



Master Planning

Essential Roadmap for
Senior Living Communities



Wyndemere, Wheaton, Illinois

Introduction

Every senior living community reaches a point in its life cycle at which it could start to decline—as soon as 10 years after opening—and capital improvements must be made to sustain the community’s appeal and viability. To help your community attract a new generation of residents and ensure its continued relevance in the marketplace, consider master planning. Take time now to prepare for the future and help ensure the continued success of your community.

What is Master Planning?

Master planning builds on the stated goals identified in strategic planning and takes a high-level look at the community to provide a long-term and strategic vision for capital improvements. The process helps owners or board members answer these critical questions:

What makes sense for our community?

Which project comes first?

How will we pay for improvements?

Just as communities are often developed over a 10- to 15-year timeframe, the master plan provides a phased approach to make improvements positioning the community for the next generation. While most new developments incorporate a master site plan, mature communities should reevaluate their programs, plans and amenity offerings, in preparation for new residents. The completed master plan should be strategically focused on consumer, market and competitive changes, along with corresponding solutions the community can implement to maintain market position.



Use the master planning process to develop a thoughtful, systematic and financially prudent approach to revitalize your senior living campus.

**Todd Shaw, Vice President,
LCS Development**

Master Planning Process

The master planning process follows three phases over the course of approximately six months. Attention to detail is important to the success of developing a master plan for your community.

Phase 1 | Assessment

To begin, schedule a site visit with development professionals to make preliminary observations of the site, buildings, operations and residential programs. The assessment also considers zoning, site condition and the market. Potential land acquisition and the condition of the real estate market are also examined. For best results, a market study should be performed along with gathering information, such as building plans, site plans and other documentation. Finally, review of the community's financial situation is conducted.

Consider Your Place in the Market

When considering master planning for a senior living community, it's important to understand your community's place in the market. Research considerations include site location, market demographics, existing competition, and market disrupters.

Evaluate the site location and its viability for new development or redevelopment. The site screening process looks at both the demand and supply dynamics of the market, including the number of households who are age and income qualified, the growth rate of the number of households, income levels and household values. In addition, the number of adult children, amount of new inventory, occupancy of the market and rental rates are also considered. The penetration, or how many senior living options are available in the area, and the demand level, which is how much demand senior living has in the area, need to be closely examined.

Conduct Market Research

While community staff can access secondary research using U.S. Census data to determine how many seniors live in the area, conduct internet searches to identify competing communities, and make calls to local planning agencies for a list of new competition, consider the services of a third-party research partner. A research company embedded in senior living will offer better market interpretation and data analysis, in addition to years of insight to benchmark your community to past projects found across the country.

In-depth market research using personal interviews, focus group activities or email surveys will provide helpful and necessary information. This primary research will provide better understanding of the qualitative aspects of a specific location and its surrounding market. Interviews can be conducted with current residents or prospective residents.

Research is only as good as the effort put forth. For reliable and relevant data, specific to your senior living community, engage with a reputable research partner.

5-Point Research Partner Checklist

Jonna Wisnieski, Director of Market Research at LCS, suggests five questions to gain the knowledge and information needed before selecting a research partner.

1. Does your research partner have years of experience in senior living?
2. Does your research partner listen to your unique needs to solve your problem?
3. Does your research partner use data to back decisions?
4. Does your research partner have access to many industry experts in the same company?
5. Does your research partner understand how to translate the results to the development and master planning process?

Prepare a Financial Plan

Preparing a financial plan for each project helps board members and owners decide the appropriate sequence for implementing capital improvement projects. Once identified and costs assigned, it's important to determine funding sources and debt structure options. An investment banker can help to identify the appropriate sources of capital.

Project Financial Health - The Power of 3

When considering the ability for a community to finance a project, consider if the addition of the project allows for the community to meet the following three metrics. Josiah Carter, Vice President, Director, Financial Planning & Business Analytics at Life Care Services offers three metrics which should be attained by the time the project is at stabilized occupancy.

- **300 Days Cash On Hand.** Divide total cash by average daily operating and interest expenses of the full community. The ability for the community to have 300 hundred days of cash on hand communicates to lenders that the project and community have sufficient liquidity to meet current operating cash needs.
- **1.30 Debt Service Coverage Ratio.** To determine the debt service coverage ratio, sum the net operating income plus net attrition flow and divide by the debt service. Ideally, the net operating income plus net attrition flow should cover debt service by 1.3 times or more. (The greater the ratio, the better.) This ratio shows lenders that debt service will not consume 100% of the community's cash flow and indicates the community has a healthy ability to meet its debt service obligation.
- **0.30 Cash to Debt Ratio.** Divide the community's total cash by the outstanding debt to calculate cash to debt ratio. This is another metric of liquidity that lenders use to determine whether the community is in good financial condition and appropriately leveraged. A lower ratio may indicate that the community has more debt than it can service and may be at risk.

Not-for-profit senior living communities can use these three metrics as a rule of thumb when considering project financing. Before starting a project, partner with a qualified investment banker to determine the specific project and community needed to have success.

Todd Shaw suggests good master plans incorporate information gathered from strategic planning.

Before developing a master plan, collaborate with owners, board members and other stakeholders to develop the most successful strategy for your community. The strategic planning process includes:

- **Mission statement.** Who the community is as an organization.
- **Vision statement.** Where the community is going.
- **Value proposition.** Community's value from the residents' point of view.
- **Strategic objectives.** Target objectives to meet the community's vision.
- **Goals.** Set within the community's strategic objectives.
- **Action steps.** Identified tasks to achieve goals.



Evaluate your community's financial health by applying the Power of 3 rule to your metrics that matter most: cash on hand, debt service coverage ratio and cash to debt ratio.

Josiah Carter, Vice President, Director, Financial Planning & Business Analytics, Life Care Services



WhiteStone, Greensboro, North Carolina

Phase 2 | Collaboration

Findings from the assessment phase are compiled, analyzed and used to develop a plan for addressing identified projects. Situations are presented to the senior living community's master planning committee — a group typically made up of owner's representatives, board members, or senior staff and residents. Collaboration meetings with development professionals and the master planning committee provide a forum to discuss various development strategies and associated design scenarios. When consensus on the preferred direction is established, details such as project costs, revenues, debt structures and proposed timeline are added. This helps the master planning committee evaluate the financial feasibility of each planned project.

Master planning committee members

- **Project Developer.** Facilitates the process; provides business, finance, market expertise.
- **Design Director.** Establishes contractual relationship and collaborates closely with the owner's architect to establish design criteria and provides design expertise.
- **Board or Owner.** Determines strategic goals, provides input and direction, makes decisions.
- **Senior Community Staff.** Provides input and management expertise.
- **Residents.** Provide consumer input and desired program changes for continued satisfaction.



Phase 3 | Delivery

When complete, the final master plan is presented to the owner or board. All components of the phased improvements, from design and programming to finances, are covered. Once approved, this document becomes the blueprint for future capital improvements that can be phased in over time to ensure the community's success. Key components of the final master plan should include:

- New and renovated building criteria
- Phasing plans
- Site utilizations plan
- Business plan

The outcome of the master planning process is unique to the senior living community. Based on the research, proposed projects may include repositioning the community or a satellite campus may be recommended. In some cases, financial obstacles may need to be overcome before moving forward with expansion. Yet, once developed, the master plan provides an overarching guide for the community's future and ongoing evaluation will ensure the plan stays relevant for the community.



Does Industry Experience Matter?

In a word, yes. Creating a master plan for a senior living community without the benefit of industry knowledge and experience could mean overlooking critical factors.

If federal regulations dictate modifications for a community's health care center and the improvement doesn't satisfy those regulations, it may not comply. Or, when national design trends suggest that a wellness program is a critical differentiator for prospective residents, the plan to make changes should address this consumer demand.

Developing a master plan that integrates operations, management, finance and market considerations –specific to senior living–can help a community move forward without any second-guessing.

The Future of your Senior Living Community

For the best results, to maintain or become the leader in your marketplace, planning diligence is required. Through guided planning sessions, robust discussions and group collaboration, stakeholders can develop a strategic vision for the senior living community and approach capital improvements in a logical and prudent manner.

A master plan provides direction, both in the short- and long-term. The process helps achieve consensus in the community's leadership and delivers confidence that the decisions are well thought out, in the best interests of residents, and ensure the long-term viability of the community.



Contact Us

The LCS Development Difference

LCS Development is a full-service, third-party developer specializing in master planning, new development, and redevelopment of senior living communities. Backed by the LCS Family of Companies, you benefit from 50 years of know-how and the power of six senior-focused companies working together as one. Our in-house staff of more than 80 senior living experts supports you to make research-based decisions and confidently position your project in the marketplace. From concept to completion and presales to buyer retention, LCS Development shares your vision and passion to reach your community's unique goals.

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