How to Develop a New Assisted Living Community

Herb Heflich
Chief Executive Officer
Chelsea Senior Living, LLC

OVERVIEW

• Feasible
• Location
• Create a Plan
• Obtain Approvals and Financing
• Build Residence
• Open
FEASIBLE

a. Informal-- competitors within radius of your location; % of occupancy; rates; uniqueness

b. Formal-- have a company to do feasibility study, $25,000-$30,000

c. Open a “mock” office to gauge market

d. Talk to referral sources

e. New construction planned – check CN

LOCATION

a. Location

b. Drive-by visibility

c. Issues re: land, buildable for 70-80 units, 4.5 acres depending on height of building (2-3 stories)

d. Available utilities

e. Free of environmental issues– habitat, prior use (gas station)

f. Layout a footprint; determine approvals needed (almost always some variance needed)

g. If it seems to work, tie up the property; option to purchase.
CREATE A PLAN

- Develop site plan
- Floor layout
- Have informal talks with town-- identify issues
- Determine feasibility at this point; crucial step

OBTAIN APPROVALS & FINANCE

- Assemble team: architect, engineer (site), lawyer, consultants (traffic planner)
- Group review; develop documents to present case
- Cost to get to this point: $200,000 + or -
- 8-12 months for approval process
- Start obtaining financing—local bank or govt. agency
- Need 25% - 30% equity; total cost $20,000,000 + or -
- 80 – 90 units
BUILD

a. Develop full plans; architect is point of control
b. Submit to State
c. Simultaneously obtain bids
d. Fixed price; non-union

OPEN

a. Pre-opening staff and model
b. Start 8-10 months prior to opening
c. Have initial staff in place-- Executive Director, Marketer
### Development Cost Projection Worksheet

<table>
<thead>
<tr>
<th>Item</th>
<th>Cost</th>
</tr>
</thead>
<tbody>
<tr>
<td>Land</td>
<td>1,000,000</td>
</tr>
<tr>
<td>Streets</td>
<td>1,000,000</td>
</tr>
<tr>
<td>Architectural and Engineering</td>
<td>300,000</td>
</tr>
<tr>
<td>Construction Costs</td>
<td>7,000,000</td>
</tr>
<tr>
<td>Site Prep</td>
<td></td>
</tr>
<tr>
<td>Fixed and Religious Equipment</td>
<td>80,000</td>
</tr>
<tr>
<td>Fixed and Movable Equipment</td>
<td></td>
</tr>
<tr>
<td>Technology</td>
<td></td>
</tr>
<tr>
<td>Technology Consultant</td>
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</tr>
<tr>
<td>Survey and Testing Fees</td>
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<tr>
<td>Survey - Existing Condition</td>
<td>15,000</td>
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<tr>
<td>CMC Site Engineering</td>
<td>50,000</td>
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<tr>
<td>Phase I Environmental/Asbestos Survey</td>
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<tr>
<td>Market Study</td>
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<tr>
<td>Soil Boring</td>
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<tr>
<td>Final As Built Survey</td>
<td>70,000</td>
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<tr>
<td>Impact, Tap, Use; Other Fees (Allowance)</td>
<td></td>
</tr>
<tr>
<td>Site Permitting Fees (CPW)</td>
<td>300,000</td>
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<tr>
<td>Site Engineering Review</td>
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<tr>
<td>Site Preparation</td>
<td>15,000</td>
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<tr>
<td>Building Permits</td>
<td>10,000</td>
</tr>
<tr>
<td>Assessments/Tape/Capital Changes</td>
<td>200,000</td>
</tr>
<tr>
<td>State Licenseing Fees</td>
<td></td>
</tr>
<tr>
<td>Other/Start/Build</td>
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</tr>
<tr>
<td>Insurance - Property/Builder’s Risk</td>
<td>15,000</td>
</tr>
<tr>
<td>Insurance - Other</td>
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</tr>
<tr>
<td>Contingency</td>
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</tr>
<tr>
<td>Preparing Costs</td>
<td></td>
</tr>
<tr>
<td>Marketing/Preparing Costs</td>
<td>25,000</td>
</tr>
<tr>
<td>Other Preparing Costs</td>
<td>35,000</td>
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<tr>
<td>Consultants</td>
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<tr>
<td>Brokers</td>
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<td>Construction Monitoring</td>
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<td>Recruiting</td>
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<td>Legal</td>
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<td>Health Care License Consultant</td>
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<tr>
<td>Land Suitability Studies</td>
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<tr>
<td>Title Insurance</td>
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</tr>
<tr>
<td><strong>Total Development Costs</strong></td>
<td>10,340,000</td>
</tr>
</tbody>
</table>
QUESTIONS?

To Build or Renovate:
That Is the Question!

Don Pelligrino
CEO/Owner
Bridgeway Senior Healthcare
Projects

Bridgeway Care and Rehabilitation Center at Bridgewater:

1995 Interior Renovations: Atrium and Add-a-Bed
1997 Permitting and Construction of a 23 Bed Post Acute Pavilion
2014 Interior Renovations: Dayrooms, Therapy Gym, Bedrooms and Generator

Bridgeway Care and Rehabilitation Center at Hillsborough:

2012 Permitting and Construction of a 126 Bed Skilled Nursing Facility

Avalon at Bridgewater:

2000 Permitting and Construction of a 74 Resident Assisted Living Residence
2007 Renovation/Reconfiguration of Memory Care Unit and Wellness Center

Avalon at Hillsborough:

2006 Permitting and Construction of a 97 Resident Assisted Living Residence

Do not underestimate your time commitment to the project during the planning and construction phase of the project. Renovations are more complicated than new construction since there is a high probability of encountering unknown field conditions in addition to having to care for residents that may be impacted by the daily operations.

Learning Objectives

• Plan the scope of work
• Expect the unexpected
• Provide a budget for change orders
• Review the impact on support systems
• Staff and Management should have input on facility needs and impact on daily operations.
• Communication, Communication, Communication – hold regular meetings with the Contractor and Staff.
Planning

• Determine if the project will require municipal variances and approvals
• Establish your team of consultants: Accountant, Attorney, Civil Engineer, Architect, Mechanical Engineer, and Contractor.
• Schedule meetings with staff to define scope of work
• Establish an overall budget for the project including interior furnishings and decorating
• Consider the impact on census/revenue
• Meet with your banking representative to discuss project funding
• Consider performing construction in phases to minimize the impact on residents and staff

Contractor Selection

• Issue a Request for Proposals (RFP)
• Prior construction experience in LTC or Assisted Living
• Prior experience in dealing with the Department of Health
• Utilization of Multiple Trades
• Scheduling and coordination
• Number of staff to be dedicated to the project – field and office staff
• Ability to work off hours to minimize impact on resident life.

Architect Selection

• Golf Handicap – the first warning sign is if your architect is under a 10 handicap they spend too much time on the golf course. Benefit is they could be a good partner at golf outings.
• This is one of your most important decisions due to the fact that the architect should have knowledge of the design criteria for skilled nursing and assisted living residences as well as dealing with the Department of Community Affairs.
• Ability to make site visits on a regular basis
• Ability to address changes in scope on a timely basis
• Attend meeting with staff
• Familiar with acceptable interior finishes
• Impact of new DOH and building regulations on the design – ADA, Fire, Sprinkler, etc.
• Meet with the owner and contractor to review and approve payment requisitions

Impact on Building Operations

• Need for partition walls - residents trying to access work areas
• Work during off hours
• Scheduling operations around the shutdown of utilities – water, sewer, electric
• OSHA – need for masks in the workplace
• Acceptable building materials – fire rating
• Define owner representative on site who will address architect and contractor issues
• Define owner representative who will address financial decisions regarding change orders
Site Considerations

• Location of contractor storage trailers, support equipment and supplies
• Location of dumpsters
• Impact on facility parking
• Contractor access
• Office work space for contractors – trailer with electric and phone or area in building
• Requirement to meet new building code requirements – door sizes, ADA, etc.
• Capacity of current generator
• Electrical system upgrades
• Lighting upgrades
• Impact on existing landscaping and parking lot – construction equipment, replace sidewalks
• Impact on existing roof – placement of new HVAC units
• Capacity of current nurses call system
• Flooring and ceiling materials to match existing
• HVAC system capabilities
• Expansion impact on the number of facility shower rooms and bathrooms
• IT issues

QUESTIONS?