

The Wisconsin
Operations Proforma / Financial Feasibility Analysis Model
For Assisted Living Facilities

Instruction Guide

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INTRODUCTION AND PURPOSE OF THE OPERATIONS PROFORMA AND FINANCIAL FEASIBILITY MODEL

This financial feasibility model has been developed for use in determining the financial viability of proposed assisted living facilities located in Wisconsin. Drawing on basic revenue and expense assumptions, the model will generate detailed profit and loss projections and estimates of a project's capacity to support debt. To facilitate a "rough-cut" feasibility analysis, many assumptions and calculations have been built into the model. However, these assumptions are based on "averages" from a variety of facilities and thus may not be appropriate for some specific projects. Therefore, all of the assumptions should be reviewed and modified as appropriate to obtain the most accurate results possible.

All of the assumptions included in the model are based on the experience of facilities that provide a high level of care with efficient staffing patterns. These assumptions also assume that residents with some degree of memory loss would be integrated into the general resident population (i.e. the assumptions would need to be modified for dementia-specific units). The assumptions should be modified as appropriate for your geographic area and/or proposed target market.

The model should be used only to make a "first cut" regarding the feasibility of a project. If a project appears to be viable based on the results of this model, full market and financial feasibility studies should be conducted before a final decision as to the viability of the project is made.

To facilitate ease of data entry, cells that require project-specific inputs are highlighted *yellow*, while cells containing built-in assumptions are highlighted *gray*. The gray cells do not require project-specific inputs to obtain preliminary feasibility results. However, you should review and modify as needed all of the assumptions that have been built into the model when conducting a more detailed financial feasibility analysis.

The following input sheets are included in the model:

- Project and Revenue Assumptions ("Project")
- Expense Assumptions ("Expenses")
- Personnel Assumptions ("Personnel")
- Real Estate Development Assumptions (RE Dev)
- Medicaid Waiver Reimbursement Estimates (WI Med)

Once the required information has been entered on these sheets, detailed projections will be generated for the project's revenue ("TotRev"), service expenses ("SerExp"), and real estate expenses ("RE Exp"). The model will also generate services-only and total project profit and loss projections for assisted living, in addition to real-estate only projections that show how the project would perform if the project were operated as unlicensed senior apartments (these projections are typically required by lenders of assisted living facilities).

USING THE MODEL - INSTRUCTIONS

I. PROJECT ASSUMPTIONS

The “Project Assumptions” sheet contains key information about your project that provides the basis for calculations performed throughout the model. Enter the “Total # of Units” and “2nd Occupants” in the yellow input cells at the top of this sheet, and then indicate the number of Medicaid waiver units and 2nd Occupants. The model will then calculate the resulting number of private-pay units and 2nd occupants.

The model assumes a seven percent vacancy rate, as is shown in the cell for “Vacancy Factor” in the “Occupancy Information” section of this sheet. You may change this figure as appropriate for your project and/or as required by prospective lenders for your project. Then, enter the “% Units Occupied the First Month” and “# Months to Reach Full Occupancy” in the appropriate cells. When estimating these figures, it is important to consider the ramp-up period that may be required by your lender, even if you anticipate a rapid lease-up for your project.

Unit Breakdown / Rental Rates. In the Unit Breakdown / Rental Rates section of this sheet, enter each unit type that will be included in your project, along with the rent structure that will be associated with the unit type (e.g. tax credits, HOME fund, or market-rate). If a specific unit type (e.g. studio, one-bedroom/one-bath) will be associated with more than one rent structure, more than one row should be utilized for that unit type. Next, enter the number of units that will be associated with each unit type / rent structure, along with the monthly rent you anticipate charging residents of those units.

If the monthly assisted living rent for a unit type / rent structure is different than that which would be charged for unlicensed senior apartments, enter the apartment-only rent in the “For Sr. Apts.” column. Finally, for each unit type / rent structure, modify the “% Annual Increase” shown as appropriate.

Meals Rates. In the “Meals Rates” section, enter the amount per month that you anticipate charging your private-pay residents for meals. An estimated amount to be charged to Medicaid residents is calculated automatically by the model, based on the assumptions built into the model for “Raw Food” on the “Expenses” sheet. This amount will automatically recalculate if you modify the “Raw Food” assumptions. Remember that Medicaid residents can be charged for raw food only, as the cost for meal preparation is included in Medicaid waiver service payments. Modify the “% Annual Increase” for meals as appropriate for your project.

Private-Pay Service Rates. In the “Private-Pay Service Rates” section, enter the number of residents that you anticipate at each of the five levels of care shown, along with the monthly service fee that would be charged for each level. If your private-pay rates will be based on a flat monthly fee, enter this rate in Level 1, along with your projected number of residents, leaving the remaining levels of care blank. If you plan to use a tiered system with fewer than five levels of care, complete only the levels of care that will be used, leaving the remaining levels of care

blank. If you plan to use an ala carte rate structure, enter your proposed base rate in Level 1 and “typical” service packages in the remaining levels of care.

Guidelines for determining appropriate private-pay rates for your project are provided in the Appendix of this instruction guide.

In the “Average 2nd Occupant Service Rate” cell, enter the average amount that you anticipate charging for second occupants (e.g. spouses of residents). Finally, modify the percentage in the “% Annual Private-Pay Service Rate Increase” cell if you anticipate increasing your private-pay rates by a different rate than that shown in this cell.

Medicaid Waiver Service Payments. An estimated Medicaid waiver service payment for your project will be calculated by the model on the “WI Med” sheet, based on the cost assumptions built into and entered in the model (plus a factor for reserves or profit). As you modify any of the assumptions built into the model, your estimated Medicaid waiver payment will automatically recalculate. Note that the estimate shown provides only as a general approximation of your anticipated Medicaid waiver service payment – your actual payment amount will be determined by your county’s Human Services Department.

Because Medicaid waiver payments in Wisconsin are based on actual costs (plus a percent for reserves or profit), the “% Annual Medicaid Waiver Service Payment Increase” should typically increase at approximately the same rate as would your overall costs. Modify the percent shown in this cell as appropriate for your project.

Miscellaneous Project Information. In the appropriate cell in the “Miscellaneous Project Information” section of the “Project” sheet, enter the number of stories that will be included in your project. Also, indicate if your project will have a facility van by entering “1” in the indicated cell or “0” if you will not have a facility van. This information will be utilized in the generic calculations included on the “Expenses” sheet.

II. EXPENSE ASSUMPTIONS

Estimates of typical costs for assisted living facilities have been included in the “Expenses” sheet of the model. However, operational costs can vary greatly between buildings with the same number of units. For example, the size of the community in which the building is located, the cost of living, and local job market are all factors that can affect operational expenses. A project’s building design, state-specific regulatory requirements and competitive factors can also impact on the operational costs of a project. Thus, use the expense estimates that have been provided as a starting point only, modifying the estimates as appropriate for your project.

Most operational expenses other than direct labor costs may be estimated on a per-unit or occupant, per month basis. The cost factors used in this financial model are shown on the “Expenses” sheet in the “Model Generated Cost Factor Per Month” and the “Project-Specific Cost Factor” columns for each expense category, with the “Cost Factor” column indicating whether the factor is based on the number of units, occupants, or some other factor. You may modify any of the built-in expense assumptions by overriding the gray input cells in the “Project-Specific Cost Factor” column. The model will then recalculate the “Total Cost Per Month” for those expense categories.

Some of the line items included on the “Expenses” sheet are variable costs, in that the total cost per month typically varies depending on the number of occupants in the building. Other costs are generally fixed and as such are stable regardless of the occupancy of the project. A ramp-up minimum is provided for each variable cost to ensure that a monthly cost estimate does not fall below a minimum level (e.g. during the first months of a facility’s rent-up period). Assumptions for the “Ramp-Up Minimum” cells for variable costs have been built into the model. Review these assumptions and modify them as appropriate for your project.

The following section provides a brief explanation of each line item, as well as an overview of the primary factors that may impact on the actual cost of an expense category.

Office Supplies. This line item represents all office supplies needed to operate a facility. A per unit/per month factor may be used in calculating this figure.

Postage. This category includes postage and any overnight mail charges. A per unit/per month factor may also be utilized to estimate this amount.

Telephone. A per unit factor has been provided for this category. However, telephone costs can vary greatly depending upon the local phone company’s billing policies, the number of phone lines in the building, and whether any long-distance calls are required on an ongoing basis (e.g. the management company for the building is located out of the area). Thus, this estimate should be modified as appropriate.

Pagers/Cellular Telephones. The administrator and nurse typically are required to be available on an on-call basis via the use of pagers or cell phones. Pagers are often less expensive to use but typically are more cumbersome than cell phones. A fixed cost of \$60 per month has been allocated for this line item, to allow for two cell phones with basic calling plans at \$29.95 per

month. This amount may need to be modified depending on whether pagers are used instead of call phones and/or if more costly calling plans are utilized.

Automobile. Costs in this category would be attributed to mileage incurred by building personnel in conducting facility business. Again, a per-unit/per-month factor may be utilized.

Administrative 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 has a high turnover of staff necessitating ongoing recruitment efforts.

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.

Education/Training. The costs associated with the training of staff (e.g. 1st aid, CPR) or conferences and seminars are included in this category. The per unit figure provided may need to be modified depending on the number and type of conferences/seminars attended and the amount and type of project-specific training provided for staff.

Audit Expense. Some lenders require that audits of facilities be performed on a yearly basis. Hence, an estimated cost per month is provided to cover this cost. This amount would not be needed if an audit is not required. If an audit is required and the estimated cost for this service is greater than the \$6,000 per year figure allocated, this figure should be adjusted accordingly.

Accounting Expense. The cost of performing accounting-related tasks is included in this category (e.g. payroll processing, billing, etc.). A per-unit cost is provided.

Certification Fees. An estimated cost to cover State certification fees is provided based on the number of units. This amount should be verified to ensure that it is still accurate, as these fees will likely change over time. .

Pre-Employment Screening. This category includes those costs associated with any pre-employment screening conducted, such as criminal record clearances and HBV vaccinations.

Miscellaneous Expense. The miscellaneous expense category includes administrative-related costs not absorbed in any of the line items outlined above.

Dietary/Kitchen Expenses:

Raw Food. The cost of raw food is typically budgeted on a per-resident (per meal or day) basis. The cost factor provided in the financial model is \$4.50 per resident per day. This factor assumes that one main entrée is served for each meal with alternatives provided as desired by residents. An assumption is also made that a group purchasing program is utilized to minimize the costs of raw food and kitchen supplies. If a “select” menu is used, which provides more than

one entrée for all meals, or if a purchasing program is not utilized, 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. A per-resident, per-month, amount is provided for this expense. Again, this factor may need to be increased if a purchasing program is not utilized.

Smallwares and Minor Equipment. Included in this line item is the cost to purchase or replace smallwares (e.g. silverware, dishes, etc.) or small equipment items. A per-resident figure is provided.

Dietary Consultant. A monthly fee is usually paid to a dietary consultant for the preparation of menus and recipes. Consultants may also perform kitchen inspections.

Resident Care:

Care Supplies. This category includes those items utilized in the provision of personal care and medication assistance for residents. An estimated per-resident figure is provided.

Pharmacy. This per-resident charge typically covers the cost for a pharmacy to generate medication records on a monthly basis for residents. An additional fee may also be charged if consulting services are provided.

Activity Supplies and Entertainment. This line item includes all costs associated with a facility's activity program. A per resident factor is provided, although some economies of scale may be seen with larger facilities.

Housekeeping Supplies. This category is a per-occupant cost associated with the expense of providing housekeeping and laundry services. The figure provided assumes that residents provide their own linens, towels, and toilet paper.

Maintenance:

Repair Expense. This line item is comprised of those costs related to providing repairs to the building and/or equipment. A per-unit figure is provided.

Elevator Expense. This category would be utilized for multi-story buildings. This cost covers the monthly fee for a maintenance contract for the elevator(s) and may vary depending on the building's location and number of elevators. This expense would not apply to single-story buildings.

HVAC Expense. This line item applies to maintenance provided to a building's 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.

Grounds Contract. This per-unit figure 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.

Pest Control. This category includes the cost for regular pest control services to be provided. Larger buildings may have slightly higher costs than that estimated.

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

Miscellaneous Maintenance. This category is available for those maintenance-related charges not associated with any of the above categories.

Vehicle Expenses:

If you plan to have a facility vehicle, you will need to budget for vehicle-related costs, such as gas/oil, a lease or purchase payment, and vehicle maintenance. The cost to insure a facility vehicle would be included in the property and professional liability insurance line items.

Marketing:

Advertising. The amount of money spent on advertising will vary depending upon 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.

Referral Agency 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.

Printing. An amount should be budgeted for the costs associated with printing collateral materials such as brochures, business cards and stationary. This amount may be higher than that shown if the materials are more expensive to print (e.g. four-color, etc.).

Miscellaneous Marketing Expense. This line item is available for any marketing expenses not associated with those categories outlined above.

Utilities:

The costs for utilities (i.e. electricity, gas, water, cable TV, sewer, and trash removal) may vary significantly depending on the location of the facility. An average monthly per-unit cost has

been provided. However, these costs should be researched on a facility-specific basis. Suggestions are provided below on how to obtain estimates for these costs.

Electricity and Gas. The utility companies providing electricity and gas to the building 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 company(s) providing these services will usually provide an estimated monthly cost for a proposed 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. Some facilities will bill residents for the basic cable charge, but this is not allowed under some states' Medicaid programs.

Trash 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 be obtained from the service provider if information is provided regarding appropriate bin sizes and the number of weekly pick-ups anticipated.

Insurance Costs:

Estimates of insurance coverage can vary significantly based on the location of the facility. In some states it has become difficult to even obtain insurance for assisted living facilities; in other states the cost of this item has risen significantly over the past several years. An "average" per-unit estimate for insurance has been provided. However, it may be wise to obtain actual estimates from local insurance brokers providing this type of insurance.

Property Costs:

Property Taxes. If a building is structured as a for-profit venture, property taxes should be estimated. The appropriate millage rate to apply to the building's value may usually be obtained from the county assessor's office. The property tax calculation in the model is based on the amount of the project's total development cost.

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.

Repair and Replacement Reserve. Funds should be placed in a repair and replacement reserve on a monthly basis. An amount of \$25.00 per month per unit is provided, although lenders may prefer that another factor be used to calculate this reserve amount.

Management Fee. 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 the facility's net

revenue, although in some cases a higher percentage may be used. A five-percent fee is provided in the expense assumptions in the financial model.

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 usually vary depending on the size of the building and/or the revenue projected for the project.

% Costs to Increase Each Year. A factor of three percent has been built into the model in the “% Costs to Increase Each Year” cell. Modify this factor as appropriate for your market area and/or as required by your lender. A separate factor will be used to estimate the rate at which personnel costs will increase each year.

III. PERSONNEL ASSUMPTIONS

Inputs on the “Personnel” sheet will be used to calculate projected personnel costs for your project. Staffing assumptions (i.e. “# FTEs”) have been built into this sheet, based on the number of units or residents planned for your project. These assumptions may be changed by entering a different number of FTEs in the “Project-Specific # FTEs” column. “Typical” wages for the various positions that may be utilized in assisted living facilities are also included in the model. These default wages may be modified by entering different wages in the gray input cells in the “Project-Specific Pay Scale” column. The figures shown in the “Ramp-Up Cost Per Month” column are used to calculate the minimum cost per position per month during lease-up, and may also be modified as appropriate for your project.

You should obtain local wage information for the positions that will be utilized in your project so as to determine the most appropriate wage for each position. Guidelines are provided in this section as to the types of organizations for which wage surveys might be conducted (when conducting wage surveys, it is helpful to obtain information not only about wages, but also about any available benefits such as health insurance, paid vacation, sick time, and retirement plans).

Wage information may also be obtained from third parties. That is, industry organizations (e.g. health care and/or assisted living associations) frequently conduct wage surveys. Other organizations such as economic development agencies, chambers of commerce, and employment divisions may also be able to provide information regarding local wages. In addition, wage information for specific positions may be obtained from help-wanted ads in the local paper(s). Finally, in some states job postings for specific positions are available on the internet (e.g. via the state’s employment division web page).

When obtaining wage information, the source of the information should always be considered. For example, hospitals usually have higher wages than are paid in other types of facilities. Similarly, caregivers are often paid more in skilled nursing facilities than in assisted living facilities.

Following is a brief description of the typical responsibilities associated with each position that might be utilized in your project, along with an overview of the factors that may impact on either the number of hours or the wage allocated for the position.

Administrator. A full-time, salaried administrator is budgeted in the feasibility model. This individual typically oversees all of the day-to-day operations of a 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. That is, smaller buildings and/or facilities in more rural areas may find a qualified administrator for \$30,000, whereas larger buildings or those in metropolitan areas and/or areas with a high cost of living may need to pay up to \$70,000 (or more) for this position. Estimates for an appropriate administrator’s salary may best be obtained via industry association wage surveys or by networking with other assisted living providers in the local area.

Assistant Administrator. The number of hours allocated in the feasibility model to an assistant administrator position is based on the number of units planned for the project. The responsibilities of this position may vary depending upon the primary skill areas of the administrator, as some of the duties that in smaller buildings would be performed by the administrator are delegated to the assistant administrator.

An appropriate wage for this position may best be estimated via those avenues outlined for the administrator position. Wages for an assistant administrator can vary greatly, depending on a project's location, size of the building, and the specific duties associated with the position.

Receptionist. A receptionist/administrative assistant is typically not feasible in smaller buildings, and the number of hours of receptionist time that a project will support typically increases as the number of units increases. This position is usually responsible for 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 should be obtained. Often this can be accomplished by reviewing local help-wanted ads and/or at job posting sites on the internet. Wages for this position will typically range from \$8.00 to \$10.00 per hour depending on the location of the facility and whether the position involves additional administrative duties.

Activities Director. The activity director is responsible for planning and implementing social and recreational activities for residents. Smaller buildings may employ a part-time activity director for 20 or 30 hours a week, while larger buildings usually require a full-time person in this position.

Appropriate wages for activity directors typically range from \$10.00 to \$14.00 per hour depending on the location of the facility and the number of units. Comparable wages may generally be obtained from wage surveys of currently operating assisted living facilities or nursing homes and from help-wanted ads or job postings.

Van Driver. A driver will be required if the facility has a van for use in transporting residents to doctor appointments, shopping, and on outings. A van may not be needed for facilities located in smaller communities and/or in markets with little or no competition. A van may also not be needed for facilities projecting a high percentage of Medicaid waiver residents, as those competitive factors often found in the private-pay market may not affect the proposed project. Another factor that may influence the need for a van is the availability of senior transportation in the local area.

A van may be required for facilities that are located in areas where the assisted living market is quite competitive and/or that have a higher percentage of private-pay units. In these circumstances, a van may be an amenity expected by potential residents and their families.

If a van will be utilized by a facility, the cost to employ a driver should be budgeted. Some buildings may choose to utilize the activity director for this position by increasing the number of hours worked by this individual. Otherwise, the position may typically be budgeted at the wage

determined for the resident assistants (e.g. an estimated \$8.00 to \$9.50 per hour depending on the location of the facility).

Registered Nurse or LVN/LPN. The role of a nurse in assisted living facilities is typically to oversee resident care, train and supervise resident assistants, and interface with other health-care providers (e.g. resident physicians, home health agencies, etc.). 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 an average acuity level for a nursing-home replacement model. The estimated hours of nursing time built into the model may be modified if a significantly lower level of care is anticipated.

Comparable wages for the nurse position 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.

An additional fee may also be paid to the nurse as compensation for on-call time. This fee may range from \$150 to \$250 per month depending on the size of the facility.

Resident Assistants. Resident assistants are responsible for assisting residents with needed services, including personal care, medication assistance, re-direction and orientation, and meal service. Some states have requirements for the number of resident assistants that must be on duty at various times, whereas other states simply require that sufficient staff be available to meet the needs of the residents.

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. The financial model assumes an average level of care for a nursing home replacement model facility. Typically a building will have more staff on the day and swing shift than on the night shift, as resident care needs are usually not as great at night.

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 have at least one resident assistant available per floor, 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 ramp-up minimum for this position is based on projections of one resident assistant for each shift, seven days a week, at the wage entered under “Project-Specific Pay Scale” on the “Personnel” sheet.

The wages for resident assistants can vary significantly between geographic areas, depending upon the local cost of living, job market, and any state-specific minimum wage requirement. 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 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 above, hospitals (and sometimes skilled nursing facilities) typically have higher wage structures than do assisted living facilities. In addition, home health aides are often paid more than resident assistants in assisted living facilities as these aides usually are not guaranteed regular hours and have to provide their own transportation between clients.

Wages for resident assistants may range from \$8.00 to \$9.50 per hour, depending on the location of the facility.

Lead Cook/Food Services Director. This position typically oversees 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 person in the lead cook/food service director position typically also performs cooking duties, and is usually budgeted at 40 hours per week.

The wage for the lead cook/food service director will vary depending on the size of the building and the location of the facility, with a typical range between \$10.00 and \$14.00 per hour. 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 be required in addition to the lead cook/food service director. Buildings with less than 50 residents can typically be staffed with 10 cook hours per day, supplemented as appropriate with assistance from a dietary aide. Larger buildings will require additional cooking hours (e.g. 16 hours per day).

The lead cook/food service director typically performs cooking tasks in addition to the administrative duties associated with this position. Thus, the hours budgeted for cooks would be that number left after 40 hours for the lead cook/food service director position were subtracted from the total number of cooking hours needed per week. In larger buildings, the food service director may need more hours for administrative duties, and thus may not be able to allocate the full 40 hours to cooking-related tasks.

Wages for cooks may range from \$9.00 to \$11.00 per hour, depending on the location of the facility. 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 Aide/Kitchen Assistant. A dietary aide/kitchen assistant may 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.

Server. Most assisted living facilities designed to provide affordable assisted living will utilize resident assistants to serve meals to residents. However, dedicated servers may be appropriate in

facilities with a larger number of private-pay units (especially those with a higher rate structure). No hours for a server position have been allocated in the financial model, although this position may be added as deemed appropriate.

Housekeeper. Housekeepers in assisted living facilities are typically responsible for cleaning residents' apartments on a weekly basis. The number of hours required for this position will vary with the number of units. In the financial model, one hour per week for each unit has been allocated to this position. The ramp-up minimum for this position is based on 20 hours per week at the wage entered on the "Personnel" sheet.

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, skilled nursing facilities, and hotels/motels.

Maintenance Person. Maintenance personnel are needed to maintain the building in good condition and perform preventative maintenance tasks as appropriate. The estimates provided in the financial model for this position are based on a factor of .5 hours per week per unit. Older buildings and/or buildings that have not been well maintained may require additional maintenance time.

The wage for a maintenance person will vary depending upon the location and size of the facility, and may range from \$10.00 to \$15.00 per hour. Wage surveys for this position may be conducted with other assisted living facilities, skilled nursing facilities, and hospitals. Help-wanted ads and job postings may also provide helpful information.

Additional Personnel Costs

A factor must be budgeted to cover additional personnel costs such as payroll taxes, workers compensation insurance, health insurance, paid vacations and/or sick time, and overtime/holiday pay. In the financial model, these items have been budgeted at 35 percent of the total staffing costs. This figure may be modified as appropriate, depending on factors such as worker's compensation rates, the benefit package offered to employees, or required state payroll taxes.

IV. REAL ESTATE DEVELOPMENT COSTS

The calculations built into the “RE Dev” sheet of the model will provide estimates of the amount of debt your project will support and the projected gap (or excess) in funding. To facilitate these calculations, enter the appropriate amounts in the input cells on this sheet, as outlined below:

Determine an appropriate cost per square foot for construction costs by obtaining several estimates from contractors familiar with local building costs for similar projects in your area. Enter this figure in the “Estimated Construction Costs Per Square Foot” cell. An estimated number for the “Total Estimated Construction Costs” will then be calculated, based on an assumption of 700 gross square feet per unit (including common space).

Next, enter an estimate for the cost of land for your proposed project in the cell for “Estimated Land Costs”. The model will then calculate the amount of funds that will be allocated to soft costs (e.g. site acquisition costs, transactional costs, professional fees, financing fees, municipality costs, and start-up costs). A factor of 30 percent has been included as a standard assumption to estimate the percentage of soft costs. If the percent allocated to soft costs for your project may be greater than 30 percent, modify this estimate by entering a different percentage in the “Percent Soft Costs of Total Development Costs” cell.

Financing assumptions have been included in the “Debt Service Assumptions” section of the “RE Dev” sheet. However, as these assumptions are general estimates only, you may want to obtain more specific information about possible financing options for your project. Your State Housing Finance Agency may offer funding sources that would be appropriate for your project. Local banks may also be contacted to determine current commercial mortgage rates and financing terms.

Based on the debt service assumptions entered on the “RE Dev” sheet, the model will calculate the maximum debt your project will support, based on both the Net Rental Income (assuming the property were operated as unlicensed senior apartments) or on the Total Project Net Operating Income. The projected gap (or excess) in funding is also shown.

Enter in the cell for “Maximum Debt for Purposes of the Combined Proforma” the amount of debt you would like to use to calculate cash flow on the “Combined Proforma” sheet. This amount may be the “Maximum Debt Per Net Rental Income”, the “Maximum Debt Per Total NOI”, or another preferred amount. The model assumes that the “Maximum Debt Per Total NOI” will be used for this calculation, unless you choose to override this assumption.

V. OUTPUT SHEETS

Once the required information has been entered into the input sheets of the model, detailed projections will be generated for the project's revenue ("TotRev"), service expenses ("SerExp"), and real estate expenses ("RE Exp"). The model will also generate services-only, real-estate only, and total project profit and loss projections. In addition, the real-estate only proforma will show how the project would perform if funding for services were no longer available and the project were operated as a senior apartment complex.

All of 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.

VI. APPENDIX: DETERMINING APPROPRIATE PRIVATE-PAY RATES

When determining the most appropriate private-pay rates for your project, you should conduct a rate survey of comparable facilities located in the primary market area for your project. Based on the information obtained, you can then determine what rates you feel the market will bear and how you want to position your project within the market place.

Defining Your Primary Market Area. The primary market area for your project will be a defined geographic area from which the majority of your residents will likely relocate. To identify the boundaries for this area, you should evaluate a variety of factors that could influence your ability to draw residents to your project.

For example, geographic boundaries such as rivers, mountains, and creeks sometimes serve as natural barriers, limiting the accessibility of an area. Transportation corridors such as freeways, railroad tracks and major arterials may also make it difficult to travel from one area to another. In addition, psycho-social and cultural factors may influence a potential resident's decision to move (e.g. differing socio-economic conditions, the reputation of a particular area, etc.). Finally, county lines, state lines or city limits may form barriers that individuals are reluctant to cross.

The distance that people are willing to travel to access needed services should also be considered when determining your primary market area. That is, individuals in rural communities usually travel relatively long distances to obtain services (e.g. 10 to 15 miles) and in more remote locations may travel up to 20 or 30 miles to access services. On the other hand, in urban markets individuals may be unwilling to travel more than a few miles to obtain needed services.

Obtaining Competitive Information. After determining the most appropriate market area for your project, identify all assisted living facilities that are located within that area, including all Community Based Residential Facilities (CBRFs), Residential Apartment Complexes (RCACs), and Adult Family Homes (ADHs). A directory of these facilities by county is available on the web site for the Wisconsin Department of Health and Family Services at <http://dhfs.wisconsin.gov/bqaconsumer/AssistedLiving/AsLivDirs.htm>. Contact these facilities to obtain current information regarding their rates, number of units, type of units, percent private-pay versus Medicaid, level of care and types of services provided, as well as current occupancy.

If a facility's private-pay rates are based on a level of care system, be sure to find out what services are included in each service level or other criteria used to determine the service level. If there are no competitive facilities in the primary market area that you identified, obtain information from facilities outside the market area that are the closest to your location.

Determining Appropriate Private-Pay Rates. Once the rates for comparable facilities have been obtained, you can determine the most appropriate private-pay rates for your project. If you haven't done so already, you will need to decide how to best position your project within the marketplace. That is, some projects are designed to serve the lower end of the private-pay market by providing the most affordable rates possible. Other facilities position their private-pay units in the middle or perhaps even upper end of the private-pay market.

