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Why residents are worried about sale of Altavita Village, a Riverside retirement community

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Many residents at Altavita Village, a Riverside retirement community, are concerned over its potential sale and what it might mean for the 400 people living there.

Formerly known as Air Force Village West, the community's financial viability has been on a downward track for the past 10 years. A \$50 million reserve it enjoyed in 2007 has nearly disappeared. The bonds its investors hold have been downgraded to nearly worthless.

In 2014, according to its most recent tax filing, the operation lost \$4.7 million and its assets dropped into negative territory with \$3.7 million of debt. Officials said that figure is slightly less today, but part of that improvement may be the fact that Altavita has not been paying its bondholders since January. That default has forced the organization to find a new owner.

The uncertainty of what it may mean for the community has created turmoil among the residents, many of whom are not happy with the way the current board of directors has handled the situation.

On Thursday, the village's resident council voted 10-9 to ask all nonresident members of the board of directors to resign. The resolution asks for those board members to disclose their relationships to bond companies. It also calls for the California State Attorney General's office to look into "possible fiduciary misconduct, negligence and ratification of mismanagement."

Some residents were pleased by the passage of the resolution.

Sherry Ikezawa said in a statement that she was happy the resolution passed and felt it would set things on a new path.

But Phil Shouse, a resident and a member of the board who had pushed for passage of the resolution was disappointed. The resolution carries no real weight, since the council can only make recommendations to the board, and Shouse said the closeness of the vote likely weakens its impact.

“You don’t have a mandate with that kind of vote,” Shouse said. “I thought there would be a groundswell of support but there wasn’t.”

Board President Mary Carruthers said opposition to the sale — an unnamed prospective buyer is in a 45-day fact-finding period — is based on a few residents spreading bad information.

“It’s created a lot of worry in the community that is unjustified,” Carruthers said.

She’s been unable to quell many of those concerns, she said, because the sale negotiations are not public information.

“In order to correct (things) I would have to disclose confidential information,” she said.

The resolution cites a number of perceived problems regarding the board of directors and its activities. One is a potential conflict of interest.

Carruthers is senior vice president of investments for Stifel, a national investment banking firm. Stifel oversees the Air Force Village West bond investments, which were issued when the community was raising its initial capital. Carruthers said there is no conflict of interest since she is prohibited from holding any bonds related to Altavita. The fact that she is paid by the company that manages the bonds is not a problem, she said.

Jerry Wheaton is among the residents who have complained that Altavita's board of directors may not have its priorities in order.

"My biggest concern is the actions of the board of directors that have emphasized protection of the bondholders to the detriment of the residents," Wheaton said.

Carruthers said that's not true.

"The board has a fiduciary responsibility to our residents first," she said.

The facility opened as Air Force Village West in 1993. Originally restricted to military officers and their spouses, the complex later broadened its customer base to the general public, changing its name to Altavita in 2015 to attract non-military personnel. Residents paid a large up-front investment fee and were promised a single family home and access to services that included an assisted living facility and discounted advanced nursing care, all within the community.

When he moved from Redlands in 2005 and found fellow veterans as residents, it was like coming to a high school reunion, said retired Air Force Lt. Col. Ed Sagmeister. The amenities were impressive, he said.

"It was like a cruise ship without the water," Sagmeister said, one that has not been properly marketed. "The (Riverside) community, when they discover this place, will find out it's a jewel."

When Sagmeister moved in, occupancy in the village was over 90 percent. Now, it is only 56 percent, he said. As the community's population has aged and people have died, management has struggled to bring in younger residents.

Sagmeister wonders if the sale of the facility will alter the community he's come to love, particularly because of how it has split the residents, with some angry with the board and others in support.

"I'm worried about keeping this village together," he said.

Sagmeister is one of those who have questioned some of the money being spent by the board, as the finances of the village have deteriorated. Those questions are behind the resolution's request regarding the charges of fiscal mismanagement.

Shouse said he discovered what he believes is a pattern of mismanagement shortly after joining the board in 2015 and forming a committee to look into the financials of the operation.

"We found astronomical corporate bloat," he said. "There were 20,000 hours of overtime in one of the health services in one month. If they dressed a wound they would bring in five people. They were providing work for friends, colleagues and family members."

He said there were at least five cases of people being paid to do "fictitious jobs."

Such expenditures weren't limited to services within the community. The board of directors he said is spending nearly \$200,000 per month on consultant and attorney fees. He said he has seen statements showing the board is paying its Illinois-based attorney at a rate of \$1,100 per hour, with some monthly billings of nearly \$100,000.

"I know it's not that high," Carruthers said. "The \$1,100 an hour is not an accurate figure."

Carruthers said she did not know how much the attorney was actually being paid.

Her comment confused Shouse.

"I'm surprised she said that," he said. "She even made the comment that we had to get control of our legal fees because they were astronomical. She griped about it herself."

Attorney Leonard Shulman, who has offices in Riverside and Irvine, said he was asked by several residents to look into the actions of the board. He said it is hard to understand why an attorney for a nonprofit such as Altavita would be paid that much.

“I can’t imagine why an attorney would be needed at that (compensation) level,” Shulman said.

He’s also thinks a conflict of interest exists between the board and the bondholders and is troubled that documents requested from the board by the residents’ council have not been forthcoming.

“It has got to be one of three things,” he said, “active disregard or care, or active malfeasance based upon the conflict of interest, or incompetence.”

Carruthers said because of its senior services and health facilities, any ownership change of Altavita will have to be approved by state regulatory agencies. She doesn’t expect a final word on the pending sale until January. If it goes through, she is hoping for a better future.

““We are all dedicated to seeing Altavita getting back on its feet,” she said.