INSTRUCTION GUIDE

Affordable Assisted Living and Community Based Care:

An Interactive Feasibility Tool

Developed for:
The Coming Home Program
In partnership with the Robert Wood Johnson Foundation

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I. INTRODUCTION

This financial feasibility model has been developed for use in determining the financial viability of proposed assisted living facilities. The model allows for the analysis of multi-use projects in order to facilitate the development of projects that will best meet the needs of communities and achieve the economies of scale needed to make projects financially viable. The following uses, in addition to assisted living, are included in the model:

- Independent senior housing (with or without the availability of services)
- Congregate care
- Skilled nursing beds
- Adult day care
- Leased commercial space
- Other non-specified uses, such as a senior nutrition site or home care agency.

The feasibility model may be used to make either a "first cut" regarding the preliminary feasibility of a project or to conduct a full financial feasibility analysis. Suggested values for assisted living expenses are included in the model based on the number of units in your project, so that preliminary financial projections can be generated with minimal effort. These projections will provide a rough cut of a project's financial feasibility. To conduct a full financial feasibility analysis, you will need to obtain and enter detailed information regarding your projected revenue, operating expenses, development costs, and funding sources.

The assumptions that have been included in the model to provide preliminary estimates for assisted living facilities are based on the experience of facilities that provide a relatively high level of care with efficient staffing patterns. These assumptions assume some degree of memory loss in the resident population, but are not intended for use with dementia-specific assisted living programs. The suggested values should be modified as appropriate for your geographic area, your proposed target market, and/or if you plan to incorporate a dementia-specific program into your project.

To facilitate ease of data entry, cells that require project-specific inputs are highlighted yellow, while cells that are blue are optional date-entry cells (i.e. to override a suggested value). The blue cells do not require project-specific inputs to obtain preliminary feasibility results. However, you should review and modify as needed all of the suggested values when conducting a full financial feasibility analysis.

The following input sheets are included in the model:

- Project Assumptions ("SetUp")
- Assisted Living Revenue ("Rev AL")
- Assisted Living Property Revenue ("Rev AL Rent")
- Memory Care Revenue ("Rev MemCare")
- Memory Care Property Revenue ("Rev MemCare Rent")
- Independent Senior Housing Revenue ("Rev ISH")
- Revenue for Congregate Care, Skilled Nursing, Adult Day Care, Leased Commercial and Other Uses ("Rev Other")
- Expenses ("Expenses")
- Personnel ("Personnel")
- Development Costs ("DevCosts")
- Low-Income Housing Tax Credit Calculations ("Tax Credits")
- Sources of Funds ("Sources")

Once you have entered the required information into the input sheets, detailed profit and loss projections will be generated for assisted living and for any additional use that will be included in your project. These use-specific projections will allow you to evaluate the profitability of each product type in order to determine those uses that add to or detract from the overall viability of your project. Profit and loss projections will also be produced for the total project by combining the detailed projections from all product types into one spreadsheet. In addition, property-only projections for assisted living will be generated to show how the project would perform if funding for services were no longer available (these projections are typically required by lenders of assisted living facilities). If independent senior housing will be included in your project, property-only projections will also be generated for this product type.

Based on the income and expense projections and debt service requirements entered for each use, the estimated amount of debt that could be supported will be calculated, with up to three different sources of debt allowed. The model will then show the amount of any funding gap (i.e. the difference between estimated development costs and proposed funding sources).

Modifications may be made to any values entered in the model to determine the impact certain changes would have on the project's feasibility. For example, the percentage of private-pay versus Medicaid residents, the private-pay rate structure, unit mix, and total number of units can all impact the viability of a project. The proposed financing structure, cost of construction and/or overall development costs can also influence the feasibility of a project. From an operational standpoint factors that can have a substantial impact on a project's performance include wages, staffing levels, and raw food costs. Modifying these factors one at a time allows you to evaluate the impact each factor has on the viability of the project.

II. PROJECT ASSUMPTIONS
("SETUP" SHEET)

The Project Assumptions (or "Set-Up") sheet contains key information about your project that provides the basis for calculations performed throughout the model. Enter identifying information about your project at the top of this sheet (i.e. project name, city, state, and zip).

Project Characteristics – If your project will be a multi-use project, click on any use (in addition to assisted living) that will be included in the project. If your project will include independent senior housing, indicate whether you will offer services to the residents of those units. If you plan to utilize Low-Income Housing Tax Credits (LIHTCs) in the development of your project, select "yes" to the LIHTC question. This will provide a generic LIHTC calculation template that may be used to determine the amount of tax credits that might be allocated to your project. If you plan to utilize LIHTCs and/or any other rent-restricted programs (such as HOME funds), enter the Area Median Income (AMI) for your area and the jurisdiction in which the project will be located. Rent-restricted programs are usually county-based; however, verify this with the funding program(s) you intend to use.

Housing Choice Vouchers – Some assisted living projects that serve lower or moderate income residents use housing choice vouchers to subsidize the rent of lower-income residents and thus maximize the revenue generated. To determine if housing choice vouchers may be an option for your project, contact your local housing authority. If you plan to accept vouchers, answer "Yes" to "Will your project use Housing Choice Vouchers?". If your project will not utilize vouchers, proceed to the next sheet.

If your project will accept housing choice vouchers, answer the following questions on the "Set-Up" sheet. The answers to these questions will be used to generate estimates of housing choice voucher payments for your project:

- *Does your state include meal preparation in their Medicaid payments?* In some states, meal preparation is included in Medicaid waiver payments for assisted living. If you unsure of this for your state, contact the agency that oversees the Medicaid assisted living waiver program in your state. If the cost of meal preparation is not included in your Medicaid payments, these costs could be counted as a deduction from gross income and could thus potentially increase your housing choice voucher payments.

- *What is your estimated cost of meal preparation?* Your estimated cost of meal preparation will be used as a deduction from income for Medicaid residents if you answered “No” to the prior question. This cost will also be included in the amount allocated for room and board payments for private-pay elders who have housing choice vouchers. This room and board payment is then used to determine the average private-pay service payment, which can be used as a deduction from gross income. A suggested per-meal cost is included in the model, which should be modified as appropriate for your project.

- *What is your estimated per meal cost of raw food and dietary supplies?* This amount will also be used in the room and board calculation for private-pay residents who use housing choice vouchers. A suggested per-meal cost has been built into the model, which may be modified as desired.

- *What is HUD’S mandatory deduction for elderly or disabled residents?* HUD offers a mandatory deduction (i.e. a reduction in gross income) that may be taken by elderly or disabled households. To verify the current amount of this deduction, contact your local public housing authority, visit the HUD website at http://www.hud.gov or call the Public and Indian Housing Information Resource Center at 1-800-955-2232.

- *Will your issuing agency for Housing Choice Vouchers provide the optional increase for accessibility?* Public housing agencies have the option of providing an increase in the fair market rent for housing units that meet handicapped accessibility guidelines. An increase in the amount allowed for the fair market rent would increase the revenue that could be generated through rental subsidies. Contact your local public housing agency to find out if they offer this increase and if so, select “Yes” and enter the percent increase over the fair market rent that is anticipated.

The information entered in the Housing Choice Voucher section will be used to estimate housing choice voucher calculations for your project. These calculations are shown on the Assisted Living Rental Revenue sheet and (if appropriate for your project) on the Memory Care Rental Revenue sheet.

III. ASSISTED LIVING REVENUE ("REV AL")

The Assisted Living Revenue sheet includes the assumptions that will generate assisted living revenue projections for your project.

Occupancy Information – The model assumes a seven percent vacancy rate, based on typical lender requirements. You may change this figure as appropriate for your project and/or as required by your prospective lender(s).

Estimate the "% Beds Occupied the First Month" and "# Months to Reach Full Occupancy" and enter these figures in the appropriate cells. When estimating these values, it is important to consider the ramp-up period that may be required by your lender, even if you anticipate a more rapid lease-up for your project.

Annual Inflation Rate – Factors have been built into the model to project the average rate at which your private-pay and Medicaid payments will increase per year. Modify the suggested private-pay inflation factor as appropriate for your market area and/or to meet any lender-specific requirements. Contact the appropriate agency in your state to obtain information regarding the history of Medicaid rate increases for assisted living and any expectations for future increases. Based on this information, modify the suggested inflation factor for Medicaid as appropriate.

Unit Mix – In the "Unit Mix" section for the assisted living revenue sheet, enter the number of units by unit type that will be occupied by private-pay versus Medicaid residents. If your project will include unit types other than a studio, one-bedroom, or two-bedroom design, enter the type of unit(s) in the "Other" rows. The model will provide the total number of units for each unit type, in addition to the total number of private-pay and Medicaid units. Enter the anticipated number of private-pay or Medicaid second occupants, such as spouses or sisters, in the "Second Occupants" row. Finally, enter the anticipated square feet for each unit type. These figures will be used on the Development Costs ("DevCosts") sheet to calculate estimated construction costs for your project.

Private-Pay – The model can accommodate up to five levels of care for private-pay residents. If your project will have only one level of care, enter the total number of private-pay residents for each unit type in Level 1, leaving the remaining levels of care blank. If your project will have two, three or four levels of care, enter the appropriate number of residents in each of the applicable levels, leaving those levels that will not be used blank. If your project will have five levels of care, enter the appropriate number of residents at each of the five levels, ensuring that the total equals the total number of units. Enter the level of care for any second occupants you anticipate in the "2nd Occupants" row.

Next enter the "Monthly Rate by Level of Care" for each unit type and level of care that will be included in your project and for any second occupants that are projected. A weighted average will automatically be calculated for each unit type and for the total project. Refer to Appendix A for guidelines on determining appropriate private-pay rates for your project.

Medicaid – In the "Medicaid" section, enter the number of Medicaid units and second occupants you anticipate at each level of care. The total number of units and second occupants must equal that entered in the "Unit Mix" section of this sheet. As needed, contact the appropriate agency in your state for information about the current Medicaid rates for assisted living. Enter the Medicaid service payment(s) that you anticipate for your project in the "Daily Rate" row of the "Service Payments" section, converting monthly rates to daily rates as needed by dividing each monthly rate by 30.4 days per month.

Some states cap the amount assisted living providers may charge residents for room and board payments, while other states leave this up to the discretion of the providers. Based on the policy in your state, select "Yes" or "No" in answer to the question "Does your state limit the amount paid by Medicaid residents for room and board?". If your state caps room and board payments, enter the maximum allowable amount that may be charged in the appropriate cell. If your state does not cap room and board payments, enter the amount you plan to charge Medicaid residents for room and board. This amount should be sufficient to cover your property-related expenses and meal costs, but should not be so high as to exclude the Medicaid-eligible individuals that you want to serve.

IV. ASSISTED LIVING RENTAL REVENUE ("REV AL RENT")

The data entered on the Assisted Living Rental Revenue sheet will be used to generate property-only assisted living projections to show how your project would perform if operated as a straight rental property with no services available. Lenders of assisted living facilities generally require property-only projections to ensure that a project could remain financially viable if services were no longer provided (e.g. if Medicaid funding for assisted living were decreased or eliminated).

In the "Rental Revenue" section of this sheet, enter the vacancy rate that you would anticipate if your project were operated as an elderly housing project. This rate may be different from the vacancy rate you projected for assisted living. Next, enter an appropriate inflation factor for elderly housing units to estimate the rate at which rents would increase each year.

In the "Rental Revenue" table, complete a row for each unit type and rent restricted program. Select the type of unit from the drop down menu in the first column. Then, enter the type of rent-restricted program, if any, that will apply to the unit type. Then, enter the maximum % Area Median Income (AMI) allowed for that unit type and program and the # of units allocated to that unit type / program / AMI level. Finally, enter the maximum rent allowed for that unit type under the rent-restricted program specified.

As is shown in Example 1, a separate row must be completed for each different program and/or AMI level for the same unit type. The maximum allowable annual income will be automatically calculated by the model based on the area median income you entered on the "Set-Up" sheet.

EXAMPLE 1: AL RENTAL REVENUE

Type of Unit	Type of Rent Restricted Program (if any)	% AMI	# Units	Max Allowable Annl Income	Max Allowable Mo Rent
One-Bedroom	LIHTC	60%	10	$21,000	$ 500
One-Bedroom	LIHTC	50%	10	17,500	500
One-Bedroom	HOME	80%	10	28,000	500
One-Bedroom	NONE	N/A	10	N/A	650
Two-Bedroom	NONE	N/A	2	N/A	750
			-		
			-		
			-		
			-		
TOTAL			**42**		

Housing Choice Vouchers – If you indicated on the "Set-Up" sheet that your project will accept housing choice vouchers, the rental revenue table on the "AL Rent Revenue" sheet will include input cells that will be used to calculate estimated housing choice voucher payments. In the appropriate columns of this table, enter in each row the number of private-pay and Medicaid units that you anticipate will use vouchers for that unit type / rent-restricted program / and % AMI combination. Then estimate in each row the anticipated average income of elders who will pay privately for services but use vouchers and those who will receive assistance through Medicaid. These estimates should be derived from your knowledge of the demographics for your market area and the population you plan to serve. The average income for Medicaid residents should not be greater than the maximum annual income allowed under the assisted living waiver program in your state. Finally, enter the Fair Market Rent as determined by HUD for each unit type and enter these amounts in the "Fair Mkt Rent" column of the Rental Revenue table.

Based on the information you entered in the Rental Revenue table and in the housing choice voucher section of the "Set-Up" sheet, calculations for housing choice voucher estimates will be generated. A summary of these calculations is provided, along with an explanation of the assumptions on which the calculations are based.

V. MEMORY CARE REVENUE ("REV MEM CARE")

The Memory Care Revenue sheet includes the assumptions that will generate the revenue projections for any memory care units in your project. If you did not check "Memory Care" on the "Set-Up" sheet, this sheet will not be visible.

To complete this sheet, follow the instructions for the "Assisted Living Revenue" sheet, entering the information that applies to the memory care units that are planned for your project.

VI. MEMORY CARE RENTAL REVENUE ("REV MEM CARE RENT")

The data entered on the "Memory Care Rental Revenue" sheet will be used to generate property-only revenue projections for your memory care units. Your lender may request these projections to determine how your project would perform if operated as an elderly housing site with no services available. If you did not check "Memory Care" on the set-up sheet, the "Rev Mem Care Rent" sheet will not be visible.

To complete this sheet, follow the instructions for the "Assisted Living Rental Revenue" sheet, entering information that applies to the memory care units that are planned for your project

VII. INDEPENDENT SENIOR HOUSING REVENUE ("REV ISH")

Data entered on the "Independent Senior Housing Revenue" sheet will be used to generate the revenue projections for this product type. This sheet will be hidden if you indicated on the "Set-Up" sheet that your project will not include independent senior housing.

Rental and Miscellaneous Revenue – In the "Rental & Misc Revenue" section of this sheet, enter the 50% LIHTC values for studio (i.e. 0-bedroom), one-bedroom, and two-bedroom units. These amounts will be used to calculate the % AMI and the Annual AMI for the gross rents that will be charged. If your project will not utilize LIHTCs or another rent-restricted program, you do not need to enter values for the LIHTC 50% rents. Current LIHTC rent limits should be available through your state's housing finance agency. Next, enter the percentage of units that you anticipate will be occupied the first month, the number of months you expect will be needed to reach full occupancy, the projected vacancy rate, and an annual inflation factor.

In the table located in the "Rental and Misc. Revenue" section, complete a row for each unit type and rent restricted program. Indicate the type of unit in the "# of Bdrms" column by entering "0" for studio units, "1" for one-bedroom units, and "2" for two-bedroom units. Then enter the type of rent-restricted program (if any) that will apply to each unit type and the estimated square feet, gross monthly rent, tenant-paid utilities and the # of units for that unit type. Note that a separate row must be completed for each different program and/or gross monthly rent for the same unit type, as is shown in Example 2 on next page.

EXAMPLE 2: INDEPENDENT SENIOR HOUSING RENTAL REVENUE

LIHTC 50% Rents

0-Bdrm	$ 422
1-Bdrm	500
2-Bdrm	553

% Units Occupied 1st Month	20%
# Months to Full Occupancy	12

# of Bdrms	Type of Rent-Restricted Prog	Sq Ft	# of Units	Gross Mo Rent / Unit	Tenant-Pd Util Allow	% AMI	Annual AMI
1	LIHTC	500	10	$ 500	$ 35	59%	$ 19,500
1	LIHTC	600	10	600	35	60%	23,400
						-	-
						-	-
						-	-
						-	-

Based on the information entered in this section and on the "Set-Up" sheet, the model will automatically calculate the % area median income, the annual AMI, the net monthly rent per unit, and the net monthly and annual rent after vacancy.

Miscellaneous Revenue – If you expect to generate miscellaneous revenue from sources such as laundry, parking, and/or cable TV for your independent senior housing units, enter these amounts in the "Misc Revenue Per Mo" column. The model will automatically calculate the miscellaneous revenue per month and per year after vacancy based on the vacancy rate you entered at the top of this sheet.

Service Revenue – If you answered "Yes" to the question on the "Set-Up" sheet asking if you will offer services to residents of the independent senior housing units, enter information as appropriate for your project in the "Service Revenue" section. The model allows for two different rate structures, should you desire to offer services at below market rates for residents who meet specified income criteria. In completing this section, utilize as many or as few of the service options as you prefer, based on the types of services you plan to offer. The model will automatically calculate the total monthly revenue and the total monthly and annual revenue after vacancy.

VIII. REVENUE FOR OTHER USES ("REV OTHER")

On the "Rev Other" sheet you will enter revenue-related information for congregate care, skilled nursing care, adult day care, leased commercial space, and/or other uses, based on the options you selected on the "Set-Up" sheet. Note that only those uses that were checked on the "Set-Up" sheet will appear on this sheet. You may change your selections on the "Set-Up" sheet at any time as you work with the model. The information entered on the "Rev Other" sheet will be used to generate revenue projections on the profit and loss sheets.

Congregate Care Revenue – If your project will have congregate care units, enter for each type of unit the number of units, monthly fee, and estimated square footage per unit. The model will then calculate the total number of congregate units and a weighted average monthly fee and unit size. Next, enter the percentage of units you expect will be occupied the first month, the number of months you anticipate will be required to reach full occupancy, the projected vacancy rate for the congregate care units, and an annual inflation factor (i.e. the percentage you expect the rates to be increased each year on average). Finally, enter an estimated number of second occupants for the congregate care units and the fee that will be charged each second occupant.

Skilled Nursing Revenue – If you plan to include skilled nursing beds in your project, enter for each payor type the number of beds, the daily rate, inflation factor, and the vacancy rate. Also enter an estimated square footage for each bed (not counting common space or staff work areas). The model will then calculate the total number of beds and a weighted average daily rate, inflation factor, vacancy rate and square footage. Finally, enter the percentage of beds you anticipate will be occupied the first month and the number of months you expect will be needed to obtain full occupancy.

Adult Day Care Revenue – If your project will include an adult day care program, enter for each payor type the number of clients you anticipate will participate on a half-day and/or full-day basis. Next, enter the average number of days per week expected for both half-day and full-day clients, along with projected daily rates for each. Finally, enter the percentage of total clients you anticipate will participate in the program during the first month of operation, the number of months needed to achieve full occupancy, and the vacancy rate expected for the program.

Leased Commercial Space Revenue – If you plan to offer leased commercial space as part of your project, enter the estimated square footage anticipated for each use. Next, enter the projected monthly revenue, an inflation factor, and a vacancy rate for each use. The model will calculate the total estimated square footage from the leased commercial space and the projected revenue per month.

Other Uses – If your project will have revenue sources that are not accounted for elsewhere in the model, enter information about these sources in this section. Briefly describe each type of use or program. Then, enter the estimated square footage that will be required for each use, along with the monthly revenue projected and estimated inflation and vacancy rates.

IX. EXPENSE ASSUMPTIONS
("EXPENSES")

On the "Expenses" sheet you will enter non-personnel cost estimates for any use that will be included in your project. These estimates will be used to generate profit and loss projections for each use and for your total project.

Estimates of typical costs for assisted living facilities have been included on the "Expenses" sheet in the "Suggested Per Unit" column. When conducting a preliminary feasibility analysis, it may be appropriate to utilize these assumptions with only a cursory review of the suggested cost factors. However, for a full feasibility analysis, each expense category should be reviewed with the corresponding cost factor modified as appropriate to provide realistic projections for your project.

To modify a suggested cost factor, enter an alternate value in the "Override Per Unit" column. Any values entered in this column will override the suggested value for that line item, as shown in the "Suggested Per Unit" column. The model automatically calculates values in the "Cost Per Month" column by multiplying either the suggested value or the override value by the number of assisted living units. Costs that vary according to the number of residents (versus the number of units) include "per elder" after the cost description and are calculated based on the number of units plus the number of second occupants. If you anticipate certain expenses that are not included on the sheet, enter a brief description of the expense in the appropriate expense section in an "Other" row, along with the projected cost factor for that expense in the "Override Per Unit" column.

If your project will include uses other than assisted living, enter estimated costs for each category according to the cost factor specified in the column heading for that use (i.e. on a per-unit basis for independent senior housing and congregate care, on a per-bed basis for skilled nursing care, on a per-client-per-day basis for adult day care, and on a per-month basis for leased commercial space and other uses). Based on the allocations entered, the model will automatically calculate the cost per month for each expense category.

% Minimum Variable Costs – Some of the line items included on the "Expenses" sheet are variable costs, in that the total cost per month for that line item varies depending on the number of occupants in the building. Other costs are fixed and typically remain the same regardless of occupancy rates. In the "% Minimum Variable Costs" column, indicate if you want an expense to be treated as a variable cost by entering the percentage of the total cost per month at full occupancy that would be the minimum cost per month for that expense item during lease-up.

In Example 3 below, the total cost per month for raw food is $5,472. Raw food is usually considered to be a variable cost, because it is typically directly tied to the current number of residents. However, because facilities usually purchase food in bulk quantities the amount expended on raw food during the first few months of operation will likely be greater than the actual cost of the food consumed. Therefore, 30% is shown in the example as the "% Minimum Variable Cost" for raw food. In this case, the expense projections for raw food will never be less than 30%

of the total projected cost per month, or $1,642. Suggested values have been provided in the "% Min Variable Costs" column. Modify these values as appropriate for your project.

% Property Allocation – Property-only profit and loss projections will be generated for assisted living and independent senior housing (if included in your project). In order to properly allocate expenses to these projections, suggested values have been provided in the "Expenses" sheet for the "% Property Allocation". The percentages included in the "Suggested" column represent the percentage of each expense that would be a property-related cost. For example, maintenance and utility costs are generally property costs, whereas raw food and care supplies are typically service-related costs. If you wish to modify the suggested values, enter an alternate percentage in the "Override" column per month.

Inflation Factor – A suggested "Inflation Factor for Non-Personnel Costs" is provided at the bottom of the "Expenses" sheet. Modify this value in the blue cell as appropriate for your project or as required by a lender. A separate factor will be used to estimate the rate at which personnel costs will increase each year.

EXAMPLE 3: EXPENSE ASSUMPTIONS

	Assisted Living			% Min	Total	% Property Allocation	
	Suggested Per Unit	Input Cost Per Unit	Cost Per Mo	Variable Costs	Cost Per Mo	Suggested	Override
Dietary / Kitchen							
Raw Food [per elder / per day]	$ 4.50		5,472	30%	$ 5,472	0%	
Supplies [per elder]							
Equipment							
Dietary Supplement [per elder]							
Dietary Consultant							
Contracted Svcs / Temp							
Personnel							
Other »							
Other »							
Other »							
Subtotal Dietary /Kitchen	**$ 4.50**		**$ 5,472**		**$ 5,472**		

X. PERSONNEL ASSUMPTIONS ("PERSONNEL")

Inputs on the "Personnel" sheet will be used to calculate projected personnel costs for your project. For each staff position that will be included in your project, enter either an annual salary or an hourly wage in the "Annl Salary or Hrly Wage" column. Values over $300.00 will be treated as annual salaries, with values under $300.00 assumed to be hourly wages.

Assisted Living FTEs –. Based on the number of assisted living units that will be included in your project, suggested values for the number of Full-Time Employees (FTEs) for each position have been included in the "Assisted Living FTEs – Suggested FTEs" column to facilitate a preliminary feasibility analysis. Modify these suggested values as appropriate by entering alternate values in the "Override # FTEs" column. If no value has been entered in the "Override # FTEs" column for a position, the costs associated with that position will be calculated from the "Suggested # FTEs" column.

In Example 4, 1.0 FTEs for "Housekeeping Staff" would be assumed because there is no alternate number entered in the "Override # FTEs" column. For "Laundry Staff", on the other hand, 0.5 FTEs would be assumed as that value has been entered in the "Override # FTEs" column.

Assisted Living Variable FTEs in Lease-Up – Some of the staff positions included on the "Personnel" sheet are variable costs, as the number of FTEs needed depends on the current census of a project. Other positions are fixed in that the number of FTEs typically remains stable regardless of occupancy. Suggested numbers of FTEs have been provided in the "Variable FTEs in Lease-Up" column for those positions where the number of employees usually varies with occupancy. Modify the values in this column as appropriate for your project. Remember that positions are assumed to be fixed costs if there is no entry in the "Variable FTEs in Lease-Up" column.

In Example 4 above, a minimum of 0.50 FTEs for housekeeping staff during lease-up would be assumed, increasing to 1.0 FTEs at full occupancy. On the other hand, because there is no entry in the "Variable FTEs in Lease-Up" column for laundry staff, this position would be treated as a fixed cost that does not vary with occupancy.

Uses Other Than Assisted Living – If your project will include uses other than assisted living, as indicated on the "Set-Up" sheet, enter the # of FTEs for each position that will be utilized for each use. Enter values in the "Variable FTEs in Lease-Up" column for positions that should be treated as variable costs (following the guidelines outlined in the "Assisted Living Variable FTEs in Lease-Up" section above). Note that only those uses that you checked on the "Set-Up" sheet will show on the "Personnel" sheet.

EXAMPLE 4: AL FTE ASSUMPTIONS

		Annl Salary Or Hrly Wage	Suggested # FTEs	Assisted Living FTE's Override # FTEs	Variable FTEs in Lease-Up
Housekeeping and Laundry					
Housekeeping Staff		$ 10.00	1.00		.50
Laundry Staff		-		.50	
Other »		-		-	
Other »		-		-	
Subtotal			1.00	**1.0**	**0.50**

Replacement Staff for Paid-Time-Off (PTO) – Enter "Yes" in the "Does this Position Use Replacement Staff for PTO" column for any position for which replacement staff will be used when PTO time is taken. Examples of positions that typically use replacement staff are resident assistants and dietary staff. Positions such as administrative or marketing staff may not be replaced during paid-time-off, as the duties for these positions are usually assumed by other positions during the PTO time and/or performed by a staff person upon return from the paid time off. Suggested values have been provided in this column; modify these values as appropriate for your project.

The cost of paid time off will be calculated for those positions with a "Yes" in the PTO column, based on the average PTO time per FTE indicated in the "Paid Time Off Calculation" section located at the bottom of the "Personnel" sheet.

Hours Per Week Overtime per FTE – In the "Hrs Per Wk OT per FTE" column, enter an estimate of the number of overtime hours (versus regular pay) per week anticipated for each position. These hours will be assumed to not be in addition to the hours indicated by the # of FTEs entered for a position, but hours worked at times that would necessitate OT compensation (i.e. due to scheduling difficulties). Leave this column blank for those positions that typically do not utilize overtime pay.

% Property Cost Allocation – Property-only profit and loss projections will be generated for assisted living and independent senior housing (if included in your project). In order to properly allocate expenses to these projections, suggested values have been provided on the "Personnel" sheet for the "% Property Cost Allocation". The percentages included in the "Suggested %" column represent the portion of each expense that is considered to be a property-related cost. For example, maintenance personnel are generally assumed to be property costs, whereas personal care or dietary positions are typically service-related costs. If you wish to modify the suggested values, enter an alternate percentage in the "Override" column.

Paid-Time Off Calculation – In the "Paid-Time Off Calculation" section of the "Personnel" sheet, suggested values are provided for the number of days each year that employees are compensated for paid-time off (i.e. holidays, vacation time, sick time, and personal time). If you wish to use alternate values, modify the suggested values in the blue cells of this section.

% Payroll Taxes / Benefits (Other Than Paid-Time Off) – A suggested value has been entered for the "% Payroll Taxes / Benefits (Other Than Paid-Time Off)" cell to account for personnel-related costs such as health insurance, workers compensation, payroll taxes and/or retirement plans. Modify this value as appropriate for your project by entering an alternate value in the blue cell in this section.

Annual Inflation Factor for Personnel Costs – A suggested factor for the rate at which personnel costs will increase each year has been included in the model. Modify this factor in the blue cell for this item as appropriate for your market area and/or lender requirements.

XI. DEVELOPMENT COSTS ("DEV COSTS")

An estimate of development costs is used on the "Sources of Funds" sheet to determine any gap (or excess) in funding for your project. The model allows you to base this calculation on either a preliminary estimate of development costs or on a detailed development budget. For a preliminary feasibility analysis, you may want to utilize the "Preliminary Estimate of Development Costs", whereas a "Detailed Development Budget" will be needed for a complete analysis. Indicate your choice by clicking the appropriate button at the top of the "Development Costs" sheet. This choice may be changed at any time as you work with the model but the option selected will determine which development cost estimate is used to calculate the gap (or excess) in project funding on the "Sources" sheet.

Estimated Construction Costs – Based on the information you entered on the set-up and revenue input sheet(s), a summary of the uses that will be included in your project is shown in this section. Enter an estimate of the "% Common Areas" for each use in the indicated column. The total square footage allocated to each use will then be calculated from the weighted average per unit, the number of units, and the percent common areas. If your project will include adult day care, enter the estimated square feet that will be allocated to this use. The square footage for the leased commercial space and any "Other Uses" will be based on the information entered on the "Other Revenue" sheet. If your project will use tax credits and will include a commercial kitchen, allocate the cost of the kitchen as appropriate across any uses that will be included in your project (the data entry cells for the commercial kitchen will not show if you did not indicate on the "Set-Up" sheet that you will use tax credits.)

Enter an estimate of construction costs per square foot for your local area in the indicated cell. This estimate may be obtained from local contractors experienced with building costs for similar projects and should include all building, site, off-site and construction contingency fee costs. You may also obtain a rough construction cost estimate from the RS Means Company website *(www.rsmeans.com/index.asp)*, using the custom cost estimator and the zip code in which your project will be located.

Preliminary Estimate of Development Costs – If you indicated at the top of the "Dev Costs" sheet that you want to calculate a preliminary estimate of development costs, enter a value in the "Estimated Land Costs" cell. The model will then calculate the amount of funds that will be allocated to soft costs, which would include site acquisition costs, transactional costs, professional fees, financing fees, municipality costs, and start-up costs. A factor of 30 percent has been included in the model as a standard assumption to estimate the percent soft costs. Modify this estimate by entering a different percentage in the "Percent Soft Costs (of Total Development Costs)" cell. Based on your estimated land costs and % soft costs, the model will calculate an estimate of your total development costs. Note that this section will not show if you did not select the "Preliminary Estimate of Development Costs" option at the top of the "Dev Costs" sheet.

Detailed Development Budget – A detailed development budget should be completed when you conduct a full feasibility analysis (the "Detailed Development Budget" option at the top of the "Dev Costs" sheet must be selected for this section to show). Enter estimates as appropriate for each line item shown in the "Detailed Development Budget". If you anticipate costs that are not included in this section, enter a brief description of each cost in the appropriate category along with the estimated cost. An estimate for "Operating Reserves" is automatically calculated based on the maximum negative cumulative cash flow shown on the total project profit and loss sheet generated for your project.

Based on the information entered in the "Detailed Development Budget" section, the "Total Project Costs" for your project will be calculated. "Per-Unit" and "Per-Square Foot" costs will also be calculated for your "Total Construction / Rehabilitation Costs" and "Total Project Costs".

If you indicated on the "Set-Up" sheet that your project will utilize Low-Income Housing Tax Credits, a "Tax Credit Eligible Basis" column will show to the right of the data entry cells for the detailed development budget. Formulas have been provided in this column to facilitate a preliminary estimate of a project's eligible basis, based on the values entered in the detailed development budget cells and general tax credit program guidelines. Enter alternate figures in the "Tax Credit Eligible Basis" column as appropriate for your project and/or to meet the specific requirements for your state's tax credit issuing agency. These figures will be used to calculate an estimated tax credit allocation for your project on the "Tax Credit" sheet.

XII. TAX CREDIT CALCULATION ("TAX CREDITS")

The "Tax Credits" sheet of the financial feasibility model is used to estimate the proceeds that might be available to your project through the Low-Income Housing Tax Credit program. Note that this sheet should be used for preliminary estimates only; you will need to utilize the application provided by the issuing agency in your state to verify the amount of credits your project may be eligible for and to actually apply for the credits.

The Low-Income Housing Tax Credit (LIHTC) program is an incentive program created to encourage the construction or rehabilitation of buildings for low-income tenants by providing a dollar-for-dollar credit that can be used to reduce federal taxes. These tax benefits can be used by developers to attract investors who commit their dollars to a project in return for a share of the tax credits and other benefits.

Types of Tax Credits – At the top of the "Tax Credits" sheet, indicate whether your project will be qualified for 4% credits, 9% credits, or both. You can change your answer to this question at any time as you work with the model. However, the answer that is currently selected will determine the amount of "Net Tax Credit Investor Proceeds" that is carried over to the "Sources of Funds" sheet.

Total Project Costs – Based on the information you entered on the development costs sheet, estimates for your "Total Project Costs" and all ineligible costs will be automatically entered on the "Tax Credits" sheet.

Eligible Basis – Enter values as appropriate for your project in the "Eligible Basis" section of the sheet. The model will then calculate the "Total Eligible Basis" for your project. Next, indicate whether your project will be located in a "Qualified Census Tract" or "Difficult to Develop Area" (contact your housing finance agency for definitions of these terms if needed). If you answer "Yes" to this question, your project's eligible basis will automatically be increased by 30%, as shown in the "Adjusted Eligible Basis" cell.

Next, enter the "applicable fraction" for your project. The applicable fraction is the portion of your project that qualifies for low-income housing tax credits, based on the smaller of the percentage of total units or the percentage of the total square footage devoted to low-income housing. Check with your issuing agency for additional guidelines on determining the applicable fraction for your project.

Total Qualified Basis – Based on the applicable fraction you entered, the model will calculate the "Total Qualified Basis". Next, enter the "Applicable Percentage" in the appropriate cell, in addition to the month and year of the "Applicable Percentage" used. The model will then calculate the "Total Amount of Tax Credits Allowable".

Net Tax Credit Investor Proceeds – Enter an alternate amount in the cell for "Total Amount of Tax Credit Requested" if the amount of credits you plan to request is different from the "Total Amount of Tax Credits Allowable". The "Total Tax Credits for 10 Years" will then be calculated. Modify the amount shown in the "Tax Credit Yield" and "Percentage of Limited Partnership Proceeds" as appropriate for your project. The model will then calculate the "Net Tax Credit Investor Proceeds", which will be carried over to the "Sources of Funds" sheet.

Remember that the calculations included on the "Tax Credits" sheet should be used for preliminary estimates only. Utilize the tax credit application forms provided by your state's issuing agency for final estimates of LIHTC proceeds.

XIII. SOURCES OF FUNDS

This sheet will calculate the sources of funds for each use that will be included in your project and determine any gap or excess in funding for each use and for the project as a whole.

Debt Service – The amount of debt a project can support is typically based on the net-operating income (NOI) generated by the project. For those uses for which both total project and property-only projections are generated, debt service calculations can be calculated from either the total project or the property-only NOI, by selecting the indicated button at the top of this sheet. You may change this option at any time as you work with the model.

Lenders typically want to ensure that a project would be able to meet its debt service obligation even if it were converted to a straight rental property at some point in the future. Thus, the most conservative approach is to base your debt service calculation on the lesser of the total project or property-only NOI. If the property-only NOI is significantly less than the total project NOI, review the % property allocation on the "Expenses" and "Personnel" sheets and decrease the property-related cost allocations if appropriate.

The model will support up to three different sources of debt for each use. The debt coverage ratio that will be required by each lender should be entered in the appropriate cell in the column for each loan. Based on this ratio, the amount of funds that would be available for annual debt service payments will be calculated, based on either the total project NOI or the property-only NOI (according to the option you selected). If you prefer a smaller amount of debt than that shown, enter an alternate amount in the blue cell in the "Override" row.

Next, enter the estimated term and interest rate for each loan. The amount of the loan will then be calculated, along with the estimated cash flow remaining after debt service payments. The amount of any funding gap remaining after the amount of debt financing has been calculated will also be shown.

Sources of Funds Summary – The amount of debt (if any) calculated in the "Debt Service Calculation" section of the worksheet will be carried over to the "Sources of Funds Summary". In the appropriate rows in this section, specify the source of debt for each loan for each product type that will be included in your project. Then enter any other sources of funds that will be available for each use in the "Amount ($)" columns. The "% of Total Funds" that each source represents will automatically be calculated, along with the total sources of funds. A summary of the sources of funds for all uses (i.e. for the total project) will also be generated.

A "Project Gap or Excess" for each use will be calculated and shown at the bottom of this sheet based on either a preliminary estimate of development costs or a detailed development budget, as indicated by your choice at the top of the "Development Costs" sheet. If your project will include more than one use, the development costs are allocated to each use based on the square footage estimates generated on the "Development Costs" sheet.

XIV. OUTPUT SHEETS

The information entered in the input sheets of the model will be incorporated into profit and loss projections for each use that will be included in your project. These projections include monthly estimates of income and expenses for the first two years and annual estimates for ten years. Also shown is the cash flow after debt service and the projected cumulative cash flow for the project.

Property-only profit and loss projections are also generated for assisted living (and independent senior housing if included in your project) to show the viability of the project if it were operated as a straight rental property. Projections for the total project, combining all uses on one spreadsheet, are also generated.

APPENDIX A — DETERMINING PRIVATE PAY RATES

A determination of the most appropriate private-pay rates for an assisted living facility can best be made by evaluating rates for comparable facilities in the proposed project's primary market area (or in the surrounding areas if there are no comparable facilities in the primary market area). This determination would typically be made when a market feasibility study for a proposed project is conducted. However, in some cases (e.g. for a preliminary feasibility analysis), a market study may not yet be available. This appendix provides some general guidelines on how to best determine your project's primary market area and private-pay rate structure.

Determining a Project's Primary Market Area – The primary market area for an assisted living facility is that geographical area from which the majority of residents relocate. It is typically comprised of a fairly homogenous geographic region from which potential residents are willing to travel to receive services. It is important to note that the boundaries of a primary market area may change over time, as forces both within and outside of the market area act to redefine the boundary lines.

To properly identify a primary market area, a variety of factors must be analyzed. Geographic boundaries such as rivers, mountains, and creeks may serve as natural barriers, limiting the accessibility of an area. Transportation corridors such as freeways, railroad tracks and other major arteries may also make it difficult to travel from one area to another.

In addition, psychological barriers may exist. That is, there may be defined lines in a community that prospective residents would not cross to obtain senior living services. Often one part of a city or town is perceived as substantially different from another for reasons not always evident to individuals unfamiliar with the community. County lines, state lines and city limits may also form psychological barriers.

The distance that people in a local area are willing to travel to access needed services is also an important factor to consider when determining a primary market area. For instance, in rural com-munities people often travel relatively long distances to obtain services (e.g., 10 to 15 miles) and in more remote locations they may travel up to 20 or 30 miles to access services. On the other hand, in urban markets individuals may not be willing to travel more than a few miles to obtain needed services.

Identifying Comparable Facilities – After determining an appropriate market area for the proposed project, those facilities located within this area that could be considered comparable to the proposed project must be identified. Competitive facilities may be defined as those facilities offering a physical plant and services that are comparable to the proposed project. Typically, for facilities to be considered as direct competition to a proposed assisted living facility, a full spectrum of personal care services must be available. If there are no assisted living facilities currently located within your project's primary market area, expand the geographic area to include those assisted living facilities that are located the closest to your proposed project.

Determining Current Rates for Comparable Facilities –
To determine the private-pay rates for comparable facilities, these facilities should be contacted and appropriate information obtained. It is important to determine the rates for all levels of care offered and for all available unit sizes. Information should also be obtained regarding the services included in the various care levels.

Estimating Appropriate Private-Pay Rates – Once the rates for comparable facilities have been obtained, appropriate rates for the proposed project may be determined. A decision must be made about how to best position the proposed project within the marketplace. Some affordable project sponsors want facilities to serve the lower end of the private-pay market by providing the most affordable rates possible. Other affordable facilities position the majority of their units in the middle or perhaps even at the upper end of the private-pay market (if their market area will support the rates). They do this to create an internal subsidy to help offset losses associated with Medicaid units when the Medicaid rate is insufficient to cover costs.

APPENDIX B — OPERATING EXPENSE OVERVIEW

A brief description of line items on the "Expenses" sheet has been provided in this section, along with an explanation of the primary factors that may impact project-specific costs. Guidelines have also been provided as to how to collect data, conduct research, and estimate expenses for your project.

A. ADMINISTRATIVE EXPENSES

Telephone – Telephone costs can vary greatly depending upon the local phone company's billing policies, the number of phone lines in the building, and whether long-distance calls are required on an ongoing basis (e.g., the management company for the building is located out of the area). Thus, the default assumption provided for this line item should be modified as appropriate.

Pagers/Cellular Telephones – The administrator and/or nurse typically are required to be available on an on-call basis via the use of pagers or cell phones. Pagers are less expensive to use but typically are less efficient than cell phones. On the other hand, some areas do not receive adequate (or any) cell phone coverage. Therefore, the amount that has been allocated for this line item may need to be modified depending on whether pagers or cell phones are used and/or if more costly calling plans are utilized.

License or Permit – An estimated cost to cover licensing fees is provided. Modify this amount according to the fees charged by your state's licensing agency. Also include in this category any additional state or local fees that are required to operate a facility in your area.

Legal Fees – This line item would be used to estimate any legal fees that may be anticipated in conjunction with the operation of the project.

Audit Expense – Some lenders require that audits be performed on a yearly basis. Hence, an estimated cost per month is provided to cover this cost. This amount would obviously not be needed if an audit is not required.

Accounting Expense –The cost of performing accounting-related tasks is included in this category (e.g., payroll processing, billing, etc.). This amount would be in addition to any amount allocated for a management fee.

Office Supplies – This line item represents all office and administrative supplies needed to operate an assisted living facility.

Computer / Technology – This line item should include the cost to maintain computer equipment and programs. The cost for internet use may also be included in this category.

Conference / Travel – Included in this line item would be the cost associated with industry-related conferences and any travel cost incurred in conjunction with such conferences. Mileage Reimbursement. Costs in this category would be attributed to mileage incurred by building personnel in conducting facility business.

Personnel Recruiting / Advertising –This line item includes those costs associated with personnel recruitment, and can vary greatly depending on the location of the building and the stability of staff. Thus, this number should be modified if the building is located in a metropolitan area with higher advertising costs and/or may have a high turnover of staff necessitating ongoing recruitment efforts.

Printing / Duplicating / Forms – Any cost due to administrative printing should be accounted for in this line item.

Inservice Training / Education – The costs associated with the training of staff (e.g. first aid, CPR) are included in this category. The figure provided may need to be modified depending on your state's requirements for training and/or the extent to which outside resources are used to conduct staff training.

Dues/Memberships – This category accounts for the costs incurred by membership in industry associations, chambers of commerce, and/or subscriptions to industry publications. This number may need to be increased if the building belongs to more than one industry association.

Postage/Delivery – This category includes postage and any overnight mail charges. If your project will utilize a third-party management company located out of the immediate area, the amount budgeted for this line item should cover the cost of any regular correspondence to and from the management company's office.

Administrative Equipment – This category would cover the cost associated with purchasing, replacing, and/or servicing office equipment, such as copy or fax machines.

Pre-Employment Screening – This category includes those costs associated with any pre-employment screening conducted, such as criminal record clearances and Hepatitis B vaccinations. Some states also require TB testing on all employees and/or pre-employment health screenings. Some assisted living facilities require prospective employees to pay these costs, although in most cases providers absorb the cost to assist in attracting qualified employees.

B. DIETARY/KITCHEN EXPENSES

Raw Food – The cost of raw food is typically budgeted on a per-resident (per meal or per day) basis. The default assumption provided in the financial model assumes that one main entrée is served for each meal with alternatives provided as desired by residents. If a "select" menu is used, which provides more than one entrée for each meal, it may be appropriate to increase the cost factor for this line item.

Kitchen Supplies – This category includes supplies used in the kitchen for food preparation or service, such as foil wrap, paper cups, or place mats.

Equipment – Included in this line item is the cost to purchase or replace small wares (e.g., silverware, dishes, etc.) or small equipment items.

Dietary Supplement – Include in this category the cost related to any nutritional supplements, such as "Ensure", that may be ordered for residents. Sometimes these charges can be billed back to the residents for whom they were ordered.

Dietary Consultant – A monthly fee may be paid to a dietary consultant for the preparation of menus, recipes, and special diet guidelines. Consultants may also perform kitchen inspections on a regular basis to ensure compliance with all sanitation standards and regulations. Some states require that a dietary consultant perform specified duties.

Contracted Services / Temporary Personnel – An amount for temporary personnel should be budgeted if you anticipate utilizing outside agency staff when regular dietary personnel are absent. A more efficient and cost-effective staffing method is to have trained back-up staff available to fill in on an as-needed basis, although at times the use of contracted services may be unavoidable.

C. HOUSEKEEPING AND LAUNDRY

The items included in this section represent the expense of providing housekeeping and laundry services. The figures suggested in the financial model assume that residents provide their own linens, towels, and toilet paper. Note that some state regulations require facilities to provide these items for residents if residents choose not to provide them.

D. RESIDENT CARE

Care Supplies – This category includes those items utilized in the provision of personal care and medication assistance for residents, such as adult briefs, latex gloves, or diabetic supplies. Some of these items may be able to be billed back to the residents for whom they are ordered, with other items considered to be facility costs. Medicaid may provide reimbursement for care supplies required for Medicaid-eligible residents

Medications – This expense typically covers the cost for a pharmacy to generate medication records on a monthly basis, and is usually charged on a per-resident, per-month basis. An additional fee may also be charged if regular services, such as medication administration record audits, are provided by a consulting pharmacist.

Contracted Services / Temporary Personnel – An amount should be budgeted for this category if you anticipate utilizing temporary personnel to supplement facility employees on an as-needed basis.

Equipment – The cost to purchase and/or maintain equipment used in resident care services, such as glucometers, scales, or blood pressure cuffs, should be included in this category.

E. ACTIVITIES

Included in the line items in this section should be all costs associated with your facility's activity program, including activities supplies and the cost of entertainment.

F. MARKETING

Advertising – The amount of money spent on advertising will vary depending on the competitiveness of the marketplace, the advertising options available in the market area, and the effectiveness of other marketing strategies employed. Another major factor affecting this line item is the location of the facility. That is, advertising costs in small, rural communities are typically minimal, whereas these costs in metropolitan areas can be significant and often are cost-prohibitive. It should be noted that network marketing (establishing and maintaining relationships with key community contacts) is often the most effective marketing strategy and requires no direct expenditure of funds aside from staffing costs.

Printing – An amount should be budgeted for the costs associated with printing marketing materials such as brochures, business cards and stationary. The cost estimate provided in the model may be low if more elaborate materials are envisioned (e.g., four-color printing, etc.).

Professional Referral Fees – In some communities, referral agencies play a significant role in the community's local referral network. In such a case, an amount should be budgeted for referral agency fees. If a building is located in an area that does not utilize such agencies or if the building does not require the use of agencies to maintain occupancy, funds would not need to be allocated for these fees. No funds have been allocated for this line item in the financial model.

G. UTILITIES

The costs for utilities (i.e., electricity, gas/fuel oil, water/sewer, cable TV, and trash removal) may vary significantly depending on the location of the facility. Default assumptions have been provided based on typical costs incurred by other assisted living facilities. However, these costs should be researched on a facility-specific basis. Suggestions are provided in this section on how to obtain estimates for these costs.

Electricity, Gas and Fuel Oil – Utility companies providing electricity, gas and/or fuel oil in the area in which a proposed facility will be located will typically provide estimates of cost based on the number of units in the building and comparable facilities in the area.

Water and Sewer – The monthly expense for water and sewer is typically based on the number of units in the building. The companies providing these services will usually provide an estimated monthly cost for a proposed project.

Garbage Removal – The cost for trash removal will vary depending upon the location of the facility and the number of residents. Estimated costs for this expense may typically also be obtained from the service provider if information is provided regarding the number of units planned for the project.

Cable TV – The cable TV vendor servicing the area in which the building is located should be able to provide estimates of cost based on the number of units in the building. Typically, the facility will include the cost of basic cable in residents' monthly fees, with extended cable paid for by each resident directly if it is preferred.

H. MAINTENANCE

Maintenance and Repairs – This line item is comprised of those costs related to maintaining a facility in good condition and providing repairs to the building and/or equipment as needed.

Grounds – This category covers the cost to have the grounds of the facility maintained on a regular basis. The actual amount charged may differ from the estimate provided depending on the amount and complexity of any landscaping on the grounds and on the size of the property. It should be noted that for large properties, only a portion of the grounds may need to be maintained. The remainder of the site can often be left in its natural state.

Snow Removal – Estimate in this category should include any amount that would be associated with the removal of snow.

Alarm Monitoring – This line item covers the cost associated with monitoring the facility's fire alarm system.

Pest Control – This category includes the cost for regular pest control services to be provided. Depending on the area in which the facility is located, pest control services may be needed on a monthly, quarterly, or possibly less frequent basis.

Life Safety Maintenance – Included in this category would be the cost associated with regular maintenance on fire and life safety equipment.

HVAC – This line item applies to maintenance provided to a building's heating, ventilating and air-conditioning (HVAC) system, and is based on the project's number of units. This line item would not apply if a building does not have air conditioning and may be less than the amount provided if only the building's common areas are air-conditioned.

Elevator – This category would be utilized for multi-story buildings and should cover the monthly fee for a maintenance contract for the elevator(s). This fee will vary depending on the building's location and number of elevators.

Other Contracted Services – Other services that would be contracted out rather than performed by internal maintenance personnel should be included in this line item.

Repair and Replacement Reserve – Funds should typically be placed in a repair and replacement reserve on a monthly basis. Verify the per-unit amount that will be required by the lender(s) for your project for a replacement reserve.

I. VEHICLE EXPENSES

The line items included in this category would apply if your facility will utilize a vehicle to trans-port residents, and include Gas/Oil, Vehicle Lease/ Purchase Payment, and Vehicle Maintenance. It is assumed that the cost of insurance for the vehicle is included in the expense categories for property and liability insurance.

J. INSURANCE

The cost for professional liability insurance has fluctuated significantly in recent years. The estimate included in the model is based on an estimated average cost for assisted living facilities. However, this cost may vary based on a number of factors. Thus, actual estimates for both professional liability insurance and for property insurance should be obtained from a local insurance broker providing this type of insurance.

H. OTHER EXPENSES

Interest Expense – Allocate an amount to this category if you expect to incur any interest charges, other than that associated with mortgage payments (e.g. for a line of credit, etc.).

Property Taxes – The property tax treatment and costs for your project (for-profit or non-profit) need to be researched carefully since property taxes can be a major expense. Not-for-profit facilities typically are not required to pay property taxes, although in certain cases property taxes may be required. A determination as to whether a non-profit organization should budget for property taxes may best be made by a tax attorney or other professional with specific expertise in this area. When applicable, property taxes should be estimated. The appropriate factor to apply to the building's value may be obtained from the county assessor's office for the area in which the project will be located.

H. CORPORATE / MANAGEMENT FEES

A management fee is typically paid to a management company to oversee the ongoing operations of a facility. This fee is usually based on five percent of a facility's net revenue, although in some cases another percentage may be used. A five percent fee is provided as a default assumption in the financial model for this expense category. A minimum monthly fee is usually included in a management contract to provide sufficient compensation to the management agent during the facility's lease-up period. The amount of this fee will vary, usually depending on the size of the building and the projected revenue stream.

Facilities that are affiliated with large organizations may pay a corporate/management fee to a parent organization instead of to a third-party management company. The amount of these fees and the manner in which the fees are structured can vary significantly between organizations.

APPENDIX C — PERSONNEL OVERVIEW

Many assisted living projects will utilize only a portion of the positions included on the "Personnel" sheet of the financial feasibility model. However, all of the positions are included to allow for flexibility in allocating personnel costs. A description of those positions most commonly utilized and an overview of those factors that might have an impact on either the number of hours or the wage allocated for the position is provided in this section.

A. ADMINISTRATIVE AND GENERAL

Chief Executive Officer / Chief Financial Officer – These positions would not typically be included in the budget for an assisted living facility, although for some projects this may be the case. More common would be to include an allocation for this type of position in a corporate fee (see Appendix B – Corporate / Management Fees).

Administrator – A full-time, salaried administrator is included in the default assumptions built into the model. This individual typically oversees all of the day-to-day operations of the facility, including staffing, resident care, marketing, and business management. The salary for this position will vary greatly depending upon the location of the facility and the number of units. Estimates for appropriate administrator salaries for your area may best be obtained by networking with other assisted living providers in your area.

Assistant Administrator – The position of assistant administrator may be used in larger facilities, with smaller facilities typically not having a need for this position. In larger projects, some of the duties that would usually be performed by the administrator are delegated to the assistant administrator (e.g., marketing, business functions, and/or staff scheduling). An appropriate wage for this position may best be estimated via those avenues outlined for the administrator position.

Marketing – An amount has not been included in the financial model for a marketing position, as it is assumed that marketing duties would be performed by the administrator and/or assistant administrator. However, in some markets and/or for large projects dedicated marketing personnel may be required.

Other Fiscal Staff / Human Resource Staff – No allocation has been included in the financial model for other fiscal staff or human resource personnel. It is assumed that these tasks would be performed by other administrative positions at the facility and/or by a third-party management company or parent corporation.

Administrative Support – An administrative support position is typically not needed for smaller assisted living facilities. When this position is utilized, duties may include answering the phone, greeting visitors, and performing clerical duties. To estimate the hourly wage for this position, comparable wages for receptionist/clerical positions in several different industries may be obtained. Often this can be accomplished by reviewing local help-wanted ads and/or job posting sites on the internet.

B. BUILDING AND GROUNDS

Maintenance personnel are needed to keep the building in good condition and perform preventative maintenance tasks as appropriate. For larger facilities, 0.5 hours per week per unit is generally an appropriate estimate of the time needed for this position. Smaller facilities will typically require a greater per-unit, per-week factor, as these homes are not able to benefit from the economies of scale present in larger facilities. Older buildings and/or buildings that have not been well maintained may require additional maintenance time.

The wage for maintenance personnel will vary depending upon the location and size of the facility. Wage surveys for this position can be conducted with other assisted living facilities, nursing homes, and hospitals. Help-wanted ads and job postings may also provide helpful information.

If a facility's grounds will be maintained by in-house personnel instead of outside contractors, an amount should also be budgeted for this line item.

B. DIETARY

Lead Cook/Food Services Director. In most assisted living facilities, a lead cook/food services director is employed to oversee the day-to-day operations of the kitchen, including ordering food, ensuring the cleanliness of the kitchen, and maintaining food costs within budgetary guidelines. Depending on the size of the building, this individual may also be responsible for overseeing all kitchen personnel (e.g., hiring, scheduling, supervising, etc.). The assumptions built into the model assume that the lead cook/food service director also performs cooking duties.

The wage for the lead cook/food service director will vary depending on the size of the building and the location of the facility. Wage surveys may include other assisted living facilities, nursing homes, hospitals, schools and/or restaurants. Help-wanted ads and job postings may also provide useful information.

Cooks – Depending on the size of the facility, one or more cooks will likely be required in addition to the lead cook/food service director. Facilities with less than approximately 50 residents can typically be staffed with 10 cook hours per day, supplemented as appropriate with assistance from dietary aides.

As with the lead cook/food service director, wage surveys should include other assisted living facilities, nursing homes and hospitals, utilizing schools and restaurants if appropriate. Help-wanted ads and job postings may also provide useful information.

Dietary Aides – In larger assisted living facilities, dietary aides/kitchen assistants should be utilized to provide assistance to the cooks. Duties may include food prep tasks, dish washing, cleaning of food preparation areas, and dining room set-up/clean-up. The hours needed for this position will vary depending on the size of the building and the number of cook hours budgeted. An appropriate wage for this position may be obtained by surveying nursing homes, hospitals and restaurants.

Servers. Most smaller assisted living facilities designed to provide affordable assisted living will utilize universal workers to serve meals to residents. However, dedicated servers may be desirable in larger facilities with a high percentage of private-pay units, especially those with a higher-end rate structure. In some markets, the use of dedicated servers has become a standard and is used to enhance the dining experience for residents. In such a case, it may be helpful to utilize dedicated servers to compete effectively in the marketplace.

D. HOUSEKEEPING AND LAUNDRY

In very small facilities, universal workers may be responsible for the routine cleaning of resident units and common areas. Most facilities, however, utilize dedicated house-keepers for the regular cleaning of resident apartments. Housekeepers may also be used by smaller homes to provide deep cleaning tasks. If a dedicated housekeeper is used, the number of hours required for this position will depend on the number of units in the project. A factor of approximately 1.0 hour per week for each unit may be used to budget the number of housekeeping hours needed.

Dedicated laundry personnel are not utilized in most assisted living facilities. Typically, housekeeping staff will change the linen in resident units and take residents' laundry to the laundry room. The laundry can then be done by resident assistants during the night shift (or during the day/evening depending on the laundry needs at the time).

The wage for a housekeeper is typically similar to that paid to resident assistants. Wage surveys for this position may include competing assisted living facilities, nursing homes, and hotels.

E. RESIDENT SERVICES

Registered Nurse or LVN/LPN – The role of a nurse in assisted living facilities is typically to over-see resident care, train and supervise resident assistants, and interface with other health-care providers (e.g., resident physicians, home health agencies, etc.). Requirements for nurses in assisted living facilities vary greatly by state, so be sure to verify any state-specific regulations that will apply to your project.

A number of states have nurse delegation acts that permit RNs to delegate to qualified unlicensed staff nursing tasks that would otherwise need to be performed by a licensed nurse. In these states the use of a RN can significantly increase the ability of a facility to provide a higher level of care more efficiently and at a decreased cost.

The number of nursing hours needed depends on the size of the facility and the level of acuity in the building. The financial model utilizes a factor of .75 hours of nursing time per resident per week, and assumes that the average acuity level in the project will be fairly high. If you expect to provide a lower level of care, modify the estimated hours of nursing time built into the model.

The model assumes RN time up to a maximum of 1.0 FTE, with additional nursing hours assumed to be provided by LVNs/LPNs. If your state does not require a RN, you may wish to utilize LVN/LPNs instead of RNs due to the lower cost associated with vocational or practical nurses.

Comparable wages for the nurse position(s) may be found by surveying other assisted living facilities, nursing homes, hospitals, and home health agencies. Other sources of wage information may be industry surveys, help-wanted ads and web-based job postings.

Nurse On-Call – Nurses in assisted living facilities are typically expected to be available on an on-call basis for questions by staff regarding resident care. An additional fee may be paid to the nurse as compensation for on-call time.

Resident Assistants – In assisted living facilities, resident assistants often serve in the capacity of "universal workers", in that they are responsible for assisting residents with a variety of needed services. These services typically include personal care, medication assistance, redirection and orientation, and meal service. Resident assistants are also responsible for maintaining appropriate documentation in resident records and may perform laundry and/or housekeeping tasks.

The appropriate number of resident assistants will depend on the acuity of resident needs. That is, facilities with a higher level of care should have a higher staffing ratio than facilities with a lower level of care.

Typically a building will have more staff on the day and evening shifts than on the night shift, as resident care needs are usually not as great at night. Shifts for universal workers typically range from approximately 7:00 a.m. to 3:30 p.m. for the day shift, from 3:00 p.m. to 11:30 p.m. for the evening shift, and from 11:00 p.m. to 7:30 a.m. for the night shift. However, there are many variations in staffing patterns and shifts, all of which can work equally well depending on the needs of a particular facility.

It should be noted that staffing needs may vary for buildings with the same number of units, depending on the design of the building. That is, a multi-story building should ideally have at least one resident assistant available per floor per shift, even if this would result in more staff than would otherwise be budgeted. The same would be true if a building has distinct wings or sections. The model assumes a one-story building without distinct wings or sections. If a building will have multiple floors and/or distinct sections, it would be advisable to work closely with an operations consultant during the design phase of the project to minimize any impact the design could have on staffing levels.

The wages for resident assistants can vary significantly between geographic areas, depending on the local cost of living and job market. Wage surveys for this position should typically include other assisted living facilities, nursing homes, hospitals and home health agencies. Help-wanted ads and web-based job postings may also provide additional information. When conducting wage surveys for this position, it is helpful to determine if any differential is paid for certified aides versus those who are not certified and/or for aides who work the swing or night shifts.

As noted earlier, hospitals typically have higher wage structures than do other types of facilities. In addition, home health aides are often paid more than resident assistants in assisted living facilities, as these aides are often not guaranteed regular hours and usually have to provide their own transportation between clients.

E. ACTIVITIES

Activity Director – The activity director is responsible for planning and implementing social and recreational activities for residents. In small facilities, these functions may be performed by resident assistants, whereas larger facilities usually have dedicated activity director positions. Comparable wages may be obtained from wage surveys of currently operating assisted living facilities or nursing homes and from help-wanted ads or job postings.

Vehicle Driver – If a van or other vehicle will be utilized by a facility for transporting residents to doctor appointments, shopping and/or on outings, the cost to employ a driver should be budgeted. Small assisted living facilities may utilize other positions (e.g. universal workers or the maintenance person) to carry out this function. If a dedicated vehicle driver is employed, this position can usually be budgeted at approximately the same wage that is paid to the facility's resident assistants.

Other Activities Staff – Large assisted living facilities will often employ an assistant activity director and/or activities aides, in order to provide sufficient amounts of activities each day throughout the week. Facilities may also want to utilize volunteers to assist with activity programming.

F. OTHER

Some facilities have special needs that require additional staffing not included in this model. For example, a project located in a high-crime or urban setting may need to employ security personnel, while a special-needs project that serves only hearing-impaired individuals might require the services of a translator to facilitate communication with residents.

NOTES