Master Planning to Project Implementation

LeadingAge Washington Annual Conference
June 12 - 15, 2017
Stevenson, WA
• Operators in the room?
• Who has been through master planning?
• Master planned a project that never happened?
• Who has been through a campus repositioning plus 10+ years?
  • Successful / Unsuccessful?
• What is master planning?
• Who do you call?
  • Board Member
  • Market Research
  • Architect
  • Contractor
  • Investment Banker
  • For-Profit Developer
  • Non-Profit based Owner/Operator/Consultant
• Process and Timeline?
**Objective**

Review materials and create parameters

**Process**

Materials reviewed include the following

- History and Culture
- Strategic Plan
- SWOT Analysis
- **Market Research**
- Physical Plant Assessment
- Zoning Analysis
- Program / Wellness Assessment
- **Operational Review**
- Financial Analysis
- Complete Risk Continuum Assessment
### Risk Continuum

<table>
<thead>
<tr>
<th>Financial Position</th>
<th>Marketing Assessment</th>
<th>Operations Assessment</th>
<th>Community Property Assessment</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash Research</td>
<td>Pros and Cons of 1540</td>
<td>Pros and Cons of 1540</td>
<td>1540 Research</td>
</tr>
<tr>
<td>Increased Revenue Potential Operating (1540)</td>
<td>1540 Research</td>
<td>1540 Research</td>
<td>1540 Research</td>
</tr>
</tbody>
</table>

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### Master Planning Parameters

- Parameters identify campus issues that the master plan team will view as **sacred**:
  - Buildings or structures that remain intact
  - Landscape or other site features that will not be impacted
  - Ratio/financial metrics and or other statistics that will be met throughout the life of the MP
  - Density and other restrictions/opportunities
  - Regulatory considerations
  - Major programming that will be introduced or excluded from planning
Interpretation

Objective

Identify two to three conceptual directions for development and programming

Process

• Master Planning team conducts a facilitated brainstorming exercise to review and determine defined areas for development
• Assure perspectives of all team members/disciplines considered
• Utilize expertise to determine site considerations and project costing
• Assure design and programming solutions reflect key considerations and parameters, and are also financially valid
### Power of Purpose

#### COMPARISON OF SNF OPTION CASH FLOWS
**FISCAL YEAR 2020 DOLLARS ($000)**

<table>
<thead>
<tr>
<th>Option</th>
<th>Status Quo</th>
<th>1.2</th>
<th>4.1</th>
<th>5.2</th>
</tr>
</thead>
<tbody>
<tr>
<td>Licensed Beds</td>
<td>153</td>
<td>78</td>
<td>92</td>
<td>121</td>
</tr>
</tbody>
</table>

#### REVENUE
- **Medicaid**
  - $6,250
- **Medicare/HMO**
  - $5,720
- **Private**
  - $2,930
- **Medicare Part D/Other**
  - $260

**Total Revenue**: $15,700

#### EXPENSES
- **Salaries**
  - $8,650
- **Benefits**
  - $2,340
- **Ancillary**
  - $2,010
- **Supplies/Registry/Other**
  - $950

**Total Direct Nursing/Other Expenses**: $13,950

- **Net Contribution to Overhead**
  - $1,750
- **Reduced Food/Other Expenses**
  - $0

**Net Op. Cash Flow b/ Debt**: $1,750

**Cash Flow Increase From Status Quo**: $0

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#### Power of Purpose

**Estimated Cost Budget**: $3,430,000

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#### Cost Analysis

<table>
<thead>
<tr>
<th>Item Description</th>
<th>Current</th>
<th>Option 1.2</th>
<th>Option 4.1</th>
<th>Option 5.2</th>
</tr>
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<tbody>
<tr>
<td>-</td>
<td>$0</td>
<td>$500,000</td>
<td>$1,090,000</td>
<td>$1,550,000</td>
</tr>
</tbody>
</table>

**Supportable Loan**
- 6,800,000
- 14,500,000
- 21,200,000

**Less: Soft Costs 25%**
- (1,700,000)
- (3,725,000)
- (5,300,000)

**Less Operating Loss**
- (1,200,000)
- (1,200,000)
- (1,200,000)

**Adjusted Estimated Cost Budget**: $3,780,000
Validation

Objective

Develop consensus on the master plan which includes short and long range programming considerations and the conceptual site design.

Process

The following are reviewed to gain consensus on the final direction of the master plan:

- Programs to implement
- Preferred design option
- Preferred phasing plan based on:
  - Resident Impact
  - Operational Impact
  - Financial Results
  - Property Acquisition Strategy (if applicable)
  - Communication Strategy

Timeline

PROJECT DETAILS

<table>
<thead>
<tr>
<th>DATE</th>
<th>WILETIME</th>
<th>POSITION</th>
<th>LENGTH</th>
</tr>
</thead>
<tbody>
<tr>
<td>11-Mar</td>
<td>Project Start</td>
<td>5</td>
<td>-</td>
</tr>
<tr>
<td>12-Dec</td>
<td>Master Research Begins</td>
<td>-10</td>
<td>-</td>
</tr>
<tr>
<td>19-Jan</td>
<td>Information Meeting</td>
<td>10</td>
<td>-</td>
</tr>
<tr>
<td>14-Feb</td>
<td>Pre-Interpretation 1.0</td>
<td>-15</td>
<td>-</td>
</tr>
<tr>
<td>24-Feb</td>
<td>Pre-Interpretation 2.0</td>
<td>10</td>
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<tr>
<td>16-Mar</td>
<td>Pre-Interpretation 3.0</td>
<td>-10</td>
<td>-</td>
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<tr>
<td>5-Apr</td>
<td>Interpretation Meeting</td>
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<td>-</td>
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<td>20-May</td>
<td>Validation Meeting</td>
<td>-10</td>
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<tr>
<td>20-Jun</td>
<td>Final Report</td>
<td>10</td>
<td>-</td>
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</table>
Lessons Learned:

Covenant Shores

Economies of Scale
12 Acres
Lake Front
Water Table
Limited Parking
Views/Topography
Aging Buildings
Lighthouse
IL (8) 28
AL 32
ALD 15

Building 7
IL (10) 20

Remodeled
Dining Venues
Fitness Center

Converted old AL (22) to IL 11
Shores- Lessons Learned

- Value Proposition
  - Bridging Strategies - Improving/increasing campus and unit amenities but still maintain value
  - New unit mix (larger/higher end) reflects Mercer Island value proposition

- Economies of Scale
  - Increased capacity and ROI per unit

- Leadership with capacity to facilitate change

### Shores

<table>
<thead>
<tr>
<th></th>
<th>2002</th>
<th>2012</th>
<th>Change</th>
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<tbody>
<tr>
<td>IL</td>
<td>167</td>
<td>208</td>
<td>41</td>
</tr>
<tr>
<td>AL</td>
<td>22</td>
<td>32</td>
<td>10</td>
</tr>
<tr>
<td>AL Dem</td>
<td></td>
<td>15</td>
<td>15</td>
</tr>
<tr>
<td>Skilled</td>
<td>43</td>
<td>43</td>
<td>0</td>
</tr>
</tbody>
</table>

Net Excess / (Deficit) ($909,000) $2,000,000 $2,909,000
Master Planning Closing Remarks

- Understand your evolving value proposition.
- Measure your options – cost/benefit
- Stress test your master plan... downside risk.
- Process of consensus building (team)
- Measure twice... cut once.

Assemble your Project Team

- How to move the project binder of the shelf and into a real project:
  - Project Manager / Owners Representative – someone to Quarterback the project
  - Stakeholders:
    - Executive Team
    - Executive Director
    - Department Directors
    - Resident Liaisons
    - Board Members
Assemble your Project Team

- Architect
  - Request for Proposal for architectural services:
    Ask for design solutions
  - Short list the group into top two or three and interview
  - Select firm with the best qualifications. Experience with like type project, creativity, chemistry and fee (ranges between 4% - 11% based on consultants included, size, renovation or new)

- Land Use Attorney
  - To finesse zoning and entitlements

Lesson Learned

- Parkshore Repositioning (currently under construction)
  - Use change, grandfathered condition, FAR and MUP
Assemble your Project Team

- Preconstruction GC
  - Helps with project budgeting and scheduling and site logistics
  - Request for Proposal for preconstruction services:
    Ask for budgets solutions
  - Short list the group into top two or three and interview
  - Select firm with the best qualifications. Experience with like type project, budget tools, schedule duration, general conditions fees, change order fees, saving split and fee and profit (based on project size range is 2.5% - 8)

- Financial Consultant
  - To run financial models to align with project scope

- Investment Banker
  - To determine debt capacity and overall project budget

Key to Success – Project Alignment
If Your Program Changes – Rerun your Financial Model

- Early on in the design process, project scope is a moving target as you go from concept to reality.
Project Management Tools - Schedule

CONSTRUCTION COSTS

Project Management Tools - Budget
**Project Management Tools - Budget**

WHAT IS THE RIGHT AMOUNT?

DON’T FORGET THIS

REQUIRED FOR A NEW START UP

THESE CAN BE SUBSTANTIAL

OPERATIONAL IMPACT

**Validate Through Each Phase**

- **Scope + Schedule + Budget**
  - Conceptual Design – 5%
  - Schematic Design – 15%
  - Design Development – 25% MEP Involvement
  - Construction Documents – 35% Building Permit Set and Bid Set
  - Bidding – 5% Determine your GMP, finalize your budget, finalize loan closing, obtain building permit and START CONSTRUCTION
  - Construction Administration – 15%
Project Management Tools – Communication

• Design Project Meetings
  • Full Team – every three weeks
  • Project Calls with Owners Rep once a week
  • Architect responsible for meeting minutes
• Construction Project Meetings
  • OAC meetings once a week (no need for full team)
  • Contractor responsible for meeting minutes
• Resident Updates during Design
  • Once every three or four months
• Resident Updates during Construction
  • Construction newsletter highlighting shut downs, potential noise or elevator distribution and website
  • Success is based on how many cookies the contractor receives!

Questions

Thank You!