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SQUARE FEET

Flexible Housing for Changing Needs of Elderly

PORT WASHINGTON, N.Y. – After years of delay, an 8.9-acre site on the North Shore of Long Island will finally be transformed into a retirement home for people who like to plan. It will be the first such development in Nassau County and one of only a few in the state.

Residents of the $282 million project, Amsterdam at Harborside, will live independently but will also contract in advance for assisted living and nursing care on the premises so they do not have to relocate as they become frailer. Two years before the six-story building's expected completion, more than three-quarters of the 226 apartments are spoken for.

The sponsor is the Amsterdam Nursing Home on the Upper West Side of Manhattan, a nonprofit organization – like all the operators of similar accommodations in New York.

In 1989, when New York authorized the development of these homes, known as life-care or continuing-care communities, it was estimated that the state would have at least 100 of them by now.

But New York has just eight homes, with one scheduled to open near Buffalo next month. Five others, including Amsterdam, are in the pipeline. Pennsylvania, which is expected to have 2 million residents 65 and older by 2010 – compared with 2.7 million projected for New York – has more than 200 licensed continuing-care communities.

Developing elder housing of any type is challenging in populous areas of New York, industry specialists say. Land costs and property taxes are high, and many neighborhoods are worried that allowing greater density will increase traffic. "Most senior housing experts would identify New York as the single most underserved market in the United States," said David S. Schless, president of the American Seniors Housing Association, a trade group.

But many people active in housing for the elderly say New York has discouraged development of continuing-care communities through burdensome and costly regulations, driving many elderly to other states and forcing the homes to charge high fees. The homes must meet strict actuarial standards for setting aside reserve funds and limit the way this money can be invested.

"One of our biggest exports is our seniors, not only for the climate but also for housing opportunities," said Stephen J. Grifferty, the managing partner of Tobin & Grifferty, a law firm in Albany that represents nonprofit providers of long-term health care.

Some requirements have already been relaxed. Under an amended regulation that goes into effect today, the start-up requirements for continuing-care homes have been liberalized.

Rendition of Amsterdam at Harborside on Long Island. It will be one of few sites in New York for continuing care.

They now have seven years instead of three to become fully financed. In addition, they are now allowed to invest 5 percent of their assets in stocks. "What we're seeing here is the need to make some modifications in order to facilitate the growth of this product," said Charles S. Rapacciuolo, chief of the state Insurance Department's health bureau.

But more needs to be done, industry executives say. Under the rules, Kendal at Ithaca, one of the state's oldest continuing-care retirement communities, for example, can invest only $3 million in equities, said Ann Wall, the chief financial officer. "This limits you when you're trying to build a portfolio for the long term," she said.

New York's oversight was a reaction to scandals in the 1970s, when widespread abuses in the nursing home industry were uncovered, said William B. Sims, chief executive of Herbert J. Sims & Company of Southport, Conn., which arranged the financing for Amsterdam at Harborside.

Linda Gowdy, the director of the New York State Health Department's Bureau of Continuing Care Initiatives, said New York lags behind other states because it had a late start. She said the state moved cautiously because life-care homes had failed in other states. "Our statutes and regulations are intended to be protective for prospective residents, as well as for the sponsors," she said.

Pennsylvania is not quite as far ahead of New York as it seems, she said, because it has a looser definition of what constitutes a continuing-care community. Pennsylvania officials say the assisted living and nursing care need not be available on the same campus as the independent-living units for an entity to qualify as a continuing-care community.

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Under the traditional "life care" model, residents pay hefty entrance fees, which depending on the plan are entirely or partially refundable. Residents are also charged monthly fees.

In 1997, in an attempt to broaden access to continuing care, the state began allowing homes to offer modified contracts for a defined amount of nursing care rather than unlimited care – an option that will not be available at Amsterdam at Harborside.

And New York recently approved a continuing-care facility in Binghamton that will be the first in the state to allow residents to pay for services only as they need them, Ms. Gowdy said.

In addition to seeking regulatory changes, the industry is pushing to make it easier to obtain low-cost financing through bond anticipation notes, which would reduce their start-up costs, said Ken Harris, a director of the New York Association of Homes & Services for the Aging, a trade group.

They also want permanent access to financing from the state's industrial development agencies to lower the cost of construction. Access to this type of financing will expire Jan. 31, jeopardizing several projects, Mr. Harris said.

Amsterdam Nursing Home did not become involved in the Port Washington project until 2002, five years after the project was announced. By then, the land, once part of a sand pit, was zoned for a life-care community and the architectural plans had already been drawn up. "In my mind, we were 90 percent there," said James Davis, chief executive of the nursing home.

Still, it has taken five more years to break ground, and preconstruction costs are likely to amount to $40 million, including $22 million to purchase the land, he said. The co-developer is Greystone Communities of Irving, Tex., a subsidiary of Sunrise Senior Living.

Had tax-free financing been available, Amsterdam at Harborside might have saved as much as $10 million, said Roderic L. Rolett, an executive vice president at Herbert J. Sims.

The extra costs are passed on to residents. Fully refundable entrance fees for the apartments range from $465,000 to $2.3 million, with monthly fees ranging from $2,400 for a single person in a one-bedroom apartment to $7,500 for a penthouse. These fees cover 30 meals a month, housekeeping, activities and group transportation as well as future health care. Residents can reduce their costs by choosing to make less of their entrance fee refundable.

Like many future residents, Edwin H. Hess, 83, and his wife, Florence, live nearby, in a town house in Glen Head, having already downsized from a bigger home in Roslyn. For Mr. Hess, a former commercial photographer and stockbroker, a big attraction was knowing that he and his wife would still live near each other should one need more care, he said. The couple also persuaded several of their friends to sign up with them. "It's going to be a lively place, from what we can judge," Mr. Hess said.

He also said he feels secure about his investment. "The fact that New York is tough on the standards is a big plus in my mind," he said.