

FEATURED ARTICLE

COMMUNITY MANAGEMENT AS A SERVICE LINE

In the recently released 2022 LeadingAge Ziegler 200 (LZ 200) publication, there is a section in the report that highlights LZ 200 organizations that manage communities they do not own or sponsor. Nearly 30% of the LZ 200 organizations provide third-party management to another community(ies), whether it would be a market-rate community or management of an affordable housing property. In this week's issue of *Z-News*, we dive deeper into the trend of third-party management.

The Rationale for Third-Party Management

The drivers for managing another community can vary and there are times when that strategy changes throughout the life of the organization. Below are common scenarios that unfold within the not-for-profit senior living landscape

- **Diversification of Revenue/Service Line Expansion:**

There are a number of organizations who have established a substantial business line via their third-party management services. Some organize these ventures as a separate entity beneath the parent company (e.g., Christian Living Communities with Capella, CO). There are some organizations who actually manage a larger proportion of communities than they actually sponsor/own. An example of this is Ebenezer (MN) who ranks 158 among the LZ 200 primary rankings, but rank #1 on the list of managed communities and units (table 4-16a in the full LZ 200 report).

- **Interim Step Towards Affiliation:** Ziegler has devoted a number of prior newsletters to the affiliation, merger and acquisition activity in the not-for-profit senior living sector. There are indeed instances where an organization explores affiliating with another, but before taking that final leap, determines it is best to establish a management relationship as an intermediary step. This allows time for the two parties to get to know one another and for the board of the affiliatee to develop comfort in knowing that their community will be in good hands under the new management. The length of time for these management contracts can vary from several months until regulatory approvals come through or for several years.

There are a number of not-for-profit organizations who are open to third-party management of another, but only if it is moving towards an affiliation agreement. A recent example of this is The Well-Spring Group (NC) managing The Village Brookwood since 2017 until finalizing an acquisition of the community earlier this year.

- **Temporary Support for a Peer Needing Assistance:** While this scenario does unfold on occasion, it is not as common as the other examples. These are instances where perhaps a community is going through an executive transition or is experiencing a period of disruption whereby they need support and resources of another to stabilize and get on solid footing. Another not-for-profit might step in for a temporary period of time to help bring needed resources and give the board time to determine appropriate next steps for the future of the organization.

Third-party management is not for everyone, whether you are looking to be the manager or are considering operating under the management of another. These decisions require time spent with the board in dialogue about the benefits and potential downsides of management arrangements. If you are looking to diversify and create a separate management division within your organization, it is important to devote the needed resources to make it successful. A half-committed approach will likely yield results below expectations and will be an unnecessary distraction to an already busy leadership team.

We encourage readers to read additional details about third-party management by accessing the full LeadingAge Ziegler 200 publication, which can be found on the [Ziegler website](#). If you have any specific questions about the report or other related items, please reach out to the Ziegler representative in your region to learn more.

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NOT-FOR-PROFIT SENIOR LIVING RATINGS ACTIONS

AS OF NOVEMBER 30, 2022

ORGANIZATION	RATING AGENCY	RATING/ OUTLOOK	TYPE OF ACTION	DATE
Brethren Village (PA)	Fitch	BB+ Stable	Affirmed Rating Affirmed IDR*	11/29/22
East Ridge Retirement Village (FL)	Fitch	NR	Downgraded Rating Withdrew Rating	11/30/22

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* IDR – Issuer Default Rating (FitchRatings)

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INTEREST RATES/YIELDS


WEEK ENDING NOVEMBER 25, 2022

	CURRENT	LAST WEEK	52-WK AVG
30-Yr MMD	3.59%	3.59%	2.81%
Senior Living 30-Yr “A”	5.15%	5.31%	3.09%
Senior Living 30-Yr “BBB”	5.65%	5.71%	4.45%
Senior Living Unrated	6.35%	6.51%	5.22%
Senior Living New Campus	7.10%	7.21%	6.21%
SIFMA Muni Swap Index	1.90%	2.04%	0.95%
	CURRENT	WEEKLY AVERAGE	SPREAD TO MMD
ZSLMLB Index [†]	5.58%	5.58%	1.99%

[†] Ziegler Senior Living Municipal Long Bond Index

Source: Bloomberg BVALS

FEATURED FINANCING



BREWSTER PLACE

BREWSTER PLACE
Topeka, Kansas

City of Topeka, Kansas,
Health Care Facilities Revenue Bonds,
Series 2022

\$49,525,000
November, 2022

MARKET REVIEW

MONEY MARKET RATES

	11/25	LAST WEEK
Prime Rate	7.00	7.00
Federal Funds (weekly average)	3.82	3.82
90 Day T-Bills	4.16	4.12
30-Day Commercial Paper (taxable)	3.98	3.82
Libor (30-day)	4.02	3.93
SOFR	3.79	3.80
7 Day Tax-Exempt VRDB	1.90	2.04
Daily Rate Average	0.96	1.07

COMPARATIVE YIELDS

TAXABLE REVENUE									
	GOVT	A		MMD	NR*	BB	BBB	A	AAA
2 Year	4.48	5.73	1 Year	2.61	5.01	4.56	3.86	3.01	2.71
5 Year	3.88	5.43	5 Year	2.73	5.23	4.78	4.08	3.23	2.93
7 Year	3.80	5.55	7 Year	2.77	5.37	4.92	4.27	3.37	3.07
10 Year	3.69	5.79	10 Year	2.86	5.61	5.16	4.56	3.56	3.26
30 Year	3.73	6.33	30 Year	3.59	6.54	6.09	5.54	4.69	4.19

(* Representative of institutional sales)

TAX-EXEMPT MARKET INDICATORS

Bond Buyer	THIS WEEK	LAST WEEK	CHANGE
20 Bond Index	3.72	3.75	-0.03
11 Bond Index	3.62	3.65	-0.03
Revenue Bond Index	4.00	4.03	-0.03
30 Year MMD	3.59	3.59	0.00
Weekly Tax-Exempt Volume (Bil)	2.86	4.30	-1.44
30 Day T/E Visible Supply (Bil)	6.52	4.87	+1.67
30 year "A" Rated Hospitals as a % of 30 Year Treasuries	125.7	121.1	+4.60

Source: Bloomberg