



# RHarper Consulting Update

## Getting the Right Facility Assessment

I've recently had several inquiries from managers of continuing care retirement communities, all of them asking the same question: "My facility's starting to show its age, how can I get an honest and accurate assessment of its condition so I can anticipate upcoming costs?"

Many of those communities were built in the late 80s or early 90s. As they have aged, the necessary capital expenditures to restore or replace mechanical systems or other major components have found many managers unprepared for these costs. These communities are now taking steps to conduct full assessment of their facilities, determine the remaining useful life of their systems, estimate the projected cost and timeframe for replacement, and determine how they will fund those replacements and reserves.

The traditional approach to conducting a facility assessment includes an inventory of the major systems, the time those systems have been in service, the remaining useful life, the cost to replace or restore the system, and the projected capital needs over time to address the restoration or replacement. In addition, the assessment will address immediate needs, recommendations regarding adoption of best practices, and other actions relative to the needs of the community's physical plant.

In addition to the standard fare, here are other items to consider when arranging for an assessment for your facility:

**Energy Efficiency and Sustainable Equipment** – Alternative, more energy-efficient systems may provide significant cost savings if replacement of existing systems is necessary, both in initial purchase price and in operational expense. Replacing conventional air conditioning and heating with geothermal or water source heat pumps, solar hot water heating and photovoltaic systems is certainly worthy of consideration. Heat-reflective roofing membranes and even green roofs may also provide measurable savings.

**Landscaping** – Planting materials have a useful life, but this is often overlooked in the typical facility assessment. Replacement of planting materials and bringing landscaping up to contemporary standards in most cases has a significant impact on the marketability and value of your community, and should be considered as part of the capital improvements and replacement program.

**Interior Furnishings, Fixtures and Equipment** – Interior finishes and furnishings are often replaced only when fully depreciated or when they have deteriorated past reasonable usability. Regular updates earlier in the life cycle can more than pay for themselves by providing a fresh, contemporary look and feel to your community, improving marketability and enhancing your residents' the quality of life. Consider using an interior design professional to provide a plan for updating the interior furnishing and finishes on a periodic basis, say every two years.

Establishing a thorough and comprehensive facility condition baseline via a facility assessment is essential to providing sound fiscal and cash management of your community. Avoiding large resident rate increases to offset major capital improvements or replacements can only be accomplished by establishing a viable program and updating it at least biannually. Further, make sure your facility assessment and capital reserve plan addresses all the areas of your community, including those which affect its look and feel – concentrating on only the mechanical and roofing systems misses significant opportunities to make your community more attractive to potential residents and their families.

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*RHarper Consulting Group provides development consulting, program management, and owner representation services focused on the senior living and mixed use sectors. In addition, Mr. Harper is also a listed mediator and arbitrator providing dispute resolution services for the construction and real estate industries.*



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