	0 units	0 units	20 units
Long Term Care (LTC)	Long Term Care (LTC)	Seniors and adults with complex health care needs – immobility, developmental disabilities, chronic illness, complex meds, end-of-life.	20 units proposed at Parsons	40 units	50 units	60 units
Memory Care (MC)	Facility Living – Dementia (secured) (DSL4D)	As above, with the addition of dementia.	10 units proposed at Parsons	10 units	20 units	25-30 units

The table represents cumulative seniors housing demand and not additional demand in each period. That is, current demand for MC units in Fort McMurray is 10; a *total* of 20 units could be absorbed by 2019, not an *additional* 20 units, and a *total* of 25-30 units by 2024.

* WBHDC has calculated demand for social/subsidized IL and social/subsidized ISL units combined by extrapolating seniors' population growth in relation to overall population growth estimates in the Altus "Market Demand Study."

[†] Though Rotary House Lodge, which provides social/subsidized ISL units, is full with 39 residents, about 10 would be better served in an AL facility and will likely be moved when the Parsons Creek facility is opened, creating additional capacity in Rotary House Lodge.

Conclusions

Overall, supply/demand models indicate Fort McMurray is currently under-supplied with regard to **market/private-pay** IL, LTC and MC units. Altus has recommended a mix of service offerings that would include the addition of 25 to 35 market/private-pay IL units, 40 LTC units, and 10 MC units to the current supply in Fort McMurray, subject to confirmation of the number of units to be occupied by which service segments at Parsons Creek.

Based upon the Altus report, WBHDC concludes the following:

- The 100 unit Parsons Creek facility will provide superior accommodations to the 10 or so persons requiring AL support who currently reside at the Rotary House Lodge because nothing more suitable is available in Fort McMurray at this time.
- The Parsons Creek facility is likely to absorb all current LTC demand, which includes approximately 40 individuals occupying acute care beds in the Northern Lights Health Regional Health Centre, and Altus's additional recommended 30 LTC units by 2019.
- The Parsons Creek facility is expected to accommodate the immediate need for 10 MC units and could absorb the forecast need for 10 additional MC units.
- This forecast could result in 100 percent occupancy of the Parsons Creek facility by 2019.

The resulting market demand for other types of seniors housing in the next four years is 25 units of **market/ private-pay** IL. According to Altus's study, an additional 25 to 30 **market/private pay** IL and 20 **market/private pay** ISL units could also be absorbed in the community between by 2024.

- If this aggregated total of 70 to 75 **market/private-pay** IL and ISL units were required today, it would begin to approach the operational viability threshold required to plan the development of an integrated facility at Franklin and Hospital. However, it is clear from the report that the aggregated numbers are not required until 2024 and so any such development must be phased based on market demand.
- WBHDC has also assumed the approximately 30 social/subsidized IL and 30 social/ subsidized ISL residents currently living in Araubasca House, Legion Manor and the Rotary House Lodge would remain in those social housing facilities.

WBHDC must complete a *business* case, in partnership with the Government of Alberta, to determine whether or not there are sufficient cost efficiencies generated by moving the existing seniors social housing facilities into a consolidated environment of seniors housing and service providers consolidated at Hospital and Franklin.

The current data, discussed in the Altus report and above, indicate there is not enough demand in Wood Buffalo to justify building a seniors Aging-in-Place development anywhere in the community unless it is phased in slowly over an extended period of time to enable the proponent, whomever that might be, to meet financial viability and sustainability criteria that would be particular to each proponent, especially if profit and non-profit models are proposed.

WBHDC advises that Altus's forecasts and its own analysis assume no material changes to current market conditions prior to the completed construction of the Parsons Creek facility.

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