



# RHarper Consulting Update

## The Window is Open – Let's Make the Most of It

The senior housing sector has seen relatively little development activity over the past few years as a result of the downturn in the economy. Most have reacted to these challenges by shelving their plans for new construction, renovation, and capital upgrades, and drastically reducing most capital expenditures or at least putting them on hold. For a number of reasons, the time is right to dust those plans off and move ahead with new projects.

The recovery of the housing market is the fundamental reason for moving forward now. While it's still not as robust as earlier this decade, supply and demand are more balanced and prices have stabilized. Prospects who were delaying their moves to senior housing are now more likely to accept the "new normal" of housing prices and commit to relocating, while rates for long term and interim financing remain at historic lows.

Now that the time is here to move forward with your development plans, the need to maximize value, control budgets, and deliver projects on schedule is more critical now than ever. Many of us reduced staff as times got tough and retained only those whose talents were focused on maintaining occupancy and trimming operating costs. Individuals who may have been on board to direct new capital projects are no longer with us, and the talent pool has dissipated. Outsourcing strategic planning, development and program management makes more sense than ever – in fact, it is the only sensible alternative in many cases.

New projects always face the challenges of focused planning, budget and schedule controls, and effective implementation of development plans. The best way to mitigate these risks is to engage experienced professionals to execute these critical elements of the project and remain engaged until delivery of the project to market. We see many projects which, while meeting the needs of a specific strategic planning objective, are simply trying to do too much. Many involve complex zoning or entitlement approvals which, while necessary, don't apply to all aspects of the project. There are often opportunities to break the project into smaller phases and bring them to market much sooner.

Other areas where effective program management can provide value are:

- Team Selection – A successful project depends upon the team members, and not all designers, engineers, bankers, or ad agencies are created equal. Bringing an integrated identification and selection process to the project to insure all the required talents are represented is essential to maximizing the project's value. Ongoing management and coordination of the resources are where the real value is realized, as duplication of services and focused schedules bring the necessary focus to the project.
- Specialized Expertise – The design and implementation of new construction and the regulatory environment are more dynamic and reach further than ever before. Asking the right questions and bringing resources to bear on critical issues as early as possible, as well as having a wide range of solutions, only comes with experience. It is certainly easier and cheaper to pay for that experience than to learn it on your own.
- Focus – Having a developer dedicated solely to making your project happen is essential to bringing it to market on time and on budget. The demands upon management and staff are simply too great and time-consuming today to effectively manage a large capital improvement project without additional resources. It is very easy to let the urgent needs of running a community get in the way of the important tasks of a capital project. Someone accountable for keeping the project and team on task is essential to achieve the strategic goals.

Our clients today are looking at new projects including "small house" nursing and assisted living centers, new independent living cottages, and apartments, new dining venues, fitness centers, and campus grounds improvements. Many are able to incorporate these improvements into new permanent financings that incorporate their existing debt at significantly lower rates. No one knows how long the window will be open, but clearly opportunities are available now and many communities are taking advantage to open new markets and establish improved market positions.

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