Modeling Expansions and New Developments in FORCAST

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Presenters

Michael Hopper
Chief Accounting Officer
A.V. Powell & Associates LLC
mike.hopper@avpowell.com
404.845.0360. x654

Chuck Gaskins
Chief Financial Officer
The Sharon at SouthPark
cgaskins@thesharon.org
704.553.3802

Learning Objectives

1. Demonstrate the impact on actuarial ratios of a 64-unit independent living expansion, including a 56,000+ sq. ft. Center for Vibrant Living and 15,000 sq. ft. of new office, retail, restaurant, and common area.

2. Determine the appropriate number of independent living expansion units to build and assess the associated health care needs.

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Discussion Outline

1. The Sharon at Southpark
2. Actuarial Impact due to IL Expansion & CVL Building
3. Demographic, Turnover and Health Care Results
4. Summary
5. Q&A

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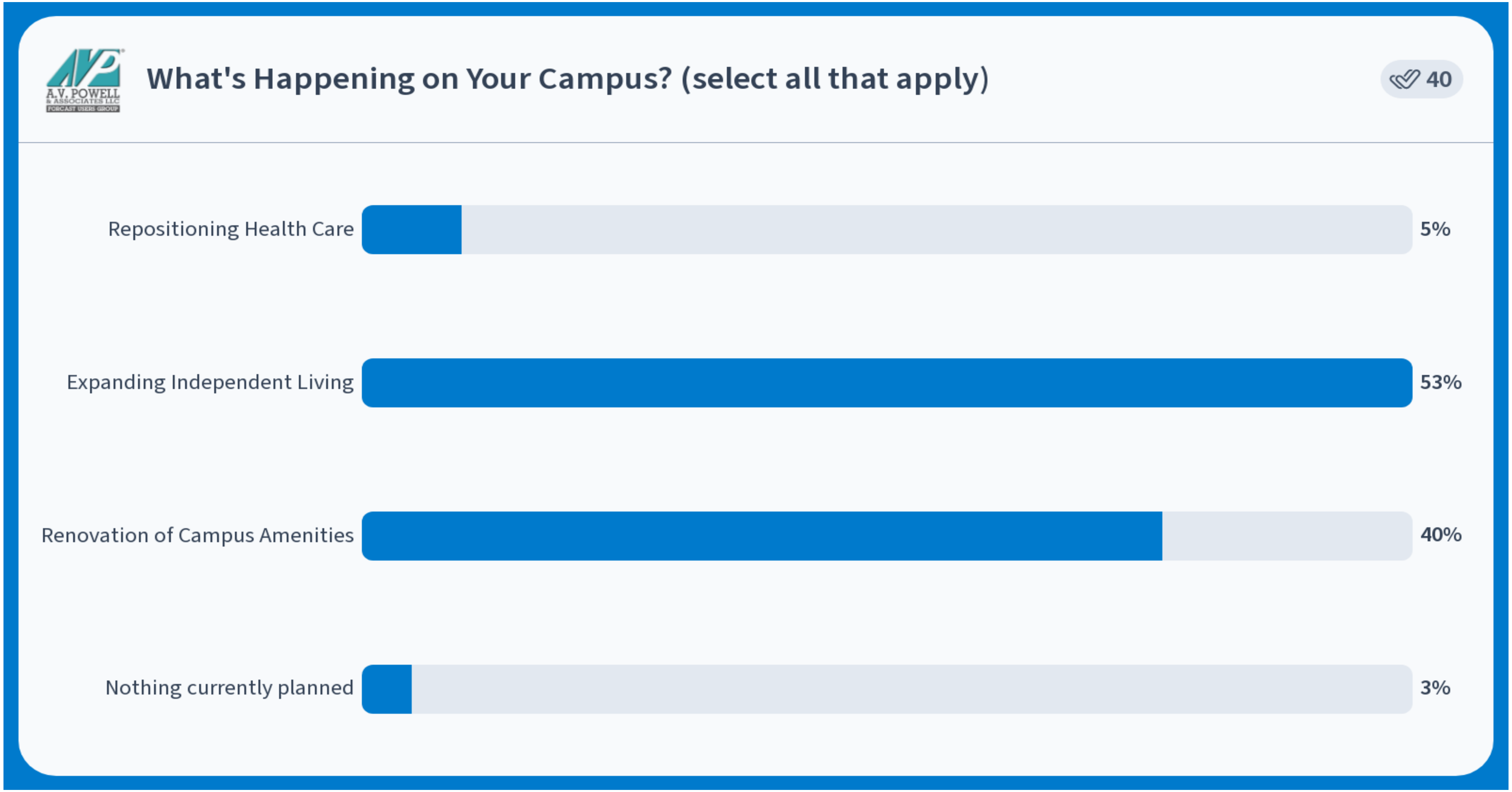
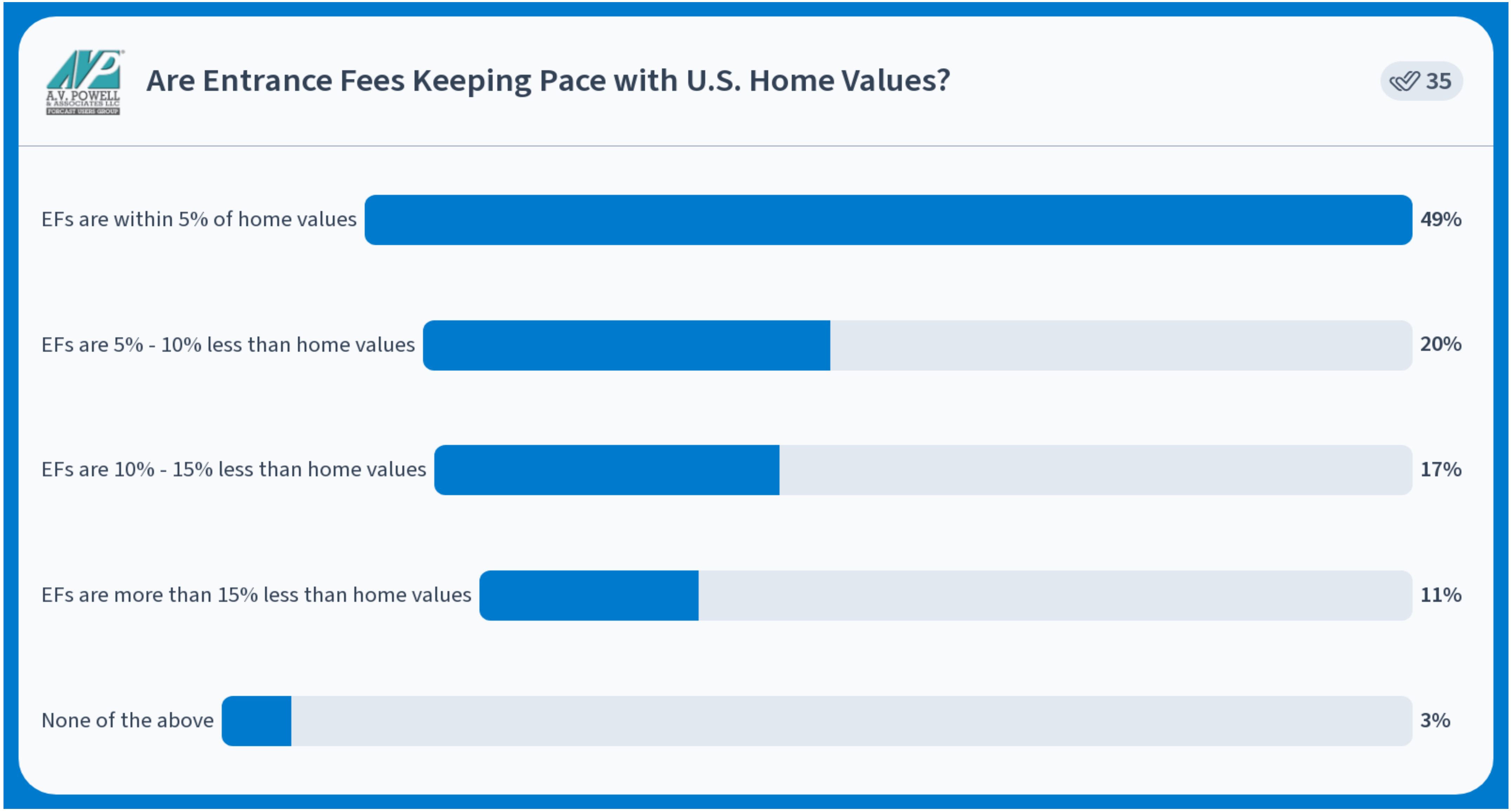

What's Happening on Your Campus? (select all that apply)
40
Repositioning Health Care
5%
Expanding Independent Living
53%
Renovation of Campus Amenities
40%
Nothing currently planned
3%


Are Entrance Fees Keeping Pace with U.S. Home Values?
35
EFs are within 5% of home values
49%
EFs are 5% - 10% less than home values
20%
EFs are 10% - 15% less than home values
17%
EFs are more than 15% less than home values
11%
None of the above
3%

The Sharon at SouthPark LifePlan Community

- Opened 1969 with one apartment building (mostly studios) and a 22-bed health center
- 1974-1985 added one apartment building (mostly studios), nursing beds and cottages
- 1994, 1999 & 2003 added AL, a 25-unit apt bldg and a 49-unit bldg (all 2 BR and 2 BR + den apts)
- 2017, 2018, 2022 added 3 apt bldgs totaling 78 units (all 2 BR, 2 BR + den, 3 BR), update nursing
- 2024 added CCAH; Opening 2029 a 64-unit apt bldg (all 2 BR, 2 BR + den, 3 BR) & CVL fitness ctr.

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The Sharon at SouthPark Site Plan

1. 28 acres; Type B contract
2. 7 IL apartment buildings (220 units) plus 28 cottages
3. 38 AL (36 Studio, 2 on BR)
4. 77 SNF + 19 Medicare SNF (62 open CON)
5. 8th IL building 64 units “Belmore” with 2 levels of underground garage parking and mixed-use office, retail and common areas totaling 260,300+ square feet
6. Center for Vibrant Living 56,300 sq. ft. wellness & fitness center

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THE SHARON AT SOUTHPARK

The Sharon at SouthPark Changing Scenarios

2014: Research, charrettes, master planning for many 18-unit apartment buildings (Villas)

2017-2018: New team, reimagine campus open to public with retail component, separate SNF?

2020-2022: COVID experience, challenges during new build put a pause on more development

2023-2025: Reimagine campus; research; more wellness; connect buildings; grow WL; add CCaH

2026: Presell 64-unit building, apply for permits and financing, start construction

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The Sharon at SouthPark Resident Demographics

THE
SHARON
AT SOUTHPARK

- 471 total residents (68% female, 32% male); average age of both is 84
- 371 IL residents average age 84; 33 AL residents average age 87
- Dept. of Insurance occupancy 99.2%
- Early advantage residents (CCaH): 67

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And now a word from our AVP consultant

Actuarial Projections are Long-Term

- Feasibility consultants and actuaries work hand-in-hand to evaluate expansion and renovation plans

- Assumptions in future years are critical and best estimates should be incorporated, so expansion and renovation plans must be “baked in”

- Actuarial results based on management assumptions; subscription clients have full access to the FORCAST model

Reasons for Actuarial Evaluation

1. Assess health care capacity with future expected needs
2. Project short-term and long-term cash inflows and outflows
3. Estimate impact on funded status – assure current residents about the adequacy of reserves
4. Compare pricing equity of existing units vs. new units
5. Comply with state regulatory and/or lender financing requirements

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FORCAST Output

- Population projection (aka pop flow)
- Cash flow projection
- Actuarial valuation – funded status
- New entrant pricing by contract type

The Sharon Key Resident Demographics

- Entry Age Consistently Younger than AVP Typical
- Double Occupancy 5-year Avg 47%
- Avg IL occupancy 95% plus for past 5 years
- IL Attrition 10% in AVP 2^{nd} Quartile
- Wait List has 700+ prospects

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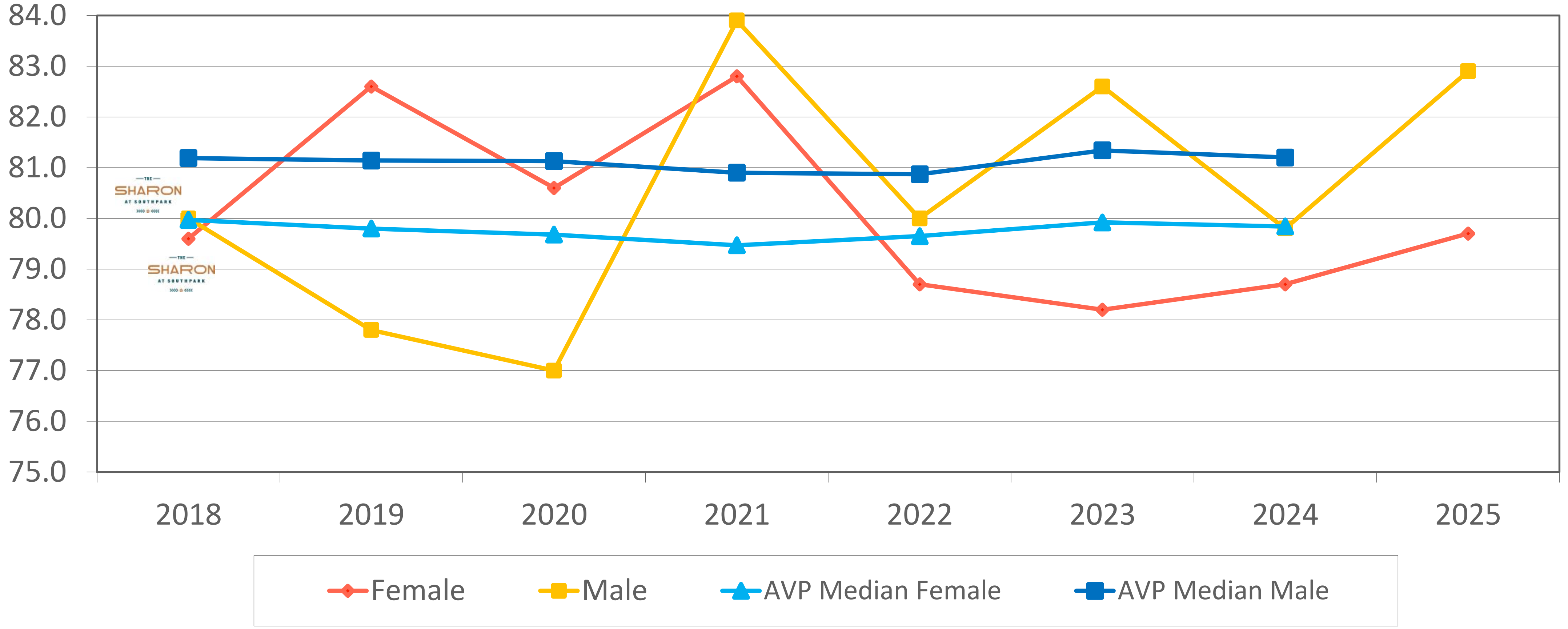
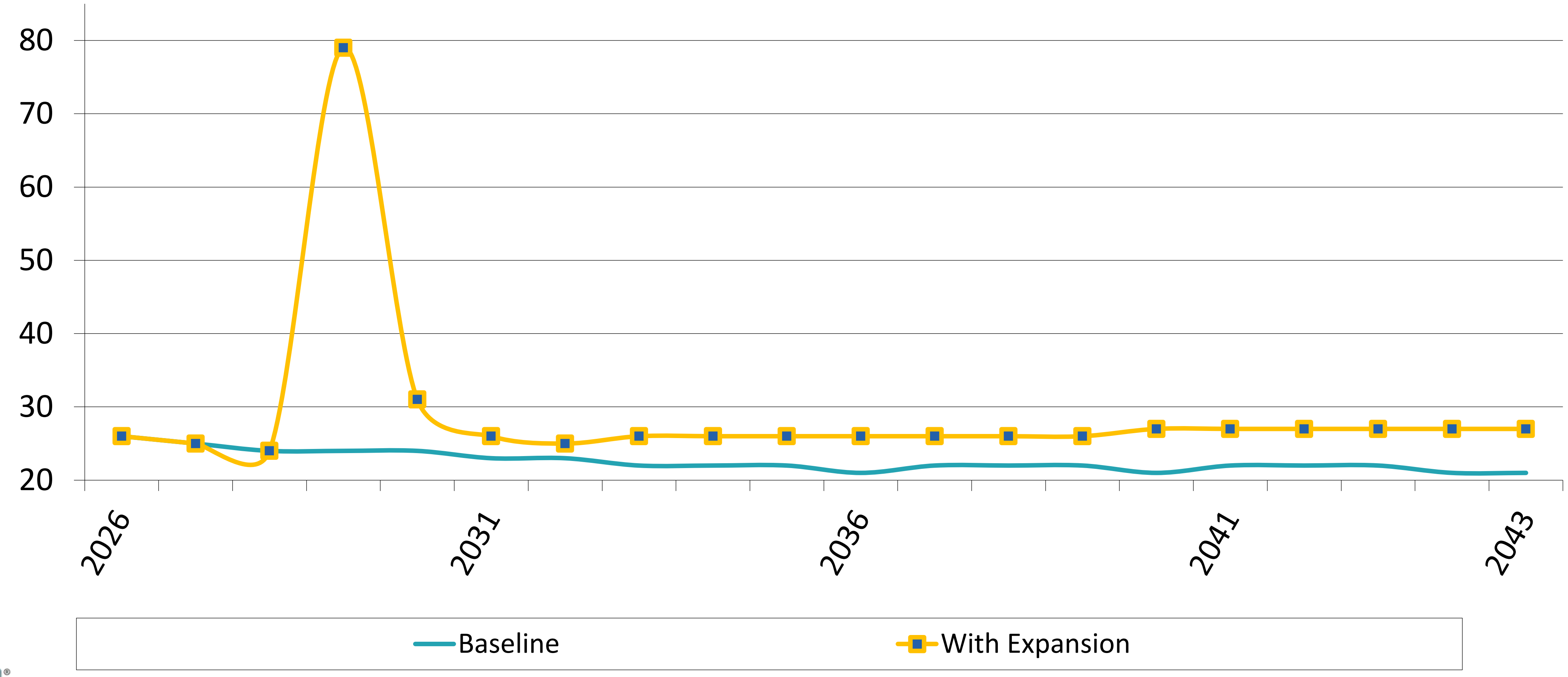
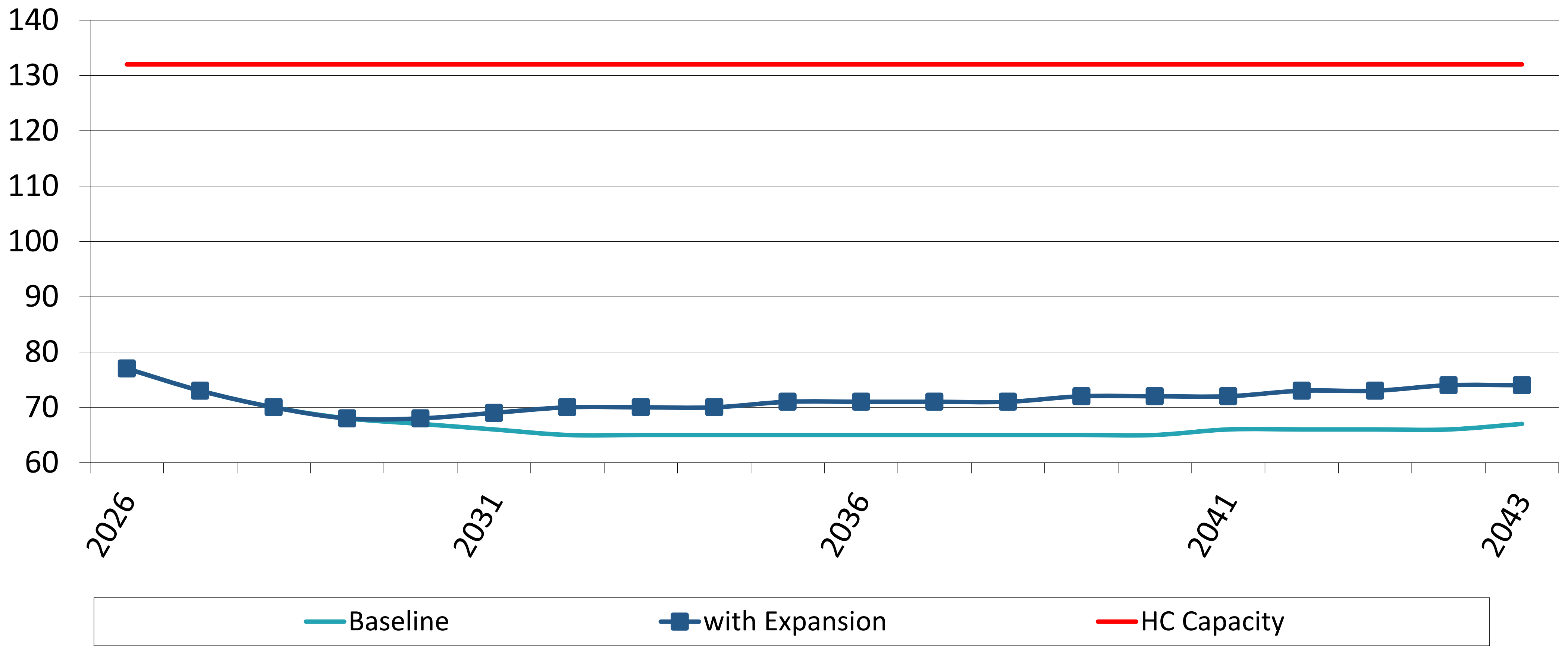
Female Entrants are Younger than Typical over Last 4 Yrs



Projected Independent Living Turnover



Projected Health Care Capacity



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Historical Trends in Fees and Actuarial Ratios

	2021	2022	2023	2024	Without 2025	Projected 2031
Entrance Fee	0% - 6.7%	0% - 7.1%	0% - 30.1%	6.9% - 10.7%	6.0% - 10.0%	3.0%
Monthly Fee IL Monthly Fee AL Monthly Fee NC	0% - 5.0% 5.4% 5.8%	7.5% 7.4% 7.5%	7.5% 7.1% 11.0%	0% - 4.5% 7.5% 4.5%	0% - 4.25% 5.0% 5.0%	4.0%
Funded Status	135.4%	131.5%	144.6%	140.8%	137.3%	119.1%
New Entrant Pricing	8.8%	6.3%	15.4%	10.9%	8.2%	0.1%
Net Operating Expense Inflation	6.0%	16.7%	10.1%	9.8%	8.8%	4.0%

Summary

THE SHARON AT SOUTHPARK

64-unit apt building BELMORE 100% presold

Older public spaces under renovation

Major expansion of wellness and fitness

Considering AL updates and MC options

Non-revenue generating expansion projects impacting Funded Status and New Entrant Pricing

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Questions & Answers