CREATING A SENIOR LIVING MASTER PLAN... THAT WORKS

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There are many necessary contributing factors for a senior living master plan to be successful and workable. These diverse factors require an integrative melding of market, financial and built environmental feasibility in order to provide a full and complete picture of opportunities and obstacles for moving forward. Far too many master plans are initiated by engaging one or two of these studies without consideration of the third. While this approach provides partial insight, it ignores the complete picture and overlooks potential challenges which could be addressed sooner in the process that may otherwise might crop up at inopportune times with less ability to effectively and economically modify the plan.

There are three main components to a senior living campus master plan that contributes to its workability: market feasibility, conceptual design of the built environment that addresses the market opportunities and a financial feasibility plan which cements the master plan together. In this three part discussion, a logical approach that includes comprehensive and collaborative data gathering and analysis will be explored providing the necessary components to develop a senior living campus master plan that works and can be implemented.

Siena on the Lake, Master Plan + Repositioning

To preserve their legacy, the Racine Dominican Sisters structured a collaborative partnership with a local aged care provider, to create a Continuing Choice Lifestyle Community (CCLC).

After working with another firm to develop a plan that was not financially sustainable, EUA was able to utilize the holistic process to create a workable master plan solution that included repurposing many existing buildings across the site.
Part 1 - Marketing Feasibility

In this first discussion the focus will be the market feasibility study which can provide demographic substantiation for a campus repositioning or re-sizing.

The compilation and analysis of demographic data by an experienced marketing consultant can provide a market profile, identify the depth of the market and determine the competitive marketplace. This knowledge becomes the foundation of a logical master plan that can physically, financially and competitively transform a campus.

One of the first necessary steps for a workable master plan is identifying the market feasibility of modifying or adding to the existing campus product offering. The questions to answer are what the primary market area (PMA) will support and at what price point as well as the size of the target market. In addition, examining competitors who are targeting consumers within the PMA must be analyzed in terms of their strength and to determine portions of the target market that they may capture and maintain.

Looking beyond zip codes when identifying the PMA can be critical. Consumer attitudes toward the offered product can be affected by natural or man-made physical and geographical barriers such as intervening interstate highways or dividing rivers, as well as physiological or “imagined” barriers such as a perception of the campus being too expensive and provider reputation that might encourage or discourage acceptance of a new campus offering.

Assembling appropriate demographic data is the starting point of a market study. Determining the number of individuals in the PMA who are age qualified upon project completion offers a snapshot of the focused target market. It is important to look at PMA trends, while it is well known that there is an impending crush of aging population as the baby boomer generation ages, it is also important to note that these individuals most likely won’t be considering congregate senior living for at least another five years.

Economic qualifications of potential residents are also critical to knowing what sector of the identified PMA cohort are financially able to afford an anticipated senior living product and at what acceptable price points. Understanding individual income and assets, such as home value and sources of income are important to this equation. If the anticipated product happens to be a new or reconfigured healthcare component such as skilled nursing, assisted living or memory support assisted living, the market feasibility study should include an analysis of the need for such care services as well as the current and anticipated market penetration of these services.

Having examined all these parts of a comprehensive market feasibility study, one final confirmation step is the conducting of focus groups of potential and qualified individuals. These focus groups often reveal challenges that were not previously considered and can confirm acceptable price points for the PMA candidates.
Part 2 - The Built Environment

This part of the discussion addresses how the client’s goals are translated through the built environment.

Even before the marketing feasibility study is complete, the collaborative effort of considering built environmental options for a repositioning, or “right-sizing” of campus care program, operations and environment can begin. Establishment of goals and expectations, not only for the outcomes of the engagement but for the process utilized to achieve those outcomes, is the initial task. These goals are based on the client’s perceived needs and culture along with any specific environmental and functional deficiencies. Exploring any and all options and ideas in an expedient and economic way is really the purpose of master planning. These goals and expectations become touchstones throughout the process, revisited each time the team meets to ensure the team is progressing along the right path. Of course, this does not mean that the team cannot modify goals or address additional goals which may be initially determined as unattainable.

The established goals should be focused on an organization’s strategic plan developed prior to initiation of the master planning process. They can be divided into short and long-term categories with appropriately assigned timeframes including marketing goals, built environmental goals and financial and scheduling/phasing goals. As the plan progresses, it is critical to consider how care program, staffing, and operational changes will be met, how resident relocation, will be accomplished and how to communicate campus disruption in a positive manner.

Creating a functional program for the campus is also an important step generally taken at the onset of the master planning commission. This is a dynamic exercise completed by the provider for each area of service, amenity or support that they are currently providing or want to provide for their residents. While the team assists in the completion of these forms, it is important that the provider address these key questions in order to fully inform design adjacencies, the day-to-day functioning of each area of service and staffing requirements. As a side benefit, this exercise often results in comments from providers that help gain insight or a renewed focus on specific areas of care provision to their campus they may not have previously recognized.
If the master plan is aimed at a campus repositioning, it would be appropriate to prepare and analyze an existing space allocation program and assessment of the built environment’s remaining useful and functional life, particularly mechanical and structural systems. With the knowledge gained from this exercise, it can be determined if the existing built environment may function within the parameters of a new care approach or a new housing or care product. Benchmarking this information against space allocation data compiled on a national basis from previously completed projects informs the master plan as to where there may be imbalance between uses such as support space versus social space. The financial consultant also uses this information to ascertain existing ongoing operational and maintenance costs which can be compared to those of new structures.

By maintaining a detailed data resource of project space allocation from a variety of campuses across the country, expeditious decisions can be reached as to where changes or additions should be made within the existing campus in order to meld the built environment with the anticipated care program or housing need indicated in the market study.

Once complete, an overall space allocation program is created to fully meet the needs of the intended or modified care program. Examining areas of existing construction which are suitable for repurposing is included in this space allocation program. This exercise provides and informs concepts for the built environment and indicates the need for specific spaces, including “grossing” factors that take into account circulation and the area necessary for walls.

Working directly with the market analysis as well as the functional and space allocation programs (tools subject to change over the course of the engagement), discussions can begin about opportunities that may present themselves to the provider and how these might be addressed. Of highest importance are areas that might enhance the direct revenue for the campus such as additional care programs, housing products or conversions of existing care programs.

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Oklahoma Methodist Manor, Master Plan + Repositioning

EUA worked closely with the owner to create a solution for a connected continuing care retirement community (CCRC) that provides a full spectrum of lifestyle choices and life-enhancing wellness and healthcare services for residents. The proposed design solution exceeded initial program expectations, reducing costs 30% over a plan proposed by a previous firm, saving the owner millions of dollars.
Part 3 - Financial Feasibility

In part three of the discussion of a workable master planning approach, financial feasibility is addressed. Without this collaborative portion of the plan, the client doesn’t really have a concept of initial or on-going financial sustainability, and obviously, without financial feasibility, there could not be a sustainable project.

The financial consultant should be fully engaged and working in conjunction with the collaborative team from the beginning of the engagement. As the modifications to the built environment and product/care mix are developed, exploration of revenue impact based on these changes as well as payer source can take place. Additionally, the revenue stream can be modeled based on the phasing of any environmental modifications and the displacement or moving of any existing residents.

Critically important is the balance of revenue producing portions of the built environment with non-revenue producing portions. New state-of-the art non-revenue areas can enhance marketing efforts and resident satisfaction, comfort and independence, while not directly enhancing revenue. Care needs to be taken that these spaces are not out of balance with competition or with associated operational costs versus overall revenue. An events center, for example, can capture additional market by providing a venue for resident entertainment and outside community engagement providing an excellent marketing opportunity.

Non Revenue Care Enhancing Spaces (Pictured from top left to right clockwise)
1. A member clubroom located within the building creates a space for small groups of residents to gather and socialize year-round.
2. A centrally located wellness center with indoor and outdoor activities allows for a sense of community and gathering place for residents, offering highly sought after member benefits.
3. An outdoor gathering space connected to the main building allows residents to informally connect during nice weather.
Investigating financial feasibility involves analyzing hard (construction) costs and soft costs. An accurate estimation and understanding of the construction costs is critical to the accuracy of the financial projections. To this accord, another member of the collaborative team might be a construction manager or a professional construction cost estimator not only for cost estimating but also for scheduling expertise. Additionally, having a full understanding of how construction pricing is trending and how local construction markets might be influenced during the anticipated construction period is critical to financial projections. Inclusion of contingency amounts both for unforeseen variances in construction pricing and for owner generated modifications as the project moves forward are important elements in assuring the financial feasibility is conservative.

Soft costs are too often underestimated or overlooked. These include such things as professional service fees, insurance costs, seed capital for project initiation and marketing expenses. In addition, interest expenses are calculated under this area of financial feasibility. These costs can be quite significant and need to be carefully analyzed for project success. The financial model is also a dynamic tool and needs to be constructed to react quickly to changes in interest rates, operational variables and construction costs during the master planning process.

The financial consultant must also provide calculations for the sources and uses of funds and provide clear indications of operational costs and any fill-up or vacancy overlays and their inflationary increases over time. To satisfy potential lenders, calculations of debt coverage ratios, projected days cash on hand and the ratio of cash to debt need to be completed, not only during the construction and start-up period of the project, but also through projected stabilization.

**That’s How to Create a Senior Living Campus Master Plan... That Works**

All of this work integrates into a well-reasoned master plan and contributes to a clear understanding of how a repositioning or right-sizing of a campus might alter not only the campus aesthetic, but enhance the market position and, over time, the financial position of the campus. If properly completed, this analytical master planning approach can be an inexpensive exploration of possibilities, opportunities and resident enhancements and provide a tool by which an organization can make fully informed decisions regarding the future of a campus.

**Spanish Cove, Master Plan + Repositioning**

EUA developed a multi-phase master plan solution to completely overhaul their existing restricted area campus - with a goal of not displacing residents to maintain revenue during the process. Understanding the need to contemporize the existing campus, EUA created larger community spaces with updated acoustics, added enhanced dining venues and provided the campus with new amenities including a theater, pub, pickle ball court, wellness facility and guest apartments.