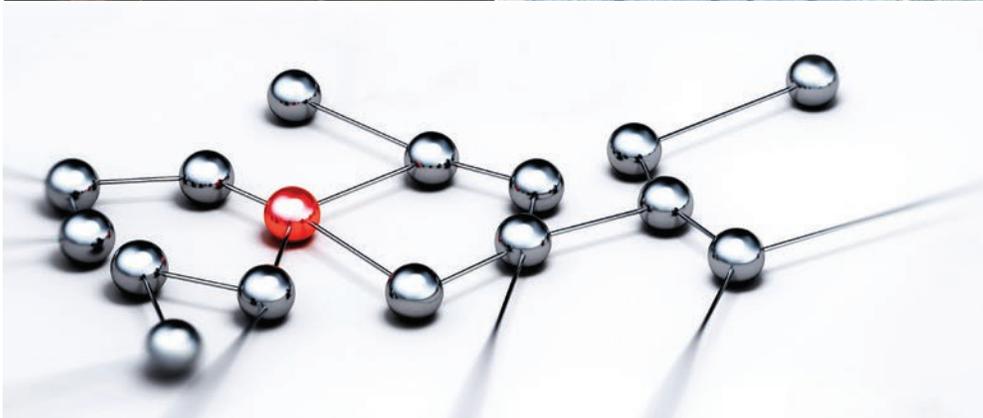




TEAM-BASED MASTER PLANNING:

The Most Efficient Way to Bring an Expansion or Start-up Community to Reality



LOVE
& COMPANY

ALWAYS THINKING



WHY TEAM-BASED?

Organizations approach master planning from many different perspectives. Some start with an architect, modeling where new residences and amenities can go on the campus. Others start with a financial analysis, reviewing debt capacity and their ability to fund growth.

In our experience, we have found an interactive, team-based approach to master planning to be—by far—the fastest, most efficient and most financially sound approach for a senior living blue sky project, expansion or repositioning.

The key to a successful team-based approach is to have the right people following the right process through every stage of the master plan. This structure enables community leadership to weigh pros and cons of various opportunities, get input from experienced team members, and then make quick decisions that best meet the organization’s objectives.

PRIMARY PLANNING TEAM MEMBERS

In assembling a project team, evaluating cultural fit is just as important as technical skills. Everyone should be open to listening to others, and team members need to have the ability to challenge ideas without getting personal.

In many ways, the most important team member may be the project manager, a role that may also be played by the development manager and include financial analysis. Community leadership already has demanding, full-time positions, and can have difficulty managing a process as complex as a master plan. In addition to the basic role of managing the development and implementation of the plan, the project manager protects the management team’s time by “running interference” on its behalf.

The master planning team would consist of the following:

- **Community Team Members**
The community should be represented by a combination of senior and department-level managers, board members and resident representatives.
- **Primary Master Planning Team**
The primary team members include the project manager, marketing consultant, financial analyst, architect and pre-construction manager.
- **Supplementary Team Members**
Additional team members may participate at select points in the process, including an investment banker, attorney, actuarial consultant, engineering consultants, landscape architect and IT/low voltage planner.

Streamlining the master planning process by six months for a \$100 million project can easily reduce construction escalation and other project costs by \$2 million or more.



THE IDEAL MASTER PLANNING PROCESS

The following process assumes that a comprehensive market analysis has already been completed.

1. Visioning
2. Preliminary financial modeling
3. Architectural design
4. Refine, refine, refine
5. Consumer validation



MARKET INTELLIGENCE: THE FOUNDATION OF A SUCCESSFUL MASTER PLAN

Before describing the steps involved in a team-based approach to master planning, it is important to recognize that the whole process is built on one crucial element: **market intelligence**.

Just as the right ingredients are essential to a great recipe, market intelligence is essential to developing a great master plan. It is imperative that the planning team has access to detailed information on the market. What is the potential for growth? What niches are underserved, and which offer the best opportunity? What are competitors doing? How does the market currently perceive the community? What price point can the market support? This information provides the foundation on which a successful project is developed.

Too many times projects have been designed without a clear understanding of what the market can actually support. An architect designed the buildings, the financial advisor set prices based on what it costs to build those buildings, and then a marketing firm is tasked with selling a project that is mismatched with the market—most frequently from a price perspective.

By starting with a clear vision of a specific and viable market niche in mind, you can ensure that the entire plan is designed so that it meets the needs of the market. Market intelligence will drive what the product should be, and how it needs to be priced to be successful. The rest of the team is then tasked with bringing that product to market. The bottom line is that the master planning team is responsible for meeting the needs of the consumer who will be living at the community.



“Marketing must drive the planning process. If a project won’t work in the market, an organization is just wasting time and money trying to pursue it.”

**David Slack, Consultant,
Aging Research Institute**



PROJECT VISIONING: DEFINE THE FUTURE RESIDENT’S EXPERIENCE

With the information on the market in hand, the organization and the project team members have a solid initial understanding of what they are aiming to accomplish, and are ready to begin work.

The first step is to clearly define all of the program elements, from residence sizes and types to amenities, services and pricing. And while the end product of this process will be a written definition of the project parameters around which the project team will develop a plan, what is most important is to define the experience the future resident of the community will have.

This can be the most fun part of the process. Like other market segments, older Americans are not just looking for products or services; they are looking for experiences:

- We aren’t designing a restaurant; we are creating a dining experience.
- We aren’t designing a fitness center; we are creating a wellness experience.
- We aren’t designing a multipurpose room; we are creating an entertainment experience.

This is where the team can truly start to explore new ideas:

- Does the available market niche suggest we move away from entrance fees and toward rental?
- Do our prospects expect smart home applications?
- Does the qualified market even want to live on an age-restricted campus, or are prospects hungry for intergenerational experiences?

When the team has reached agreement on a desired experience, that vision is summarized in written documents that present a clear target for building sizes, level-of-finish targets, pricing and other factors that can affect the cost of the project.

“For us to develop the best design solution, we first need to listen by asking questions about the desired experience and cost parameters. We use focus groups to engage staff members, residents, even residents’ family members, and then we develop multiple options for a design charrette where we collaborate with marketing/ financial advisors and other planning professionals.”

**Mike Martin,
Managing
Principal, RLPS
Architects**



The resident experiences desired for the Cypress Cove clubhouse (left) and for The Grove residences at Meadowood (right) were developed by RLPS Architects through a combination of interviews, charrettes and team-based planning sessions (center).





CREATE A FINANCIAL MODEL THAT WORKS

With a clear program definition in hand, the financial analyst can then develop preliminary financial projections of the project's performance. The analyst weaves together cost factors—such as residence sizes, square footages for amenities, per-square-foot construction estimates, marketing, financing and other soft costs—with target pricing levels to determine the overall financial viability of the project.

Almost invariably, the first run of the financials will not produce the desired result. That's when the true power of the team approach kicks in, and together the team members begin exploring the many "levers" that are at their disposal to make the project work.

- Can nonrevenue producing space be reduced or phased?
- Can entrance fees, monthly fees or monthly rents be increased?
- Can the number of new residences be increased?
- Are baseline operations meeting expected benchmarks, and are performance enhancements reasonable to achieve?
- Can finish level expectations, and thus construction cost estimates, be reduced?

What is important to remember during this process is that the financial analyst is testing the assumptions and providing feedback to the team, not driving what decisions the team needs to make. The ultimate decisions revolve around what changes can be made while still ensuring the viability and marketability of the project while still creating the desired resident experience.

"I believe there are four keys to building financial flexibility into a master plan:

- 1. Determine what level(s) of healthcare you really need. Is SNF necessary?**
- 2. Don't recreate what already exists. Partner with local amenity providers.**
- 3. Avoid single-use spaces. Explore ways to use spaces different ways at different times.**
- 4. Reconfigure current spaces into new spaces. Could older, smaller independent living residences be converted to a memory care household?"**

**Craig Witz, Principal,
The Witz Company**



DESIGN THE EXPERIENCE

The architectural team has been an important part of the planning team all along, contributing much to the visioning process, helping establish appropriate size allocations for spaces and determining appropriate level-of-finish parameters for early financial modeling, and working with the rest of the team to fine-tune the assumptions into a model that works. Now it is time for design to take the lead.

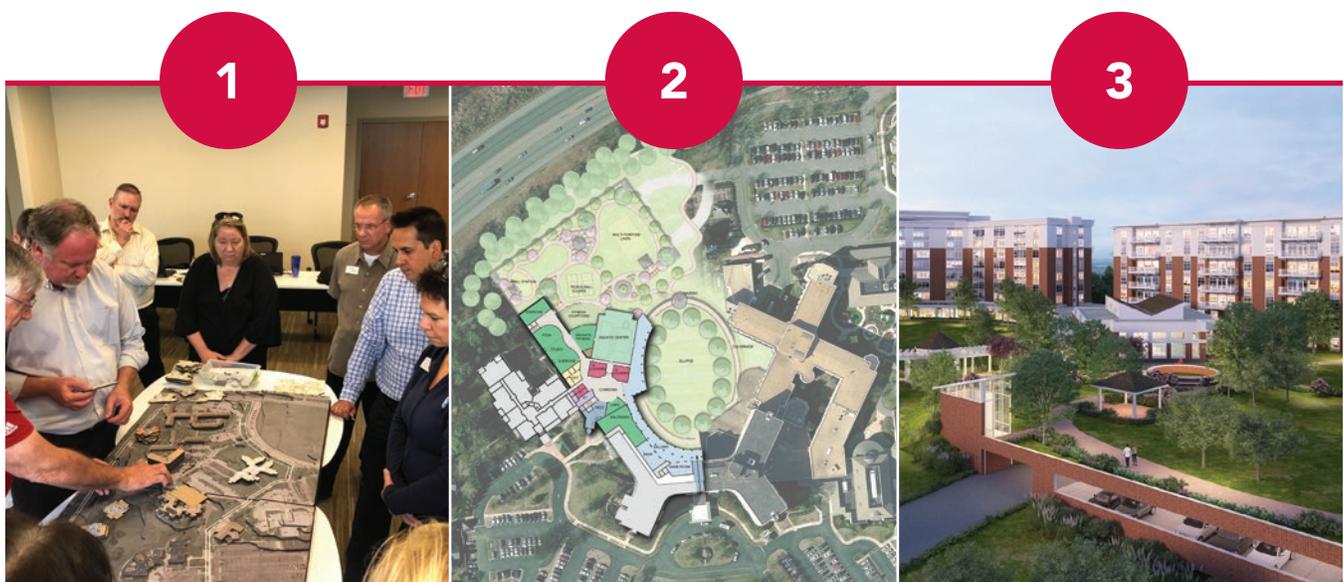
The design process often begins with an interactive charrette, in which team members explore a variety of ways in which the project elements—residential buildings, amenities, roads, parking and other spaces—could be brought together. Pros and cons of many approaches are weighed as the team eventually narrows the project down to one or two primary options.

Following the charrette, the architect takes the project team’s input and creates more formal conceptual design concepts. At this stage, this is still a very high level view of what the project could be, looking at macro design considerations like building massing and orientation, site connectivity, resident travel distances, traffic flow and more, all while ensuring the design meets the desired resident experience.

During this time, adjustments continue to be made on square footage requirements, cost parameters and other factors that affect the financial model, with the team continuing to adjust the project levers as needed to ensure it remains financially viable while remaining affordable to the target market.

“It’s critical to ask a lot of good questions, listen hard to the answers and truly understand an organization’s mission, goals, constraints and priorities before entering the design phase. Design solutions ultimately need to support the community’s vision for how it plans to improve the lives of the people it serves.”

Melissa Pritchard,
Managing Principal,
SFCS Architects



SFCS’s charrette process helps master planning teams understand and evaluate design options, leading to successful plans.



REFINE, REFINE, REFINE

One of the primary factors that enables a team-based approach to master planning to operate much faster than other approaches is the ability of the team to work together to solve challenges in real time. A team-based process is iterative, with continual updates to cost, revenue and finance elements that affect the project's overall performance. As each team member is solidly versed in the overall goals and vision for the project, they are able to work together to evaluate alternatives and make recommendations that are in the best interest of the client and the project.

VALIDATE THE CONCEPT

To this point in the project, the master plan has been based on the collective insights of all team members, building on the foundation provided by early market research. But an important constituent has been missing from the planning process: The consumer.

Love & Company has had strong success validating projects before they go to market through the use of consumer research events. These events have provided critical insights to project teams. In some cases they show that residence sizes and pricing should be reduced, while in others they give the team confidence that pricing can be increased rather than value engineer out important features.

These large group, interactive events frequently include members of about 50 households and blend the best part of focus groups—qualitative feedback—with the best part of surveys—quantifiable feedback. During these events, age- and income-qualified prospects are presented with plans for the community, including residences, amenities, services, contracts, pricing and more. At the end of these events, we are able to answer the most important question: Will the consumer buy this product, at this price, at this location?

“Ensuring constant, real time dialogue and constructive interaction between all the various disciplines is critical. Having a process in place and a team that fully understands and can adeptly manage how market, revenue, design, cost and capital all are intertwined helps ensure that the best decisions are made for the project and for the sponsor. It also helps maintain the integrity of the sponsor’s vision and produces a more efficient execution that reduces the cost of the project.”

Toby Shea, Partner, OnePoint Partners



CLOSING THOUGHTS

If you follow the interactive process we have outlined, we have a high confidence that you will complete the master planning process much faster and more cost efficiently than with any other approach. We also believe it will enable you to offer prospects an experience that is truly unique in your market, and at price points your market will be ready and willing to pay.

“We have been such a strong believer in a team-based planning approach that we developed our own process of interactive planning more than 20 years ago. This approach provides the tools and techniques that allow the team to accelerate information and planning scenarios with speed and confidence. Our collaborations with organizations like Love & Company have allowed providers to achieve great success in capturing and maintaining a strong vision throughout the process with reliable outcomes and speed to market.”

Jim Hudgins, President, THW Design



Want to communicate the benefits of team-based master planning to a group? For a video overview of the team-based planning process, please visit loveandcompany.com/landing/mpvideo/. If your organization is thinking about an expansion or establishing a new senior living community, please reach out to **Tim Bracken** at **410-207-0013** to explore how to get started with the team-based master planning process.



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