

Shuttered hospital to get new life

23-ACRE SITE IN WHITE PLAINS, N.Y., TO BE CONVERTED TO SENIOR CONDOS

By Jessica Griffith

A vacant hospital that sometimes doubles as a movie set is now the stage for a new senior living development in White Plains, N.Y.

PROJECT CASE STUDY

A quintet of partners, called North Street Community LLC, bought the 23-acre site of the former St. Agnes Hospital and plans to build 390 independent living condominiums. The partners also plan to find a third party to develop an assisted living and skilled nursing center on the site.

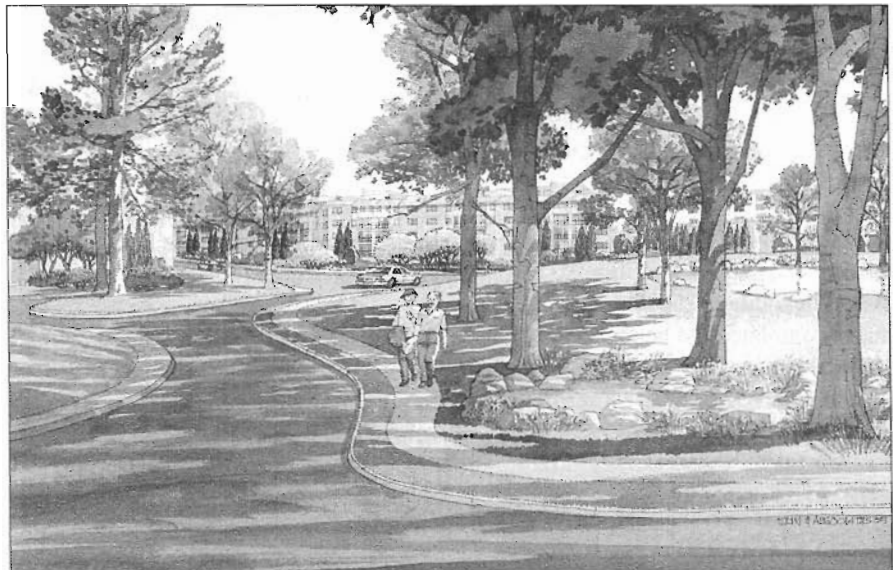
“Our market research shows that for the age group over 70, there is a need for more than 1,700 independent living senior units,” says C.J. Follini, a real estate developer and a managing partner on the North Street deal.

“When the city of White Plains did a comprehensive plan in 1997, one thing they highlighted was a clear need for some kind of senior housing,” he says. “(Mayor) Joe Delfino made it clear he would support senior housing and he is a pretty forceful guy.”

The site, which is near downtown White Plains, is just down the road from another upscale condo project.

St. Agnes Hospital closed in 2003 and the building, along with a nearby convent, has remained empty, although crews have filmed several movies at the hospital and local police occasionally use the convent building to practice maneuvers.

The city of White Plains is almost overdeveloped, says Alfred Caiola, one of the partners in the deal. This site is in a transitional area between commercial and residential and thus is



North Street Community plans to invest more than \$100 million to transform a former hospital and convent site into a senior living development.

Rendering courtesy of North Street Community LLC

a good fit for the senior condo model.

A ‘no-brainer’

Mr. Follini originally scouted the site about 18 months ago and bid on one of the buildings that sold separately, but when he lost that auction he decided to bid on the entire property.

He partnered with an unnamed Wall Street firm to buy and develop the site, but that deal fell through. So he decided to approach Mr. Caiola and his cousin Benny Caiola, both of whom own and develop real estate in the New York area. Mr. Follini and the Caiolas also grew up together.

“There is a significant need for senior housing in that area, so building almost 400 units was a no-brainer,” says Mr. Caiola, who usually develops residential properties in Manhattan.

The project is funded with personal equity from the partners, a team that also includes Andrew Greene, a real estate lawyer and developer, and Steve Rosenthal, an attorney with 15 years

of real estate development experience.

The partnership acquired the property in December 2004 for \$21.4 million. Mr. Follini says the group will obtain construction financing of an undetermined amount, and the project will cost more than \$100 million to complete.

The condos will be housed in four new buildings just west of the existing hospital. A few small structures will be razed to make room for the condos, most of which will be one and two-bedroom units, with a few three-bedroom units and a few studios. Average size of the condos is about 1,200 square feet.

Prices will range from \$400,000 to \$900,000, Mr. Follini says, which he says is “extremely well-priced relative to New York.”

Not a CCRC

“This is not a CCRC, but more of a hybrid,” he says.

A CCRC, or continuing care retirement community, allows residents to “age in place” by offering independent living, assisted living and nursing care at one facility. But CCRCs generally require residents to pay a partially refundable fee when they move to the facility.

North Street, on the other hand, is selling condos outright, although residents still will pay maintenance fees as well as optional costs for housekeeping, meals and other services.

Besides housing, plans call for a dining room, fitness center, computer center and theater. Outdoor amenities include walking trails and tennis courts. The partnership has not yet selected a name for the community.

A typical resident will be an empty nester, or a snowbird who prefers to live part-time in the New York area to be close to children and grandchildren, Mr. Caiola says. The partners have not yet decided whether to restrict North Street to residents 55 and older or 65 and older.

New use, old buildings

Although several ancillary buildings on the St. Agnes property will be razed, the 150,000 square foot hospital will be renovated into a senior residential center with 20 assisted living units and 60 long-term care

beds. An Alzheimer’s unit also may be added.

North Street expects to spend about \$20 million to upgrade the building, which will be operated by an unnamed, third-party healthcare company.

An 80,000 square foot medical office building on the property is about 50 percent leased and Mr. Follini says it is “filling rapidly.” No major improvements are planned other than tenant retrofits.

The Children’s Rehabilitation Center, which works with developmentally disabled children, has leased a 41,000 square foot building on the property since 1997. The center will remain.

Construction costs for the four new buildings will total more than \$100 million, Mr. Follini says. He expects construction to begin in the summer and the project will take two to three years to complete.

North Street does not plan to build a second phase or any additional facilities on the site, Mr. Caiola says.

“We have enough units to fulfill the critical mass for a viable project while still being sensitive to height and open space,” he says. “We feel we have a good balance for the whole site.” □

Jessica Griffith is a business writer specializing in commercial real estate.

FINANCING (Continued from Page 17)

Sherman Oaks Hospital raised senior debt through a public bond issue.” But, the leverage and interest load overburdened its capital structure, KGI says. As a result, the hospital couldn’t generate sufficient internal cash flow or secure outside financing to fund needed capital improvements, including expanding infrastructure, updating medical equipment and complying with a planned tightening of state seismic safety laws.

“The Board of SOH made the difficult decision to seek a buyer that could continue to provide vital healthcare services to the community, while providing value for its debt holders,” KGI says. “As a result of this transaction, SOH now has the necessary liquidity to make the much needed capital investments and better serve its community.”

For the Record

Kindred Healthcare, Inc. (NYSE: KND) of Louisville, Ky., announced that its subsidiaries have entered an agreement with Health Care REIT Inc. and its affiliates (NYSE: HCN) to acquire for about \$80 million the real estate associated with four long-term acute-care hospitals. The four assets are to be acquired from **Commonwealth Communities Holdings LLC** and affiliates...

LifePoint Hospitals Inc. (NASDAQ: LPNT) of Brentwood, Tenn., has agreed to sell two of its hospitals and to return another to a public hospital district. LifePoint plans to sell the two hospitals to **Saint Catherine Healthcare of Pennsylvania**. The hospitals are: 96-bed Medical Center of Southern Indiana in Charlestown, Ind.; and the 123-bed Ashland Regional Medical Center in Ashland, Pa. Also, LifePoint will return **Palo Verde Hospital**, a 51-bed facility in Blythe, Calif., to the Hospital District of Palo Verde. Terms of the three transactions were not disclosed. □

North Street Community WHITE PLAINS, N.Y.

STATS

- Four buildings and about 600,000 square feet, plus renovated hospital
- 23-acre site
- More than \$100 million in development and construction costs

PLAYERS

- Owner: North Street Community LLC, White Plains, N.Y.
- Architect: Ehrenkrantz Eckstut & Kuhn Architects, New York
- Landscape architect: Thomas Balsley Associates, New York
- General contractor: Alfred Caiola and Benny Caiola, New York