

## **GREENSPRING VILLAGE RETIREMENT COMMUNITY-SPORTS BAR/BISTRO**

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*Steve Smith, the Executive Director of Greenspring Village Retirement Community<sup>1</sup>, had just met with Joe Gibson, the Director of Finance. Steve had asked Joe to come up with a feasibility study on the proposed addition of a sports bar to the current facilities at Greenspring Village.*

*While this proposal seemed reasonable, there were many underlying issues both financial and especially nonfinancial that Joe felt needed to be explored in detail before a final decision could be made by Greenspring top management. Additionally, Joe, a strong Christian, had feelings regarding the promotion of alcohol at Greenspring, but wanted to be careful not to let his own personal views bias his responsibility to come up with an objective evaluation of the proposal.*

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### **INTRODUCTION**

Greenspring Village Retirement Community in Springfield, Virginia was a not for profit organization under the control of its own board of directors. Construction started in 1998 and residents began to occupy apartments in 1999. Greenspring became fully operational in December, 2004. The Erickson Retirement Communities, after the establishment of Greenspring, provided management and staffing services. Greenspring offers a fully serviced community for senior citizens aged 62 and above. Living accommodations on a fee for service basis are provided for over 2,000 individuals from independent living to assisted living and skilled nursing arrangements.

In 1983, John Erickson, the founder of Erickson Retirement Communities, rejected the notion of traditional retirement living and created a new concept for senior citizens over age 62. He converted an abandoned college campus in Maryland into a thriving senior community called Charleston. John stated: "We wanted to create a community unlike any other - a place where people could enjoy unmatched opportunities for fun - a maintenance-free community that would provide them with

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<sup>1</sup> Greenspring Village, part of the Erickson Retirement Communities and a not-for-profit organization, is a completely furnished, full-service, campus-style community on 108 acres for people aged 62 and older located in Springfield, Virginia. <http://www.ericksoncommunities.com/gsv/>

the luxury of being involved, inspired, and engaged. We also wanted to provide unmatched health care that would allow them to live life to the fullest. All at an unmatched value."<sup>1</sup>

John received his B.A. Degree from St. Benard's College and has an M.A. from Catholic University. As a devoted Christian, he was a strong supporter of charitable organizations such as Young Life. His values and beliefs were also evident toward company employees as Erickson was one of only three organizations in the United States to be recognized nationally with the prestigious Creative Excellence in Benefits Award. John believes in nothing but the best for all aspects of the organization and his efforts have been rewarded through dedicated employees and energized residents.<sup>2</sup>

John was especially interested in improving the lifestyle of senior citizens. He believed that these individuals deserved quality of life in their remaining years. Health and wellness were of primary importance and each retirement community supported a four point program including: (1) opportunities to promote an active schedule for residents, (2) a fully staffed fitness center, (3) providing healthy meals prepared by a professional chef, and (4) a team of doctors at the on-site medical center with someone on call 24 hours a day, seven days a week.<sup>3</sup>

He also wanted to reach out to middle income individuals who could not afford the much more expensive retirement communities or would not qualify for federal assistance programs. Residents basically paid for services they wanted and the entrance fee was fully refundable.

### **GREENSPRING VILLAGE – PROPERTY**

Greenspring Village Retirement Community was located on approximately 80 acres of prime real estate in Springfield, Virginia right on the Franconia Springfield Parkway. Just minutes from I 95 and 10 miles from downtown Washington DC, Greenspring provided easy access to the many cultural and entertainment venues in the greater metropolitan area.

On the 80 acres of property 64 acres were developed. In roughly a triangular shape, there are three groups of four two and three story residence buildings all arranged in a court yard setting. There were three community centers conveniently located within each of the groups of the residence halls. The property also housed Renaissance Gardens an extensive health care complex that included assisted living residences and nursing care rooms for those individuals with special needs.

The remaining 16 acres were zoned as permanent parkland plus there was a small



lake. Much of the area was a scenic ravine encompassing Accotink Creek with hiking trails and access to 35 miles of nature trails. This parkland formed a boundary on three sides of the property thus insuring privacy and security for the residents and it also provided outdoor and recreational opportunities. The property had a gate house with 24 hour security protection.

Greenspring was one of ten Erickson retirement communities located primarily in the mid Atlantic, serving over 14,000 seniors. Individuals who moved into the community had their choice of 25 different floor plans from a studio apartment all the way to a two bedroom, two bath unit. Already the waiting list for the largest two bedroom units was seven years. There were 1,409 independent living units, 102 assisted living units, and 180 skilled nursing units available to senior citizens.

Accommodations were all first class and every effort was made to exceed resident expectations. If there were complaints or problems, top management would quickly address the needs. For instance, after installing new carpet, residents mentioned that it was difficult to judge going up and down stairs. Management responded by changing out the carpet to include a solid strip of a coordinating color on the edge of the stairs so residents could better judge step locations.

### **GREENSPRING VILLAGE - OPERATIONS**

The retirement community came under a Continuing Care Requirement Community classification in which there were two recognized types for federal not-for-profit status. The first type called life care usually required a large entrance payment and residents were provided guaranteed coverage. Greenspring fell under the second classification, a fee-for-service structure. The entrance fee was fully refundable when a resident left the facility either voluntarily or through death, and there was a monthly fee based on services requested.

While the entrance fee can range from under \$100,000 for a studio or efficiency unit, to almost \$500,000 for the largest two bedroom, two bath unit, most residents used the sale of their home to satisfy this requirement. An especially attractive feature was the 100% refund on the entrance fee. If a resident passes away, he/she could be assured that those funds will go into their estate, thereby assuring the resident that this equity could be passed on to family, friends or organizations of his/her choosing, and that the value of the estate was preserved.

The entrance deposit was used to help maintain community spaces and activities including the on-site medical center, four restaurants, hair salons and barber shops, convenience stores, an in-house TV station, bank branches, reception areas and

lounges, climate-controlled enclosed walkways so residents can get to every building without having to go outside, three community centers and a church. Greenspring was designed to provide a campus environment and complete community for its residents. Also, plaques with scripture verses were displayed at the entrances to each community center building.

Monthly fee for services could range between \$1,300 and \$2,200 depending on the size of the unit with just an additional \$600 for a second person. The monthly service fee covered essentially all of the resident needs including utilities (except phone), property taxes, cable TV, landscaping and lawn care, snow removal, apartment maintenance, a swimming pool, various craft shops and entertainment venues, a computer lab, library, education classes, garbage collection, shuttle service, 24-hour security plus one meal per day at any of the restaurants located on the campus. For most residents, this monthly fee was essentially equivalent to normal living expenses without the hassle and primary responsibility to get things fixed.

Other services beyond the basic package were available for those who want them at an additional charge. If enough residents desired a particular perk, activity or service, Greenspring made every effort to meet the desired need. Management encouraged resident initiatives, but at the same time did not try to be overly involved. Their message to the residents was this was their community and the staff was there to help and serve where needed.

Greenspring was governed by an independent Board of Directors on behalf of the best interests of the residents consisting mostly of outside directors. This board set the fees and policies. Erickson managed Greenspring, and was directly accountable to the board. Many of the board members were business executives from large public companies, public accounting firms, investment firms, law firms, universities and health organizations. One member of the board was also a resident of Greenspring, giving the residents a direct input at the highest levels of the organization.

## **RESIDENTS AND COMMENTS**

The average age of the residents was 79 and 70 percent of the residents were women. Fees had remained reasonable enough, that only one individual needed funding assistance. In the five years of operation, residents have been very satisfied with Greenspring as evidenced by some of their comments.

Ester Page of Springfield stated: "One of the things I like about Greenspring is the fact that everything's under cover. To be able to go from building to building and



not have to go outside in bad weather is tremendous. You can go to the bank, the convenience store, hair salon, or the Medical Center without going outside.”<sup>4</sup>

Grace Trout from Fairfax noted: “It’s so easy to get acquainted with people. The first night I went to dinner, I looked at a room full of strangers and within a week, I knew everyone by their first name.”<sup>5</sup>

Daniel and Barbara Shanahan from Annandale commented: “We didn’t want to take care of a lot of extra space we don’t use. We wanted a worry-free lifestyle where we could spend our time enjoying ourselves instead of doing the things that had to be done, and we found it here. We’re very happy.”<sup>6</sup>

These and similar testimonials were readily available confirming the initial vision of John Erickson. It was evident that the Greenspring business model was meeting a critical need.

#### **GREENSPRING VILLAGE – SPORTS BAR/BRISTO**

Six months ago, some of the residents came to the Board of Directors with a petition that the community should have a sports bar with the big screen televisions and a wide variety of alcoholic beverages available for sale. None of the existing restaurants offered suitable facilities for this service as most of the residents seem to prefer more of a quiet environment for dining and light conversation versus watching sports on television. Some on the board also seemed to support this initiative encouraging management to realize that they begin focusing on the interests of the up-and-coming baby boomer generation that was nearing retirement age.

The idea of a sports bar facility was not unique to Greenspring. A sports bar facility was incorporated into the original construction plans at another Erickson retirement community which had met with general acceptance and success. At this community, the sports bar and restaurant was part of one of the community centers and featured more of a light snack dinner menu like chicken wings, various Mexican dips, fish and chips, and ribblets. The same menu was available for lunch and the restaurant was not open for breakfast. The sports bar served a wide variety of beer, wine and mixed drinks which were all sold at an additional fee. Residents had one free meal a day with their monthly fee and just about everyone selected dinner, so almost all of the restaurant activity was in the evening.

Creating a similar sports bar at Greenspring would be considerably more difficult as construction on all facilities had already been completed. Modifications would need to be made to an existing convenience store and additional space would be

needed for the bar and various television sets. Joe identified the Hunters Crossing activity center as the most logical location for this sports bar. They needed to take out the adjoining billiard room and some of a convenience store for the extra required space. There was also the issue of modifying the ventilation system for the grill and expanded cooking facilities. Some of the proposed modifications, especially to the cooking system were potentially quite expensive. Another factor that needed to be considered in the new construction was the security and display of the larger inventory of alcoholic beverages.

With four restaurants on site, Joe felt that there were plenty of choices for residents if they were not in favor of the sports bar atmosphere. That was one of the least of Joe's concerns. While individual residents must pay for their own consumption of alcohol on the property, all of the residents have included in part of both their initial entry fee and the monthly maintenance fee a portion of the overhead costs to maintain all facilities including the proposed sports bar. Many of the residents were opposed to alcohol and not particularly in favor of knowing that they were paying for and subsidizing this service.

At the same time, all the restaurants did offer a limited selection of alcoholic drinks, mostly beer and wine, with the dinner menu. Again, the individual residents paid for their own drinks. Those proposing the sports bar did not see any difference between getting a drink at any of the restaurants including the sports bar. Those residents voicing opposition to the sports bar saw a clear difference claiming that alcohol was a relatively insignificant part of the restaurant menu and most individuals wanting beer or wine limited their consumption to one drink. At the sports bar, the situation would be much different. The atmosphere would be conducive to potentially excessive consumption of alcohol and a different behavior style. Given that the average age of the resident was 79 and that 70% of the population was female, was this a service that was really in the best interest of the community at large?

Some residents had voiced concern about the dangers of alcohol, especially for senior citizens. Alcohol was a depressant, and for older individuals who experience loneliness, this might lead to an unhealthy situation. Residents were not particularly keen to the idea that there could be drunken colleagues walking the halls of Greenspring because of the sports bar.

Joe also had to be aware of insurance and medically related costs. The availability of alcohol would certainly lead to increased liability costs, increased medical insurance costs, increased staff costs, and increased personnel costs. He was not sure he would be able to quantify all of these additional costs. Plus there certainly were



social costs related to decreased quality of life and increased illness.

After identifying a potential location for the sports bar, Joe attempted to determine the direct costs of renovation, construction and equipment. He realized that he had to identify the nature of the restaurant facility and even the menu before making estimates for construction and equipment.

Joe did some focus group interviews with several residents, members of management and the board of directors. He wanted to gain an understanding of what would be a most acceptable concept and also provide a facility and service that best met the customer needs. From these meetings, there was a general feeling that instead of focusing on a sports bar concept, this restaurant could be more of a specialty foods outlet featuring signature soups and salads and grilled sandwiches. Something along the lines of a bistro seemed to fit the bill. However, in spite of the proposed ambiance, those opposed to the concept still recognized the establishment as a sports bar.

With a better idea of the nature of the operation, Joe estimated a cost of \$375,000 for structural modifications and equipment. Included in that costs were tearing down and installing new walls for around \$80,000, electrical and plumbing of about \$15,000, ventilation system modifications of \$7,500, new equipment including refrigeration units, warming ovens, a bar, big screen televisions, tables and chairs, and storage facilities of \$262,500, and miscellaneous charges for permits, inspections and esthetics of \$7,000.

Joe realized that the facility had to fit within the mission of Greenspring as well as the Erickson Retirement Communities. The featuring of alcohol could be in direct opposition to their focus on a healthy lifestyle and environment. Also, the facility had to be affordable to a middle income senior citizen community. If the facility could operate on a breakeven basis, monthly fees would not be increased; however, these fees could go up to cover some of the operational costs of the sports bar/bistro, plus the cost of purchasing food and drink which could be an extra burden to the residents. Joe was not exactly sure how he would answer questions from residents, especially those opposed to the project, if their monthly fees went up to support the promotion and consumption of alcohol.

Greenspring had about a 3.5 million annual budget for capital improvements and additions. The additional funding for this restaurant would fit well within budget figures. However, the money was not spent unless the projects could be justified. Were there other needs for the community that would be more pressing than this sports bar?

Ideally, once the sports bar/bistro was operational, it would operate on a break even basis. The revenues generated from the individual users for food and drink would cover the basic direct expenses of the restaurant. The management of the facility could be covered by existing managers and the dining director at no additional costs. However, in a worst case scenario, other indirect overhead type costs may result in the monthly fees increase of \$5 per month per person and the entrance fee might be \$100 higher. Both increases seemed insignificant in comparison to current charges.

There was the possibility, as with any type of restaurant, that after it was established, it would not be successful. What if there was a community backlash to the restaurant and its environment, and a general boycott of the facility? The current configuration of the four restaurants with a more relaxed environment conducive for quite conversation were definitely successful not only at Greenspring but at the other Erickson campuses. Would it be wise to eliminate something that is working for something different but unproven, even if it was financially feasible?

## **CONCLUSION**

Chris, upon completion of the analysis would be making a presentation to the board in two days with his recommendation? He was weighing the alternatives and realized that the decision went well beyond just the numbers.

## **ENDNOTES**

### **(Endnotes)**

- 1 <http://www.ericksoncommunities.com/about/>
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