Nestidd Homes for People with IDD

Duration	00:24:02
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Corey Aber [00:00:00] I've been thinking about the idea of community. There are many layers to this idea nested inside each other, and there's a broad sense of community. And then there are more specific communities that are defined by different characteristics. These can get smaller and smaller. And sometimes these communities intersect and sometimes they don't. And historically, just as communities include people, they also exclude, almost by definition as you think about them in smaller and smaller forms.

Sara Hoffmann [00:00:25] That's an interesting insight, Corey. You can certainly see that across many areas when you look closely. It's clear in the city streets and types of housing, types of apartments, and even where people live. That built environments of how cities, housing, even public transportation, can really shape a community and help keep people together or apart.

Corey Aber [00:00:45] Right. And I think it can also be really telling how a community thinks about and supports its most vulnerable members, and how that changes over time. You can see this, for example, in how communities support persons with disabilities.

Sara Hoffmann [00:00:57] Which is definitely something that has changed a lot over the past few years, and we're finding ourselves in the middle of that evolution.

Hello and welcome to this episode of the Freddie Mac Multifamily Podcast. I'm Sara Hoffmann.

Corey Aber [00:01:16] And I'm Corey Aber. Today we're going to talk about that evolution when it comes to housing for persons with intellectual or developmental disabilities. This is a really important topic. And on the show we're joined by Andrew Parker. Andrew is the CEO of Nestidd, an organization he co-founded in 2017 that exclusively focuses on this. He oversees all facets of the organization, including its mission, operations, acquisitions, fundraising and engagement with the board of directors. And Andrew is also a member of the Illinois State Bar Association. Andrew, thanks so much for being here today.

Andrew Parker [00:01:47] Thanks, Corey. Excited to be here.

Corey Aber [00:01:49] All right. Well, I'd really like to start with just the founding of Nestidd and your your mission, how this all came together.

Andrew Parker [00:01:56] About 10 years ago, I was a few years out of college and just kind of bouncing around professionally trying to find my path. I was dabbling in various fields and real estate had caught my attention. I was living in Chicago. It was the wake of the Great Financial Crisis a few years after that. The city had a lot of new development. I was living in a big city for the first time in my life. And it was just kind of an exciting time and along with a friend of mine, Tad, Tad Ritter, who's now my co-founder and and partner at Nestidd, he was sort of on a similar journey in a different city. And we pulled together the the money that we had and brought in friends and family and bought a small apartment building in what was then considered an up-and-coming neighborhood of Chicago. Tad and I really enjoyed this project. We sort of connected over a shared drive to carve out our own paths in the real estate world to start a company together. And we ended up having some success in buying and renovating and selling a few apartment buildings.

And we thought we had it all figured out. We were working hard. We were finding good deals. We were improving the properties. Looking back, we were also lucky. Timing was on our side as the Great Financial Crisis kind of faded into the background. The real estate market was rebounding. And Tad and I were feeling pretty good about things. We kept pushing to go bigger. We wanted to be real estate developers. And we put together a deck showcasing all of our, what we thought were very impressive accomplishments and started seeking investors. That's when a key investor or key partner, who's now a partner and mentor and one of the largest investors in Nestidd, he said, you know, nothing against real estate developers, but there are kind of a lot of them out there. You guys need to find an edge and he really challenged us to think more strategically about what we were trying to accomplish. This was kind of timely advice because we were starting to feel the pressure of competing against more experienced and better capitalized, better connected people in the real estate world.

So, we really bought into this advice, and we started looking for a niche. And we explored a lot of different niches. Student housing was one, warehouse — I remember driving around Phoenix, Arizona looking at warehouses. And none of these really totally came to be, but what eventually turned into Nestidd started when we were introduced to a disability care agency that needed help managing their group homes. They had a long waiting list of clients, but they weren't set up to expand their real estate. And this felt like a good, good synergy for us. We felt like if we focused on providing great housing for these care agencies, we could carve out a niche that filled a critical need for them and also offered us a stable long-term business model. We learned about these care agencies. We learned that they were really good at providing services to their customers — their customers being adults with disabilities. But they were not as much interested in buying and owning and managing the houses that their customers lived in. They were willing to rent the houses and they were funded by Medicaid. So as long as we did a good job and provided a great home and great experience, they would lease these houses from us at the same time that we purchased them. So, we eliminated this non-stop leasing function that we had experienced in our, in our apartment building days where we had people moving in and out every month or so.

So, we really dove into this. We spent almost a year just immersing ourselves in the industry. We were learning from care agencies, government bodies. We were going to trade shows and conferences. And we broke through when we found a care agency in Philadelphia to allow us to buy four homes for them that they would then lease from us. This care agency was in the midst of what — we were learning — was called deinstitutionalization, which is a movement or a trend in the, in the industry which is providing an opportunity for people with disabilities to live in a community setting as opposed to a medical or hospital setting. This community-based care is a big theme in health care today. And especially in the long-term care sector, it has been proven quantitatively and qualitatively the people who live where they want to live tend to have better health and social outcomes. And unsurprisingly, the vast majority of people if given the opportunity to live in a community, to live in a house with two or three other people with their own bedroom, are happier and more secure, more satisfied than those who live in institutional, medical settings. Those institutional medical settings over the years had become the norm in the intellectual, developmental disability care world.

So we saw this model — this business model — as a win-win. The agencies got the houses that they needed. And we secured long-term tenants from day one. This was all in 2017. This happened — these first houses that we bought were in 2017. We still own those four houses. We've since expanded to work — we now work with over 40 care agencies providing homes for thousands of individuals across 750 some odd houses in 31 states.

Sara Hoffmann [00:07:12] So, Andrew, I think before we get into some of the details of the types of housing and and what you're seeing work for each kind of different segment of housing, maybe we can go back to that change in approach that you mentioned and back to the theme of community. What can you say caused some of that shift in the approach to keep everyone more in the community that may be is different over the past few years?

Andrew Parker [00:07:35] The insight was that long-term care is about more than just the care. It's about the person who's receiving it. People with IDD [intellectual and developmental disabilities] often don't need the special and unique services and supports in institutional settings, and that often only isolates them further. What they need is to feel included and connected to the community. In fact, many of these folks, they may have down syndrome or autism or a range of other behavioral needs, and what they need are social and medical care. Mostly social care that's specific to their condition. And they need regularity. They need the same people showing up to help them live their lives, find a job, make friends, develop social ties. And over time, this realization has sort of become more mainstream, so to speak. And it's turned into advocacy and legislation that's allowed for people who are on Medicaid — which many if not most of the people, of the adults who have IDD are — to receive their regular long-term care in a home setting. The Medicaid-funded services for nursing homes and institutional facilities weren't designed to be residential, but now Medicaid wants to deliver these supports in the community rather than in institutional settings. And this has been a very positive thing. It's led to more integration of these populations and a broader push to enable Medicaid care and Medicaid-reimbursed care in the community.

The method through which this care is provided are through these programs that are called Medicaid waivers. They're state-created programs that allow people to receive their care in the community and they've been a big success. There's not a whole lot of debate anymore about whether these are good or bad; it's almost universally found that these Medicaid waivers have been a success. The data on health outcomes, the quality of the beneficiary's lives — it's been clear that on a whole, people who are given the opportunity to live in a community one, choose to do so, and two, report better outcomes in quality of life across a whole host of metrics. And by the way, speaking of win-win situations, the care that's delivered in the community tends to be far less expensive — roughly half as expensive — as the care that is delivered in institutions.

Corey Aber [00:09:52] Andrew, that's a really tremendous shift that we've seen in the country over time and from institutional to to homes in the communities. Talk a little bit about what those homes look like. And where are you where you would find them in, in the communities.

Andrew Parker [00:10:08] Yeah, so, there's probably one around the corner. They look a lot like every other house. In fact, many of them are, have not been touched. You know, we've purchased these homes from folks who are selling their homes and have lived there for years. And, and we buy them and, our care agencies move their folks in. To some, Sometimes, for non-ambulatory residents — people who are in wheelchairs — we're making slight adjustments to the property to add in wheelchair ramps or rolling showers. But these homes are three, four, five, sometimes six-bedroom houses. They tend to be in suburban areas. But they look a lot like all the, all the other houses down the street. The one giveaway may be a van that you see parked in the driveway. That's used to bring folks around town and to their day programs and to their workplaces. But we're talking about traditional single-family, white picket fence, kind of houses.

Corey Aber [00:11:07] Andrew, you mentioned another part of this is just through all of, you know, you all who own the homes and the care providers you work with and who support the residents. Tell us how that kind of relationship came about.

Andrew Parker [00:11:22] Sure. I think maybe quickly it's important to mention a little more specifically what it is that these disability care agencies do. I've mentioned that generally they provide a bunch of social supports and social services, but specifically what does that really mean? They can be things like helping individuals get dressed, helping them bathe, helping them eat healthy, learn how to prepare their own meals, identify hobbies, develop hobbies, help them learn how to best interact with people, make friends. Activities of daily living is usually the term of art for that kind of service and the care agencies that provide them. They also be providing transportation to day programs which have more targeted skill developments, services for the folks who live in those homes.

We've actually — a little quick side note — we've been fortunate, thanks to our investors who really believe in what we're doing, to have formed a nonprofit of our own that's called Plantidd. Rhymes with Nestidd, sort of. And what we do is we build gardens in the backyards of group homes. Some of these homes we own, many of which, many we don't. And there the residents and the staff can come together and plant and care for plants, maybe some vegetables. And it creates a simple activity that can bring everyone together without having to facilitate transportation somewhere else. And just trying to do a little, a little bit to help the care agencies, who wear a lot of different hats, provide some easy fun in the backyard.

And because they wear all these different hats, it's important for them to have a real estate partner. When the agencies can focus on what they do best — delivering the care — rather than buying and owning and operating and handling real estate, everyone's benefiting. The care agencies are looking for a partner to take on that responsibility, that's where we come in. We work with these agencies to provide the homes that they need, from finding the properties to managing them. And the care agencies don't have to deal with the the burden of the real estate operation part of the of the business. And we ensure that these homes are ready and waiting for their, for their residents. And we are providing safe, supportive housing for people with disabilities.

Sara Hoffmann [00:13:35] So it's really interesting. It's kind of this new model. Like you said, you have the care providers focusing on what they can do best, while then you have real estate people focusing on what they can do best. And this is the perfect kind of marriage or merge together of how these, how these can work together. You mentioned that there's a waitlist. How big is the gap from what can be done, or what's being done right now, and what the need is?

Andrew Parker [00:13:58] The gap is significant, and it's growing for a few reasons. Number one, individuals with developmental disabilities are living longer than they ever have before. Number two, they're aging into adulthood with disabilities that previously may have led to early mortality or or institutionalization. And finally, and maybe the biggest demographic trend that affects this, is the baby boomer generation who's taking care of a lot of their own children who have disabilities are aging. How do we address this gap? It's a big problem. No one company, no one person is going to to solve this. It's gonna be a multifaceted approach.

We're seeing a bunch of innovative solutions being tested using technology and different types of care delivery systems. A big part of it is going to be raising public awareness, securing funding from legislative bodies, streamlining service delivery system. And I think Nestidd sort of slots into that last part: streamlining service delivery systems. We're eliminating the real estate piece of that service delivery from the care agency's plate to allow them to focus on the delivery of all of the services that they provide.

Corey Aber [00:15:06] So, Andrew, I'd like you to understand some of the things that maybe — some of the challenges in this space, you know. You've been in this for a few years. You've been working with a lot of care providers, supporting a lot of, a lot of people and, and, and their families. What are some of the things that as you've gotten into this that, that you've had to overcome or that this model has to overcome?

Andrew Parker [00:15:28] So one challenge is that the model is still relatively new, at least on a nationwide scale. We were among the first companies to do what we're doing and we operate about 750 houses, which is probably less than 1% of the entire IDD group home market. And the care agencies are justifiably cautious about bringing on new partners into a — the field that they work in, which is highly regulated, and they serve vulnerable populations.

What I am probably most proud of with Nestidd is that today we've, we've worked with about 50 different care agencies. Every single one of them, I think, started with one house with us. So, we sold them on the, on the idea of what we were doing and they said okay this sounds interesting, we're going to try you out. We may need 15 houses but we're going to just lease one from you, Nestidd, we're gonna see what you're all about. And every single one of the care agencies we work with, they started with one house, and every one of them has returned to partner with us again. We have, our largest partnerships are maybe about 100 houses — just under 100 houses — and some of them are only a handful, but they are repeat partnerships and I find that encouraging. I'm proud that the the agencies have have come back to to work with us again.

Sara Hoffmann [00:16:50] So, Andrew, when you're talking about the real estate market challenges, how have you navigated the capital market side of the business?

Andrew Parker [00:16:56] Sure. So, we are very fortunate. We've cultivated and and built a group of investors who want to align strong, risk-adjusted financial returns, good, old-fashioned financial returns with real, meaningful, social impact. And in our business, it's not possible to have one of those two things. You need to deliver both the returns and the impact, otherwise you're going to end up with neither of them.

I'll start on the, on the pure financial side of things. The investment is relatively simple. We buy houses, and these houses hopefully do two things. They generate a current return and they appreciate in value over time. And all investors are gonna, you know, they'll have a different idea of what level of return they need in order to compensate for the risk that they're taking. In our case, we are able to generate returns that actually exceed, they're higher, on an absolute basis than traditional single-family investing. And when you analyze the risk that's being able to achieve those returns, we believe the risk is lower than the risk taken in a traditional SFR, single-family rental, investment. We're not buying a property until it's leased, usually for five or more years. This eliminates a lot of the leasing risk that is one of the largest risks in the real estate business and a lot of what I feel like we are trying to do on the capital side of things is — and we along with others are having some success moving the needle there — is educating the market that, hey this, yes this is a little bit different than investing in your regular old single-family homes but it's actually less risky, not more risky. The market often sees new as being risky, but we think that the perceived complexity of this is an opportunity for us to start a business. One, because the market doesn't understand that they perceive complexity where it's actually more simple than a traditional investment.

Another thing that potential investors are looking for is an ability to reliably leverage the portfolio, and that's where the Freddie Mac HIDD [Housing for Intellectual and Developmental Disabilities] program has been a huge, huge part of what we've been able to do. And what the Freddie program is allowing us to do is to be comfortable that after we acquire these assets, we can finance them long term. It takes a specialized debt product to do that because the debt market has been set up to serve people who own houses in one particular area, one particular state, one particular type of house, or have a traditional market tenant. Our properties are in 30 different states and they're leased to companies, not people, which the debt markets are not used to seeing. So this Freddie Mac program is a big, big deal for us. We mentioned that gap in the market earlier in the conversation, and I can certainly say that that gap would be a lot larger if it wasn't for the Freddie Mac HIDD product.

Corey Aber [00:19:52] Well, and certainly glad to see that, you know, kind of the pieces are falling into place to do this at at some scale. And, you know, you've had some tremendous success and, you know, helping a lot of people through, through this. But the gap is still so, so big, in the market. So, you know, it feels like we need more companies like you all doing this. We need more care providers. We need more homes in the program. What do you think, you know, over the next 10 years or so, as more people think about this or where does the focus need to be? What do we need to do to close this gap?

Andrew Parker [00:20:28] You're absolutely right. We've made some strides. The gap and the need are still big; they're still significant. There's a lot more to do done, and it's going to take a collective effort to close that gap. As you mentioned, we need more companies and care agencies entering the space. The demand is only going to grow as more people recognize the critical need for housing solutions. And this move from institutional care to community-based care is — I don't even want to call it a trend. It's more of a fundamental change of shift, fundamental shift in how we are caring for vulnerable people, vulnerable populations. And as we, we learn to do that more effectively, of course, collaboration is going to be key. There needs to be partnerships between public and private sectors. Partnerships between service providers and real estate partners like us, between investors and communities. And having an ecosystem where everyone's aligned with both the social and financial goals.

And then advocacy and policy, I would say, is another big part of this. The Fair Housing Act and ADA, Americans with Disabilities Act, are examples of these success stories. In particular, they've allowed Nestidd to protect community-living arrangements from zoning challenges, which is imperative for the kind of work that we do. And so that's just an example of where policy and legislation can come in to facilitate closing this gap. We want to see more of that. The next step there is probably compensating — and there's a lot of movement and a lot of work going in this direction right now — is making sure that the folks who work in these homes are compensated appropriately so that the care agencies can attract good people to provide this care, which they do now, but it's just not enough of them. They need to be able to attract more people. And legislation coming in at the state level and various states to address that.

There's other initiatives going on around in-home technology and remote monitoring to try to optimize the amount of care that can be delivered with the finite resources that are out there, a lot of interesting things. I'm optimistic about because the Freddie Mac HIDD program is another great example of these kind of innovations that that can come into this space to help close the the gap in the housing challenges facing folks with disabilities. And there's a continually growing awareness and willingness to address these challenges. So I'm — it'll be messy, but I'm optimistic about it.

Corey Aber [00:22:49] One of the things that really strikes me about very difficult problems and problems that have a real, intense sort of human component to them is how innovative people can be when they really put their minds to solving things. And, right, you know, as we talked about today, we're in the midst of this evolution. We've seen a really big shift in the focus and in the way we think about the people that we're caring for and that the community is caring for. So, it's really exciting to see some of that innovation. You know, you've laid out a few, a few things that can be done to continue to innovate. Really looking forward to seeing how this space evolves, how we all put our minds to this and put our hearts into it. Come up with even better things in the future. So, Andrew, thank you so much for being with us today and talking about your work here.

Andrew Parker [00:23:33] Corey and Sara, thanks for having me.

Corey Aber [00:23:36] The Freddie Mac Multifamily Podcast is produced and supported by a team of our Freddie Mac colleagues, including our production lead, Jenny Nguyen, and our audio producer, Jackson Carmichael. To listen to more and keep up with the latest episodes, be sure to subscribe wherever you get your podcasts and check out our website mf.freddiemac.com/research for the full catalog of podcast episodes and original Freddie Mac research.