

## ■ Company profile

# MorningStar is on a mission in Mountain States



*MorningStar at RidgeGate in Lone Tree, Colo.*, shown here in a rendering courtesy of MorningStar Senior Living, will feature nearly 250 units. It will be MorningStar's largest project to date. The site was chosen due to a combination of high demand, lack of supply, high average income, and other strong demographic factors in favor of a luxury retirement community. The community is currently under construction, but an opening date has not been announced yet.

*Developer, operator of independent and assisted living communities maintains a 'servant's heart' while embarking on a building spree.*

By Jeff Shaw

**Hard work is** in Ken Jaeger's blood.

The CEO of Denver-based developer and operator MorningStar Senior Living spent his early years on a 3,000-acre farm in Dickinson, N.D. He was the eighth of 12 children, each of whom started working on the farm as soon as they were old enough to attend school.

"From the age of about 5, you learn the meaning of a good, honest hard day's work," says Jaeger. "It pays off when it comes to overall values. A person has to work hard to serve others and good things happen. I learned that early from my parents, and it's carried me through."

Jaeger's mother now lives in one of MorningStar's assisted living communities in Denver. His father, now 84 years old, still works the farm.

"I got my work ethic from my dad and my service values from my mom — a humble, hardworking lady," says Jaeger. "Raising 12 kids you have to have that."



**"Seniors today are looking for honor. They're looking for clarity. They're looking for goodness and respect and integrity,"** says Ken Jaeger, CEO, MorningStar Senior Living.

That work ethic has propelled Jaeger to a rewarding career in seniors housing that's spanned more than a quarter century, including the founding of his own company in 2003. Today, Jaeger is a successful developer/operator and tireless volunteer who helps the poor at home and abroad.

MorningStar owns and operates 1,600 units of private-pay assisted living, independent living and memory care across 26 communities in the Southwest and Mountain West states. Independent living accounts for about half of those units and assisted living and memory care make up the balance.

The company offers some respite-stay options for seniors recovering from surgery or whose caregiver is away. Although the option is "a meaningful part of our program," it's often used as more of a preview for potential residents, says Matt Turner, who wears two hats as the company's chief financial officer and chief development officer.

"They can meet people and acclimate and socialize and appreciate if it would be a good fit for them," says Turner. "It's a great opportunity for residents to dip their toe in and decide if we're the right fit for them."

Stabilized communities in the portfolio boast occupancy over 90 percent, and lease-up on a new community takes approximately 18 months, says Jaeger.

And the company is about to get much bigger.

### Smart growth

MorningStar currently has more than 700 units of seniors housing under

construction in Colorado, Arizona and New Mexico, with plans to break ground on approximately 600 more within a year. All totaled, the company has 2,900 units either under management or development across 26 communities in eight states. MorningStar employs nearly 1,000 people.

"We have seven projects under construction right now in three states. We've been busy," says Turner. "We'll open five projects by the end of the year and two more in 2016. We have four projects that will break ground in the next 12 months, and we're looking for new opportunities."

The average size of a MorningStar community is between 80 and 100 units, says Turner, but he's quick to note that the company doesn't develop based on a specific size or template. Some communities have as few as 64 units, while the company's biggest development features nearly 250 units.

"That decision is really market specific," says Turner. "We don't have a strong preference for any one model beyond it being appropriate for the marketplace."

For financing, MorningStar is "generally not a high-leverage player" when developing a community, using between 65 percent and 75 percent leverage, says Turner.

Despite the considerable



**"We're not a developer without being a great operator. That really drives our value creation on the development side. The heartbeat of our company is taking care of residents,"** says Matt Turner, CFO, chief development officer, MorningStar Senior Living.

amount of development underway, Turner emphasizes that MorningStar is extremely careful about site selection and says the company is "turning down more sites than we ever have."

"Strategic, intelligent growth — that's what we're all about," adds Jaeger. "You've got to make wise decisions. Anybody who tells you they're going to build 30 projects this year doesn't understand the market."

The site of the company's largest project to date — MorningStar at RidgeGate in the Denver suburb of Lone Tree, Colo. — was chosen because of a variety of favorable demographic and geographic factors, says Turner.

Positive attributes for development include a rapidly growing population, proximity to healthcare and entertainment, lack of competition and high incomes.

"There are several factors that made that an A+ opportunity," says Turner. "The marketplace has seen a good deal of construction over the last several years, so we're highly selective about location."

The community is currently under construction, but an estimated opening date has not yet been announced.

Construction costs are always a factor as well. Location, size and topography can cause the cost per unit to swing 30 to 40 percent, says Turner.

### No cookie-cutter approach

Unlike some developers, MorningStar hasn't created a standard building prototype for the communities it develops, but it does offer "consistent elements" across the portfolio, says Turner. Those features include 24-hour bistros in addition to the regular dining room, Wi-Fi throughout the buildings, theaters, and large, open floor plans.

"We have prototypical elements. There are certainly themes in our development model, and there are some we have repeated," says Turner. "But we approach each site with fresh eyes for what will work best for that location."

MorningStar is extremely selective about the companies it partners with on projects. For interior design, for example, the company partners predominantly with Thoma-Holec Design, which works exclusively in the senior living sector.

"They have been tasked in each case with providing an environment that not only works functionally, but is appropriate for the market," says Turner. "The interiors of each project are designed specifically for that marketplace. We often incorporate historical art from the area."

Jaeger's vision for the size of the company has evolved over time. When MorningStar developed its first property nine years ago, he envisioned a portfolio of three to four properties. Once MorningStar reached that benchmark, he wanted eight to 10.

"Now we're at 20-plus properties and people say, 'How large do you want



**MorningStar of Boulder in Boulder, Colo.,** shown here in a rendering courtesy of MorningStar Senior Living, is scheduled to open this summer. The senior community will feature 48 assisted living units and 46 memory care units.

to grow?" I want to grow larger, but remain at a size where we can continue to put our arms around our residents. We haven't reached that point yet, but I'll let you know when we do."

### **Operations are heartbeat of company**

Although MorningStar develops, owns and operates its seniors communities, the operations are the core of the business, says Turner.

"We're not a developer without being a great operator," says Turner. "That really drives our value creation on the development side. The heartbeat of our company is taking care of residents."

Jaeger himself comes from a long career in operations. In fact, it's the only career he's known. He accepted an executive director position at a Denver skilled nursing facility soon after college in the mid-1980s.

Jaeger credits that experience as an executive director as the basis of the service-focused nature of MorningStar.

"That was the best thing that happened to me. Executive directors will make or break your community," says Jaeger. "I understand

the daily stresses and joys that come with that job. I understand what they're thinking, what they're feeling, what they're going through."

Although he served as executive director of a skilled nursing facility for eight years, Jaeger says there are no immediate plans to introduce skilled nursing into the portfolio, but he doesn't rule out that possibility someday.

"We leave that up to skilled nursing operators — we would do a joint venture with them and let them operate it," says Jaeger. "I'm not even sure we would own it. We would look at what an ownership joint venture would like and go from there."

### **Delivering a 'human touch' locally, abroad**

Jaeger believes in running the company with what he calls a "servant's heart" — putting the needs of others before yourself — that he tries to instill at all levels of MorningStar's management. Jaeger encourages team members to participate in charity activities with the surrounding community.

"When you look out for the needs of someone else first, you will put yourself aside and you'll be that

much better," says Jaeger. "I promise you there's somebody in your block who needs help."

MorningStar even selects its employees based on these criteria, says Jaeger. Experience matters, of course, but first and foremost prospective employees must show they put seniors ahead of themselves.

"I wanted to create a company that was built around human touch and the human value," says Jaeger. "When we hire people, we hire them because they have a servant's heart."

Nine years after MorningStar's first community opened, Jaeger says that this "servant's heart" at the core of the company's mission is what makes it successful.

Although MorningStar is a for-profit company, its mission statement sounds similar to that of a religious-based nonprofit, suggesting the company "honor God in all aspects of business operations."

"When we take a stand and say we're going to honor God, what we mean is we're going to do the right thing all the time," says Jaeger. "Seniors today are looking for honor. They're looking for clarity. They're looking for goodness and respect and integrity."

To make sure the com-

pany continues along this mission, Jaeger keeps a close eye on the satisfaction rate of both his residents and his employees.

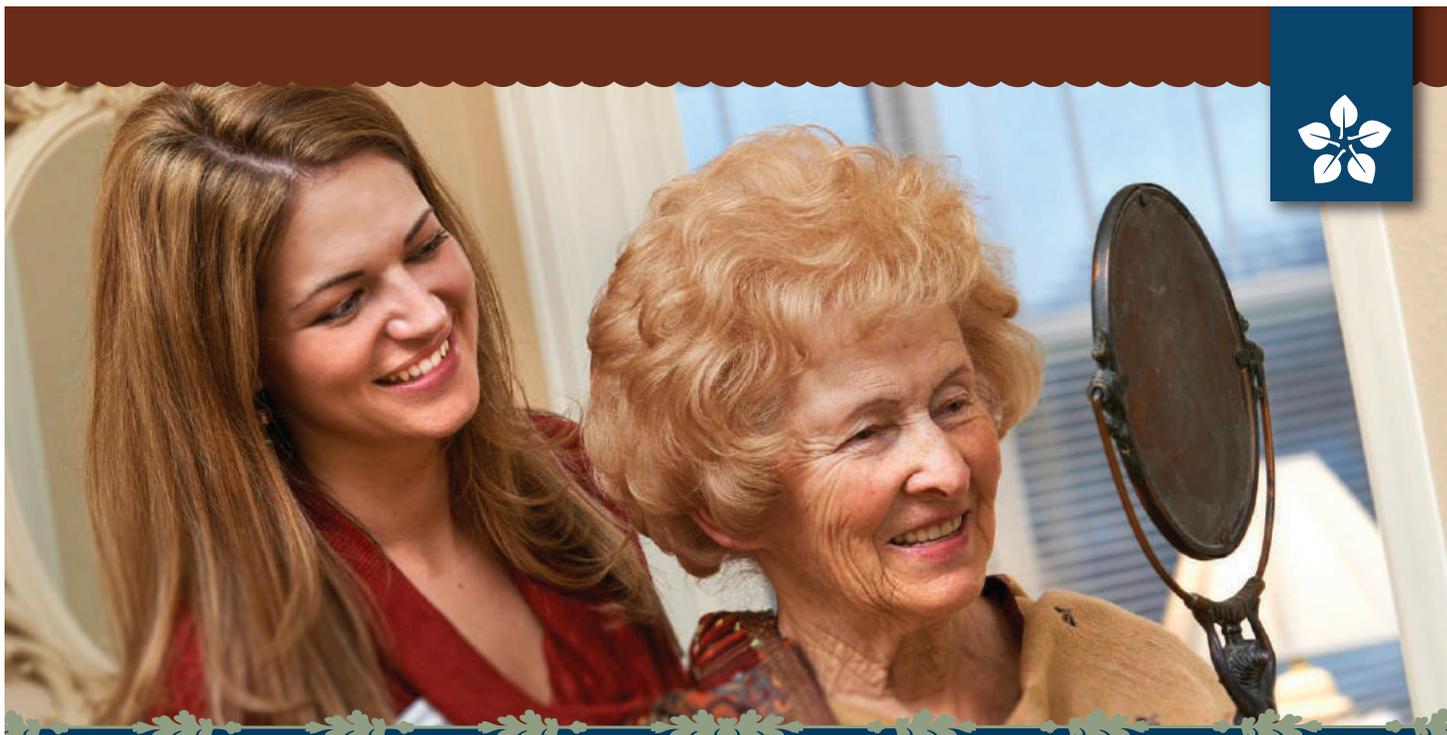
And he doesn't just talk a big game. Jaeger himself spent about 10 years helping build homes in Juarez, Mexico. When that project ended, a friend asked Jaeger to move his efforts to the east coast of Nicaragua, which was devastated by Hurricane Felix, a Category 5 storm, in 2007.

"I came upon this orphanage that was damaged by the hurricane and left hundreds of kids orphaned with little help," says Jaeger. "I couldn't turn the page. I said 'Wow, I've got to do something.'"

He worked with a local church to help rebuild. Now, six years later, Jaeger says the orphanage serves 120 orphans and feeds 600 children between the ages of 1 and 12. He has made over two dozen trips to Nicaragua during that time to help feed and house those orphans.

"There are times I'll take a normal vacation, but once you get engaged in someone's life like that you develop relationships," says Jaeger.

"You can compare that to senior living — it's about relationships. The bricks and mortar are secondary." ■



— MAKING —  
**FIRST Impressions...LASTING Impressions**  
— IN SENIOR LIVING —

More than a business enterprise, more than a sense of duty, ours is a felt calling to serve seniors. We choose to direct our talents toward retirement communities that will not just prolong life, but augment it.

Comprehensive Project Management for New Builds  
Integrated Management Services for Operating Communities

**Independent Living | Assisted Living | Memory Care**

*Let's explore the possibilities.*



**MorningStar**

SENIOR LIVING

*Casting a new light*



MorningStarSeniorLiving.com | 7555 E. Hampden Ave., Suite 501  
Denver, Colorado 80231 | 303.750.5522