3 Major Considerations for Developing Affordable Assisted Living Facilities

As the massive wave of baby boomers swells, one thing is becoming abundantly clear—there is a gap in the continuum of care for lower- to middle-income seniors who don't earn enough to afford a private pay assisted living facility. More affordable assisted living (AAL) options are desperately needed.

1 Development

Financing an AAL facility may consist of low-income housing tax credits (LIHTCs) coupled with a Federal Housing Administration (FHA)-insured mortgage loan, U.S. Department of Agriculture (USDA) financing paired with traditional equity, or another combination of traditional and non-traditional capital sources. Not only do new construction AAL projects require debt, but so do existing AAL facilities looking to recapitalize.

2 Operations

As many low- to moderate-income residents cannot afford the true cost of housing and care provided by an AAL facility, operations are often funded by a mix of revenue sources. Typical sources include Medicaid waiver income, project-based Sec. 8 contracts and charitable organization funding. In addition, seniors housing operators should continually be looking for ways to lower costs, directing resources to necessary items like care and foregoing spending on luxurious amenities.

3 Design

Because private units are more expensive to both build and operate, a more cost effective structure for AAL facilities may be a semi-private configuration of units. A popular option is one in which the semi-private unit has two bedrooms with a shared bath and shared living room. In addition, larger facilities (over 75 units) are able to spread costs over a greater number of units, and thus achieve greater economies of scale than smaller facilities.

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