

Lucas

Welcome to Bridge the Gap podcast. This senior living podcast with Josh and Lucas. Here in Dallas, Texas, another round of great thought leadership. I want to introduce our guests to Loe Hornbuckle. He is the CEO of Sage Oak Assisted Living and Memory Care. Welcome to show.

Loe Hornbuckle

Well, thanks for having me, guys.

Lucas 1:02

Yeah, good to see you. So I had the great opportunity. We were connected on LinkedIn, been messaging each other back and forth either on LinkedIn or Facebook. You're very active on Facebook. If anybody wants to know more about Loe, just follow him on Facebook, he'll give you a daily update of either his Jeep or his workouts regime, or even his tanning schedule. You can all get that information there. But we connected and you said, "hey, why don't you come out and tour my project up here in Denton, Texas," and I got a chance to tour, and I was really blown away. Different model, different approach, different floor plans. So let's go into that right away. Talk to us about what Sage Oak's vision and mission is, and the whole concept behind the types of developments that you're building.

Loe Hornbuckle 01:48

Yeah. So thanks for that. So, I think in order to sort of understand what we were trying to do, you really have to kinda understand the problem that we seeking out to try to solve initially. So my background in this space is I've been the residential care home business, right? So eight bed facilities. We have six homes in Dallas and I don't think there's a lot of people that are clinically minded that don't see the advantages of sort of smaller communities. I think that's been pretty well established in the data. Things like fall reduction, higher acuity residents generally do better. There's not a lot of good data that says memory care residents should be around a hundred other people, right? So most of the data says kind of smaller is better in that capacity, but there's a lot of really great things about big buildings, right.

Loe Hornbuckle 02:27

I'm not anti-big building. They have a lot of incredible advantages. Obviously they create economies of scale that allow them to have benefits. Like most care homes don't have say transportation, most care homes don't necessarily have an activities coordinator, right? So you don't have enough revenue. They're not large enough to have every kind of seat on the bus filled with the appropriate personnel. So our concept really is a combination of the best of both worlds. Instead of having a few care homes scattered throughout a city where your staff has to drive back and forth and deal with traffic, and can't really physically be present, we build campuses of care homes called them planned care home communities. They're built in side neighborhoods. They look like neighborhoods, frankly. And what that does is we now have this scaling of say a 96 bed facility, because we have six, 16 bed homes on one campus, but we have all the advantages you can have of the outcomes and the ability to segregate populations in really fascinating ways.

Loe Hornbuckle 03:20

So it's just kind of a classic example to let everyone understand what we're thinking. Let's just say that you had a, a great relationship with a with a rabbi. Well, you could make one house kosher. You could have a house that focuses on Parkinson's. You could have a house that everybody was on a low sodium

diets. The dietary team is able to sort of break things down. If you've got, 12 people out of 16 that are Catholic and want to do fish on Fridays, you can do that in our model. And so what it really allows us to do is really focus on the niche. And I think what we're all sort of experiencing in senior housing is that inside these congregant settings, it's very rare you're gonna find a hundred people to agree you, right, where you can really make any positive change.

Loe Hornbuckle 03:57

You're just trying to have an appeal to as many people as possible. Our model really allows us to basically take all the outcomes, personalization and intimacy of a small setting, but then we're grabbing the scaling of a 96 bed facility, which allows to have transportation. Now we're pulling in a commercial space where financing's easier, right? Because if you're trying to do a small home, because obviously we're here at a fantastic conference center around investing. Just imagine you're the appraiser and you're trying to appraise a eight bed or a 10 bed care home, right. What metrics do you use? How do you price that? If you call JP Morgan chase right now and say, "hey, I want to finance a care home." They don't know what department to send you to. Is it residential? Is it commercial? And so really our perspective is having gone through the care home business and loved the outcomes, but really hated the way the business scaled, right? I always got really busy every time I opened an eight bed facility. And so I was like, well look, maybe instead of opening an 8 bed facility, what if we open an 80 bed facility, but we stick to our core model, right? So that core model is kind of smaller is better, but then grabbing the advantages of the scaling on the campus. And so that's really kind of the problem we saw out to solve initially.

Josh 05:02

I really like that. So give our listeners a little bit of the intentionality of even the design. You were given us some of the points even, the distances of corridors, the advantages of food quality, talk about some of that.

Loe Hornbuckle

Yeah. So I mean, the first thing that we did was, so again if you come from an operator's perspective and you've toured families, you know, what's important to them, and you know, what your operations team feels like they need in a building. It just makes sense if you're going to purpose-build to check off as many boxes for those families, for those residents and for your staff as possible. And so we purpose built these homes. And so they're very odd. The way to think about the homes is they're kind of like a fat H, and basically there's approximately, there's basically four quadrants of bedrooms. You kind of think about an H, but it's a little fat. And you have four quadrants of bedrooms and in the center is this massive common area. So when you're in the common area, even though the hallways would sort of flow in a linear fashion, the common area breaks them up.

Loe Hornbuckle 6:06

And of course the residents, the staff, the chef, they're all in that common area. So if a resident in hallway one has an issue you're 50, 60 feet away, not 150 or 200 yards or 150 yards plus an elevator ride up to to take care of that resident. So everything was kind of designed with an intentionality. So the common area is incredibly open, multi multipurpose. And so the chef can be cooking and see the entire resident population. So the dining, the living room, the kitchen are all open and they have a glass nurses station that overlooks that whole common area. So what that allows you to do is obviously it's very, there's a lot of paperwork and assisted living and memory care, right? And you obviously have people

that are prone to falls. You have people that may get into World War III over the morning's breakfast ham.

Loe Hornbuckle 06:49

And so sometimes caregivers have to be able to chart and keep an eye on residents. So our glass nurses station allows our staff to see 80, 90% of the common area while they're charting. And so it's things like that that we kind of did in. And the hallways is something we're really proud of. So one of our one of our executive directors in Lake Charles had this really great idea. It's one thing to say, "hey, our hallways are 45 feet," but he actually showed it in human terms. So he had caregivers link their arms, and our longest hallway is seven caregivers long arm and arm. Now this is a about a 45,000 square foot facility combined. Each house is about 8,500, 9,000 square feet. But just imagine being able to house 80 or 96 seniors in an efficient way and have a hallway that's only seven caregivers long.

Loe Hornbuckle 07:36

So it just totally changes how you respond to falls. It totally changes, the types of residents that get intimidated. If you're mobility challenged and it's really difficult for you, imagine what it's like to go down 150 yard hallway, get on an elevator to have a meal with 50 or 60 people. Now imagine what that's like, if you have a cognitive impairment, you don't know which room is yours. So these smaller environments really do lend itself to people that have mobility problems, people that are introverted, people that, you know have cognitive impairments. It really does solve a lot of the real problems that we see out in the marketplace with physical plants, right. And so that's really kind of the focus for us is the physical plant really needs to be an expression of the operational goals of the company.

Josh

So oftentimes innovative developers that are doing things outside of the traditional box, run into regulatory challenges with planned reviews. Have you guys hit any of that? How have you overcome it?

Loe Hornbuckle 08:32

We've had a lot of problems from the regulatory perspective. It's been relatively simple. Probably the weirdest thing we ran into was they wanted, we have to have grease traps, which is a little bit weird for a residential assisted living operator. Because you think about, your home, you don't have to have grease traps. So both of our communities with the food handling side, the cities wanted us to have these grease traps and the code was sort of written where, you had to have like a thousand gallon grease trap and I'm like, we'll never fill that. And so we had to kind of negotiate with them and we agreed that we would do a community grease trap and just kind of pipe into those things because we're taking up about six acres.

Loe Hornbuckle 09:10:

And so the houses are, you know, several hundred feet, you know, the farthest house is several hundred feet from the nearest one. So little stuff like that Texas and Louisiana have been pretty good. If you have a separate address then you can have separate licenses. And so we've kind of focused on that. So basically each one of our homes is just a separate address. Each home is a separate license. For some people listening to the show. One thing that might kind of hit their brain is if you have something, sometimes your team makes a mistake and something really bad happens to a resident and state thinks that you're responsible for that. Thankfully that's never happened in our company's history, but it is something that happens, right? Sometimes a resident elopes, again, never happened in our history, but some stuff that happens.

Loe Hornbuckle 09:57

So if you get something like an immediate jeopardy put on you, if you have a hundred bed facility, your whole hundred bed facility has that, has that sort of cloud over it, right? Well, if it happens in one of our settings, then it's just on the one home that it happened in, so you've actually protected those other homes from liability, same thing with a natural disaster, right? We see all the time a tornado can hit part of, it can hit one house, but miss the next, or whatever the case may be. So these things are really great at protecting from liability. We also saw that in COVID as well. All of our operations combined have had three cases of COVID throughout the entire pandemic, including one in Dallas. And we attribute a lot of that to small environments that are great for infection control.

Loe Hornbuckle 10:35

You're going to have less overall visitors. If you have multiple front doors, that's less, that's more front doors that the flu, or Norovirus, or COVID has to get into. And then of course it's much easier to isolate. If you've got, say six houses on a campus, one person is sick, then those other five houses aren't exposed, it's just their housemates. So it really is an effective model at harm reduction as well. So we think it provides better clinical outcomes. People feel more at home, families makes visits easier, because it's just so simple to get in and out of. But then if something negative happens, you're also siloed for liability, infection control, isolation, all those things as well.

Josh

So many advantages from the operator's perspective. Put on the developer hat for just a minute, talk to our developers and talk about the cost and price point comparison to your traditional senior living, because I'm immediately thinking, "okay, how does having six or eight kitchens probably residential style. Compare to one maybe mega commercial kitchen?"

Loe Hornbuckle 11:41

Yeah. So I'll do my best. I mean, I think had I built something similar like a traditional large box assisted living, I'd have a frame of reference. I do know that in general, our costs, construction costs per bed are quite a bit lower. And it may seem strange because you're thinking to yourself, "well, you've got six kitchens, I've got one," but a big commercial kitchen and, all the things associated with that and all the infrastructure for transportation, there's a lot of wasted and dead space and buildings that really aren't resident space. We avoid a lot of that. So our footprints are a lot more efficient, so we need less square footage to be able to deliver that stuff. So that helps a lot. But the other thing is most states have a line in the sand in which they basically say, "hey, if you go over a certain number of beds, you now have to build a certain different standards of construction quality, right?"

Loe Hornbuckle 12:29

So like a classic example would be the types of electrical wiring you use, whether or not Romax would be allowed or whatever the case may be. So there's all these different things that happen when you go. In Texas and Louisiana, the number happens to be the same, it's at 17 beds, then the construction standards change. And so maybe where you get your savings is that maybe the commercial sheetrock costs more than the residential style Sheetrock because it has a sufficient fire rating because the building codes and obviously there's almost all building codes are derived from international building codes. And then, you know, obviously the fire protection stuff, all that stuff kind of comes from that and the lighting rules come from the illumination society. And so there's all these kind of common threads that happen.

And so essentially what we've done is if they've drawn a line in the sand and their line in the sand is 17 residents.

Loe Hornbuckle 13:12

Well, if we stay 16 and under, then we're able to pick up a lot of efficiencies by at the end of the day, a resident in assisted living or memory care literally does not care the fire rating of your sheetrock. It's not going to make a difference in their lived experience except for in the event of a fire. And obviously a smaller facility can evacuate a little bit easier than a large facility. So you don't have things like fire doors and just stuff that adds cost to building that just doesn't add any value to the resident experience.

Josh 13:38

So if I'm hearing you correctly, I mean, potentially this could be a cost savings in some ways. Do you think that is an opportunity to not only provide something different, but maybe potentially tap a little bit more into that upper middle market that it seems like so many people are talking about, we need to get better at serving?

Loe Hornbuckle 13:57

Yeah. So I think that's probably the niche that we fall into. I mean, I think we're probably like a low end luxury provider or kind of a high end middle market provider kind of based on what we do. I mean, our finish outs are to a nice home, but we're not necessarily going like super, super high end custom because we've kind of have figured out over the years, again, the quality of the kitchen's going to matter to the chef, going to matter to those things, but you don't, if you have a Bosch appliance versus a GE appliance is not going to impact the resident's experience at all, right. So no, I agree that the cost savings are there. I mean, I think the thing that probably from the developer hat that should be obvious, but should be stated is that a lot of people are focused on these MSAs where it's urban infield projects or small acreage and we're going vertical, right.

Loe Hornbuckle 14:40

Obviously vertical construction's a lot more expensive, so that's another cost savings. But we're land intensive, right? So 96 beds on say six acres of use. So maybe a 10 acre site, that's not a lot of beds for the acreage, right? So we have to be in markets that are secondary and tertiary because we need to be able to find, acres, six acres that kind of fit our model. And so I think from a land perspective that probably changes the types of markets this would work in, like obviously think about trying to get six acres in San Francisco, right. It wouldn't work. It wouldn't work in a lot of markets or the land would be so expensive that then you'd be erasing. So you've really gotta do this in markets that we see as underserved, right? So you can go around Dallas. It always makes it on the top five most overbuilt list, but there's nobody in the boardroom talking about Midlothian or nobody in the boardroom talking about Denton, Texas, where the project that Lucas came to to look at. So we love those secondary and tertiary markets because we think suburbs are going to play a really important part kind of in the American growth story over the next, you know, couple of decades.

Josh 15:41

Anytime you're doing something new and kind of leading into the new frontier, things can be difficult. Has it been difficult to convince Capital to support this?

Loe Hornbuckle 15:52

It really hasn't. I would say our average investor invests, I think the number's \$127,000. If we're doing a 5 million raise, we're going to have probably 40 investors, things like that. So a lot of our investors to a person, I would say they've either interacted with assisted living in memory care and they like the impact investing. So a lot of our investors are, successful professionals and they create extra money and they like to put their extra money in various deal syndications, whether that be apartments or self storage. And I think what they like about this business is is that, hey, if you do a good job in your apartment, you may not have like, actually like saved someone's life. But in this business, you can do that, right? If you do a self storage deal, you may have protected someone's couch, but you may not have not taken someone that was going to fall 10 times and reduced their falls down.

Loe Hornbuckle 16:37

You may have somebody with dementia that reminds you of your grandmother, who you recently lost in dementia. So there's a heart element to investing in this business, and I think it is really important. We like to talk about that. So for example we were, I don't remember who all did this, but I think as far as my network, when COVID was coming down the pipeline and we actually were at a hundred percent occupancy in our Dallas operation. I told the investors, I was like, "we're needing to hold on to cash because I don't know what's going to happen here, And I don't know what we're going have to buy, and at this time PPE was scarce and you're overpaying for lots of things." And it was just a very unknown time. So I went to my investors and said, "look, if we make distributions, now we can, we should be fine."

Loe Hornbuckle 17:16

I said, "but we're going be tying our hands behind our back to be able to be as very effective against this virus." And so I called every investor personally and said, "hey, we're gonna withhold distributions. And I posted online and said, "it's really difficult day. We're withholding distributions because of COVID," and not a single investor didn't support us. And so a lot of that, a lot of what we're trying to build here is, we're really trying to build, I hate the word vertically integrated. And I can't build anything, so that helps. So I can't do that part of the box. That's what Lucas is here for. But what we're trying to do is we try, we try to raise capital for our projects so that our funding partners know our voice, know our mission, know our goal. It's not just IRR it's, there's return on your money and return on your capital. It was also return on how you feel about the community. And I've had people sit across the desk from me and say, "if I put a bunch of money in an oil deal, and they don't find oil, I'm mad. If you lose my money, I'll be okay because we're trying to do something good here."

Josh 18:08

Well, I love the, probably the term vertical integration is overused. But I think vertical alignment is really appropriate, and seems that like that's the culture you've built. And I think that is something that is needed for all these new and innovative models that it's going to take to meet the challenges of the aging population, because we need more of this. We need more innovation and the capital stack has to align all the way through the development and the operations. So congratulations on all you're doing Lucas, you've got to see this firsthand. I'm a little bit jealous.

Loe Hornbuckle 18:43

Yea I know I was blown away and to our listeners now that I'm sure, I mean, this has been a fire conversation. Loe's a very interesting guy, a lot of charisma and appreciate this conversation. They're

going to want to know, "hey, can I come tour? Is there resources online? Is there videos or website that they can go to?"

Loe Hornbuckle 19:00

Yeah. So I find that people are interested usually for a few reasons. There's probably a couple different places to go. So if they're interested from the capital raising, they may want to invest or learn more about that. They can go to GoodHornCapital.com. So my last name's Hornbuckle, my business partner's Good. So it's GoodHornCapital.com. We actually have a book on there we'll give away to them that just kind of tells the Sage Oak Story. So we've set that up for your listeners. They'll have a little something, if they want to learn a little bit more about kind of why I got into the business and kind of how I think about things. The second thing is if they want to learn more about these campuses then the website for this is [The Sage Oak Denton](http://TheSageOakDenton.com). So our website is TheSageOakDenton.com.

Loe Hornbuckle 19:38

And they can also learn about that or our community down the Lake Charles which was the one that won the senior housing news award for design and architecture. So that's just [The Sage Oak Lake Charles.com](http://TheSageOakLakeCharles.com). So those are kind of the ways that people may want to get to know us. And we have a big grand opening event in June. So if they want to reach out happy to get them on the list, we have a bunch of healthcare professionals all gathering in Denton. I know you're planning on stopping by and we're happy to host you guys and kind of show you gals and show you what we're trying to do in Denton.

Lucas

Awesome. Well, we'll make sure we put all of that information in the show notes. Our listeners go to BTGvoice.com, download this episode and many more connect with us on social and let's continue the conversation there. So if you have questions that you'd like to ask low, you can go to our [LinkedIn page](#), [Facebook page](#), [Instagram](#), and connect there. Thank you for your time today.

Loe Hornbuckle

No, thank you guys.

Lucas

Appreciate it. And thanks to all of our listeners for listening to another great episode of Bridge the Gap.