

# Fort myers

[Economics](#), [Tax](#)



Has Dana done a good job researching his options? While Dana did not consider the site potential of other property types, he did a good job researching his options for eldercare facilities. His analysis included regional analysis (comparing other cities and counties to Fort Myers), population trends, Fort Myers healthcare statistics, industry and competitor analysis (by viewing a consultant report), financing alternatives and financial analysis. Together, the information provided a thorough overview of his options within eldercare.

2. How do congregate care and assisted living facilities differ? They differ in client profiles, ownership, elder decision to join, services, physical environment, pricing and financing needs. Client Profile: Congregate care facilities typically targeted younger elders (average age 78) that were independent and more upscale. Assisted living facilities typically targeted older populations (average age 83) that were frail and needed assistance with two to four activities of daily living. Ownership: Congregate care facilities have high entrance fees, which are sometimes refundable upon move-out or death, and are similar to buying a unit in a condominium. Owners also pay monthly fees that cover certain supportive services. Elder Decision: While the decision to move to a congregate care facility is often a life-style choice, moving to assisted living facilities is often more often a “need driven” option for elders.

Services: Congregate care facilities typically have fewer services such as 24-hour supervision, one meal/day and concierge services. Assisted living facilities typically have more services, such as more meals, housekeeping, laundry and personal care services. Physical Environment: Congregate care

<https://assignbuster.com/fort-myers/>

facilities are typically more like large residential condominiums, offering full size apartments with kitchens. Assisted living facilities are smaller residents with modifications, typically a smaller apartment with a kitchenette.

Furthermore, congregate care units have a much higher level of finish in the units and in the common areas. Pricing: While congregate care facilities are cheaper because they offered fewer services (price range \$1, 500 to \$2, 500/month), assisted living facilities are more expensive (\$2, 400 to \$4, 000/month). Financing Needs: Since it would take close to a year to build after getting through the permitting and perhaps another year to sell out, congregate care facilities required short-term conventional construction financing.

However, assisted living projects required longer term financing since they were more like rental properties than condominiums for sale. 3. What are the advantages and disadvantages of each of Dana's options: selling the land, congregate housing or assisted living? Land: If Dana were to sell the land, he would have to find another living arrangement for his parents and he would miss out on a lucrative business opportunity. However, the advantage would be cashing out relatively quickly with \$850, 000 after all commissions. Congregate Housing: (Delays) If Dana pursued the congregate housing option, it would take longer to get any returns since he would need an additional year to sell the units. Costly) Furthermore, the hard costs for congregate care facilities typically ran 20% more per square foot than those of assisted living facilities because of the more expensive materials, higher level of finish, more casework, larger kitchens and bathrooms and better appliances, plumbing and vanities and more elaborate common areas.

(Feasibility) Additionally, it would be difficult to sell the units at the estimated prices and within the projected time frame since Fort Myers did not seem to have a strong upscale market.

Hence, it was not clear that the Fort Myers market could support the required prices for congregate housing units. As a result, Dana would have high unit costs with congregate housing and a limited market. However, the advantage to a congregate housing option would be building fewer units (50 versus 80) and services, and more returns in a shorter timeframe after selling the units. Assisted Living Facility: While a longer term investment with rental income and no sales in the short-term, the assisted living option provided a profitable opportunity given Fort Myers demographics. It would be cheaper and most likely faster to build compared to congregate housing and had a large market in Fort Myers. While it is probably not feasible to capture the full potential gross income from a congregate care facility given the higher price and time to sell, tables 1 and 2 below attempt to compare the PGI in the first year of rent/sale from a congregate care and assisted living facility. If all units were sold within the first year (which is highly unlikely), a congregate care facility would provide more cash upfront with a smaller amount of monthly income moving forward.

However, the assisted living facility has a higher annual PGI after the first year. Ideally, assuming a market was available for congregate care, it would take roughly 20 years for the income from assisted living to reach the income received from congregate care. Table 1: Annual PGI - Congregate Care Facility Table 2: Annual PGI - Assisted Living Facility 4. Given the

assisted living option, what does the development budget look like? What is the operating income statement using conventional and tax-exempt debt? What are the initial returns on cost and equity for each option? Assuming that the budget for conventional and tax-exempt debt is the same, the development budget would be roughly \$8.85 million for the assisted living option. Table 3 below provides more details on the development budget.

Table 3: Assuming the potential gross income outlined in Tables 4 and 5 and the financing costs outlined in Table 6, the operating income statement using conventional and tax-exempt debt is summarized in Table 7.

Table 4: Annual Rent PGI - Conventional Financing Table 5: Annual Rent PGI - Tax Free Financing Table 6: Financing Alternatives Table 7: Income Statement  
The initial returns on cost for the conventional debt option is 11.22% while the initial returns on cost for the tax free debt option is 10.25%. The initial returns on equity for the conventional debt option is 17.86% while the initial returns on equity for the tax free debt option is 43.99%. Table 8 below provides more details on the initial returns.

Table 8: 5. Which option should you choose and why? If you choose an equity partner, who would you choose and why? I would choose the tax free debt option because it would require a smaller equity commitment, hence providing a larger return on equity. If I were to choose an equity partner, a friend or family member with experience in the assisted living option would be ideal since they would bring industry experience to help operate and manage the facility, and I would trust that the partnership would be a long term investment on both ends. Together, we would have industry experience

in development and assisted living, and already have a collegial relationship.

6. Should Dana place his parents in his project? If you have had experiences in this area with your own parents or grandparents, you may include these experiences in your discussion. How do other societies handle the issues of the elderly? Since Dana could be surer of the quality of service offered, he should place his parents in the project.

This would help to fill the typical five percent vacancy rate and he would avoid paying fees for their care elsewhere. Many other societies provide home care for their elderly since they have more of a collective approach to family responsibility and often have care takers in the home. This is especially true in developing countries, such as Liberia and Nigeria, where I am from originally.