

Discussion & Recommendation – Rent Review

Emmanuel Home has had a long history of success in offering quality seniors' housing & care at well below market rates. The last few years have been a challenge, and one opportunity that we could explore is whether we should close the gap. In light of this discussion, I've identified the following 3 options to help guide this discussion:

1. **Significantly increase base rents for new residents, keeping annual base rent increases for current residents in the 3-5% range. Essentially, we would 'grandfather' in current residents.**
2. **Increase rents for all current residents.**
3. **Continue on with our current model of increasing rents at the 3-5% rate each year and manage our operations accordingly.**

Factors to Consider:

1. Significantly increasing EH rents is not something we MUST do. But, it is certainly a piece to our overall financial puzzle.
2. While some current residents may have plenty of room in their income to absorb a large increase, many others have a fixed income.
3. Some long-time EH residents have established a manageable & reasonable lifestyle based on EH's current rent structure.
4. There is a large gap between what EH's rents are vs the current market. Our offerings are competitive, though, despite the price discrepancy.
5. Future residents are aware of the current market and our rents will still be attractive to them. Importantly, they still have the opportunity to decide to live/move elsewhere. The decision is much more complicated for our current residents if the rent becomes too high for them.
6. Phasing in the higher rents (Option 1) has two important ramifications:
 - a. There is potential for frustration if people complain that they pay a higher rent for the same service.
 - i. **NOTE:** For new residents, this is actually the only real difference between options 1 & 2.
 - b. It will take longer for EH to realize the financial benefit.
7. The timing of the implementation is wide open. We can process this discussion and plan fairly quickly, but can also let it simmer for a while.

Recommendation: I urge the Finance Committee endorse our recommendation to pursue Option 1, in principle. As we've thought this through over the past months, I get hung up on point 6(a). It's a talking point, in that there was a forward-facing decision made that created the 'tiered' structure. But, I'm less concerned about keeping future residents (who we don't know) 100% satisfied as I am trying our very best to not add too much disruption and stress to our current residents.

In the Senior Leadership Team's opinion, Option 2 feels like too strong of a reaction to some of the discussions we've had to have over the past two years.