



# Preserving & Expanding Board and Care Facilities

IN LOS ANGELES COUNTY



Published October 2025

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And the board and care facility operators that provided critical financial and ground-level input for this report.

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# Background

In 2020, with funding from Cedars-Sinai, the California Community Foundation (CCF) partnered with the L.A. County Department of Mental Health (DMH) and the Department of Health Services (DHS) to research licensed residential care facilities, also known as Adult Residential Facilities (ARFs) and Residential Care Facilities for the Elderly (RCFEs) (the “Program”).



To further investigate the challenges these facilities face, DMH, DHS, CCF, and Cedars-Sinai have partnered with Genesis LA (GLA) and Brilliant Corners (collectively, the “Partnership”) to execute the key objectives of the Program, which are as follows:

24%

Of L.A. County’s 3,065 licensed board and care facilities, approximately 750 serve individuals with mental illness, those experiencing homelessness, or those reliant on public benefits.

The Program was created in pursuit of alleviating Los Angeles County’s on-going housing crisis, and explores how ARFs and RCFEs can be more financially sustainable to provide supportive housing for individuals experiencing homelessness. Although there are other resources available that share similar characteristics in serving vulnerable populations, such as interim housing, ARFs and RCFEs bring added value by providing on-site services to its clients in addition to housing for extended periods of time.

ARF/RCFEs are privately owned and operated facilities, licensed by the state of California, that provide residents with 24/7 supervision, non-medical care, medication management, meals, and assistance with daily living activities. More specifically, ARFs primarily serve clients under the age of 60 whereas RCFEs serve clients over the age of 60. These facilities are commonly described as an “assisted living facility” which captures a variety of facilities that provide both housing and personal care. For this report, both types of facilities will be referenced as “board and care facilities.”

### Looking at the Numbers

Among the 3,065 licensed board and care facilities in Los Angeles County (the “County” or “L.A. County”), approximately 750 facilities serve or are willing to serve individuals living with mental illness, individuals experiencing homelessness, or individuals reliant on public benefits for their room, board, and care. This represents an estimated capacity of 25,000 beds that are currently serving or are available to serve a vulnerable population.<sup>1</sup> According to a survey conducted by the Community Care License Division (CCL) of the California Department of Social Services, approximately 42% of licensed care providers that did not currently serve residents whose payment for care was from SSI/SSP were willing to serve the same population.<sup>2</sup>

25,000

Beds that are currently serving or are available to serve a vulnerable population.

- 1** Gain an understanding of the underlying ownership structure and capital needs for ARF/RCFEs.
- 2** Understand the role that ARF/RCFEs serve in the housing continuum for people experiencing homelessness who have mental illness(es).
- 3** Provide input to the County as it develops a method to provide funding to owners/operators of ARF/RCFEs to make capital improvements.
- 4** Perform financial analysis of current and alternative ownership structures for ARF/RCFEs to preserve and/or expand ARF/RCFEs.
- 5** Deploy philanthropic capital to pilot new lending programs that support current and alternative ownership structures for ARF/RCFEs.

Between 2016 and 2024, 187 ARFs and RCFEs have permanently closed their doors, representing a loss of 2,655 beds.<sup>3</sup> The rising number of closures of ARFs and RCFEs is due in part to fundamental challenges related to their financing structure and funding. Facilities serving vulnerable populations often face operational deficits due to low payment rates paid by public agencies, which are intended to cover a range of resident needs. For example, the Non-Medical Out-of-Home Care (NMOHC) rate established through Supplemental Security Income (SSI)/State Supplementary

Payment (SSP) benefits amount to a \$52.50 daily payment rate, which does not cover the full cost of meals, non-medical care, supervision, and facilities operation and maintenance, leaving many of the facilities in disrepair and with financially stressed operators. 📉

*This report provides baseline information and assumptions related to facility costs and operations for board and care facilities, as well as models potential changes to support the financial sustainability of these facilities.*

<sup>1</sup> Per the data noted within The Future Organization’s report: “Serving our Vulnerable Populations: Los Angeles County Adult Residential Facilities and Residential Care Facilities for the Elderly”

<sup>2</sup> 2024 data retrieved from the California Department of Social Services, Community Care Division for Los Angeles County

<sup>3</sup> Data retrieved from the Los Angeles County Department of Mental Health



# Executive Summary

This report recognizes that the operational structure for many board and care facilities is financially unsustainable, as evidenced by the rapid rate of facility closures per year despite their role as a key safety net in addressing L.A. County’s homelessness and housing crisis.<sup>4</sup>

Aside from existing programs operated by the County, which provide enhanced payment rates, the current operational structure for facilities serving individuals who rely on public assistance are largely financially unsustainable. This report outlines current funding sources for ARF/RCFEs serving populations with serious mental illness, analyzes reported operational costs, and identifies operating gaps and potential adjustments to effectively preserve and expand board and care facilities in L.A. County

GLA received and reviewed profit and loss statements from 10 separate facility operators throughout L.A. County, ranging from six beds to 175 beds. Due to differences in the way that operators classify expenses, we grouped expenses into standard line items to compare expenses shared across all facilities:

- ✔ **Facility Expenses:** Mortgage or rent, property taxes
- ✔ **Staffing:** Wages, salaries, workers compensation, payroll taxes, and benefits
- ✔ **Repairs and Maintenance:** Repairs, maintenance, and janitorial supplies
- ✔ **Utilities:** Common utilities such as electricity, plumbing, air conditioning, and telecommunications
- ✔ **Client Supplies and Services:** Food and medical supplies, client activities, transportation
- ✔ **Facility Administration:** Office administration costs, taxes, licenses, and accounting expenses
- ✔ **Insurance:** Property and Liability insurance

Facility operators reported a total cost per bed, per day of \$129 for facilities with six beds or fewer, \$78 for facilities with seven to 60 beds, and \$60 for facilities with over 60 beds. The Social Security Income – NMOHC daily bed rate of \$52.50 per day is not sufficient to support facility operations with only SSI/SSP. County aide to board and care facilities through its Enhanced Residential Care (ERC) Program provides an additional \$33 to \$100 per bed, per day in additional subsidy for facilities, depending on the level of care needed. Combined, SSI/SSP and ERC daily bed rates can range from \$85.50 to \$152.50. This report finds that the ERC is critical to supporting board and care facilities throughout L.A. County. However, the County requires additional funding support to expand the deployment of enhanced rates to stabilize board and care facilities.

Due to the limited number of facilities that were willing to share detailed financial data related to their operations, GLA supplemented operating cost data with other similar facilities, such as Low-Income Housing Tax Credit (LIHTC) projects, CoStar reports listing board and care acquisitions, and Project Homekey sites. Lastly, we conducted several interviews with facility operators and experts in the board and care field for guidance on our analysis. We used this data to adjust the reported expenses from facilities to reflect a more inclusive cost to manage a board and care facility.

## Facility Costs Per Bed, Per Day



## The Recommended Rates

This report explores two potential models as a solution to stabilize and expand board and care facilities.

### Ownership Model

The first option, the Ownership Model, assumes that a new property is to be acquired in partnership with a mission-driven organization. Under this model, 80% of the acquisition costs are paid by debt capital while the remaining 20% is funded by grants and equity, with all rehabilitation costs expected to be financed with grant or equity capital. This report assumes a daily bed rate that supports a 10% surplus from operations that would allow for optimal liquidity for operations while also providing a reasonable cash flow for those seeking to enter the board and care industry. Under the Ownership Model, a daily bed rate with a 10% markup for owners of a facility with six beds or fewer was \$209 per bed, \$134 per bed for 7–60 beds, and \$106 for facilities with over 60 beds.

### Lease Model

The second option is the Lease Model, where GLA assumes a private investor pays for acquisition and rehabilitation of a given property with the intention to master lease the site to a mission-driven operator. The sources to pay for the acquisition and rehabilitation of a given property are based on a 30-year loan providing up to 80% financing with the remaining 20% of costs assumed to be paid by private equity from the investor. Under the Lease Model, and assuming a 10% markup, GLA estimates the total cost per bed, per day to operate a facility with six beds or fewer at \$201, \$137 for facilities with 7–60 beds, and \$125 for facilities with over 60 beds. The recommended rates (including the 10% markup) between the Ownership Model and Lease Model showed minimal differences between the two.

<sup>4</sup> 2021 data retrieved from the Los Angeles County Department of Mental Health

\$150

The average daily cost per bed to successfully support a board and care facility in L.A. County.

\$52.50

The current Non-Medical Out of Home Care daily bed rate for clients receiving SSI/SSP.

The tables below summarize the differences in costs per bed for each facility size on a daily and annual basis. Cells highlighted in blue are the most cost-effective model for each facility size.

≤6 Beds

	Own	Lease	Variance
<b>Cost Per Bed / Year</b>	<b>Adj. Expenses</b>		
Facility Expenses	\$15,750	\$15,287	\$(463)
Staffing	\$36,000	\$36,000	
Repairs and Maintenance	\$2,500	\$2,500	
Utilities	\$3,080	\$3,080	
Client Supplies and Services	\$7,000	\$7,000	
Facility Administration	\$2,800	\$2,800	
Insurance	\$1,800		\$(1,800)
Replacement Reserves	\$500		\$(500)
<b>Total Cost Per Bed / Year</b>	<b>\$69,430</b>	<b>\$66,667</b>	<b>\$(2,763)</b>
<b>Cost Per Bed / Day</b>	<b>Adj. Expenses</b>		
Facility Expenses	\$43	\$42	\$(1)
Staffing	\$99	\$99	
Repairs and Maintenance	\$7	\$7	
Utilities	\$8	\$8	
Client Supplies and Services	\$19	\$19	
Facility Administration	\$8	\$8	
Insurance	\$5		\$(5)
Replacement Reserves	\$1		\$(1)
<b>Total Cost Per Bed / Day</b>	<b>\$190</b>	<b>\$183</b>	<b>\$(8)</b>
<b>"Total Recommended Rate (Break-Even Rate + 10% profit)"</b>	<b>\$209</b>	<b>\$201</b>	
% increase / decrease: -4%			

7-60 Beds

	Own	Lease	Variance
<b>Cost Per Bed / Year</b>	<b>Adj. Expenses</b>		
Facility Expenses	\$8,995	\$11,071	\$2,077
Staffing	\$21,469	\$21,469	
Repairs and Maintenance	\$1,950	\$1,950	
Utilities	\$1,410	\$1,410	
Client Supplies and Services	\$7,000	\$7,000	
Facility Administration	\$2,660	\$2,660	
Insurance	\$580		\$(580)
Replacement Reserves	\$500		\$(500)
<b>Total Cost Per Bed / Year</b>	<b>\$44,564</b>	<b>\$45,560</b>	<b>\$997</b>
<b>Cost Per Bed / Day</b>	<b>Adj. Expenses</b>		
Facility Expenses	\$25	\$30	\$6
Staffing	\$59	\$59	
Repairs and Maintenance	\$5	\$5	
Utilities	\$4	\$4	
Client Supplies and Services	\$19	\$19	
Facility Administration	\$7	\$7	
Insurance	\$2		\$(2)
Replacement Reserves	\$1		\$(1)
<b>Total Cost Per Bed / Day</b>	<b>\$122</b>	<b>\$125</b>	<b>\$3</b>
<b>"Total Recommended Rate (Break-Even Rate + 10% profit)"</b>	<b>\$134</b>	<b>\$137</b>	
% increase / decrease: 2%			

61+ Beds

	Own	Lease	Variance
<b>Cost Per Bed / Year</b>	<b>Adj. Expenses</b>		
Facility Expenses	\$7,975	\$15,628	\$7,653
Staffing	\$14,723	\$14,723	
Repairs and Maintenance	\$1,140	\$1,140	
Utilities	\$1,050	\$1,050	
Client Supplies and Services	\$7,000	\$7,000	
Facility Administration	\$1,860	\$1,860	
Insurance	\$815		\$(815)
Replacement Reserves	\$500		\$(500)
<b>Total Cost Per Bed / Year</b>	<b>\$35,063</b>	<b>\$41,401</b>	<b>\$6,338</b>
<b>Cost Per Bed / Day</b>	<b>Adj. Expenses</b>		
Facility Expenses	\$22	\$43	\$21
Staffing	\$40	\$40	
Repairs and Maintenance	\$3	\$3	
Utilities	\$3	\$3	
Client Supplies and Services	\$19	\$19	
Facility Administration	\$5	\$5	
Insurance	\$2		\$(2)
Replacement Reserves	\$1		\$(1)
<b>Total Cost Per Bed / Day</b>	<b>\$96</b>	<b>\$113</b>	<b>\$17</b>
<b>"Total Recommended Rate (Break-Even Rate + 10% profit)"</b>	<b>\$106</b>	<b>\$125</b>	
% increase / decrease: 18%			

The Funding Gap & Potential Funding Sources

This report estimates that the average cost per bed to successfully support a board and care facility in L.A. County to be approximately \$150 per bed, per day. With this consideration, it would require \$350 million in additional funds just to fill the existing stock of 6,400 unoccupied but available beds in L.A. County each year.<sup>5</sup> Of the \$350 million needed, the current SSI/SSP rate would cover \$122.64 million, leaving a gap of \$227,760,000 annually, or \$97.50 per bed, per day.

In addition to increasing or further enhancing the SSI/SSP daily bed rate to address ongoing operational deficits in board and care facilities, there are recently passed public resources that may offer an opportunity to address the funding gap. At the state level, California Proposition 1 will issue bonds totaling \$6.38 billion dollars to reform and expand California's behavioral health system. Additionally, L.A. County's Measure A is projected to bring \$1 billion annually in sales tax revenue to make housing more affordable and prevent homelessness.

**\$350M**

Amount needed in additional funds to fill the existing stock of 6,400 unoccupied but available beds in L.A. County each year.



<sup>5</sup> Per The Future Organization's report, "Serving our Vulnerable Populations: Los Angeles County Adult Residential Facilities and Residential Care Facilities for the Elderly" there are approximately 6,400 vacant beds currently available to serve vulnerable populations in L.A. County.



# Report Methods

Between 2021 and 2024, Genesis LA consulted with the following subject matter experts:

**Aimery Thomas, MPA, MAIR, LSSBB**  
Managing Director  
*The Future Organization*  
Field: Research

**Bennie Tinson**  
Executive Director  
*Licensed Adult Residential Care Association*  
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**Daniel Winston**  
Staff Analyst, Health  
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**Daryl James, CIIP**  
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*Brilliant Corners*  
Field: Supportive Services

**Justin Dae**  
CEO  
*Daeco Inc. (in partnership with Brilliant Corners)*  
Field: Real Estate

**Leila Towry, M.Ed, CNP**  
Director  
*The Future Organization*  
Field: Research

**Luis E. Quintanilla, LCSW**  
Mental Health Program Manager II  
*Department of Mental Health*  
Field: Supportive Services

**Mike Lanza**  
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Field: Housing and Supportive Services

**Monty Jarecke**  
Director of Asset Management  
*Brilliant Corners*  
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**Patricia Muotoh Nwaekeke, Ed.D, MBA**  
Director, Enriched Residential Care  
*Department of Health Services*  
Field: Supportive Services

**Salaneka Smith**  
Director of Member Services  
*Licensed Adult Residential Care Association*  
Field: Board and Care

**Sonya Smith**  
Associate Director, Facility Improvement and Performance  
*Department of Health Services*  
Field: Supportive Services

GLA also interviewed five owner-operators of board and care facilities (who wished to remain anonymous) for insight on operations. Additionally, GLA reviewed various research documents to understand the existing landscape around board and care facilities and analyzed project and real estate data to obtain, compare, or validate certain assumptions in the housing models presented in this report, including:

<p><b>ACL Launches National Center to Strengthen the Direct Care Workforce</b> by the Administration for Community Living</p>	<p><b>For Every Bed Lost a Person is Displaced: California’s Continuing Board &amp; Care Crisis</b> by Brittny Weissman</p>	<p><b>Serving Our Vulnerable Populations: Los Angeles County Adult Residential Facilities and Residential Care Facilities for the Elderly</b> prepared by The Future Organization</p>
<p><b>Affordable Housing, Homeless Solutions, and Prevention Now Transactions and Use Tax Ordinance</b> prepared by the County of Los Angeles</p>	<p><b>Homes for People with Severe Mental Illness are Rapidly Closing</b> by Jaclyn Cosgrove, <i>Los Angeles Times</i></p>	<p><b>State Efforts to Address Medicaid Home-and-Community-Based Services Workforce Shortages</b> prepared by the Medicaid and CHIP Payment and Access Commission</p>
<p><b>ARF Sample Budget</b> prepared by Licensed Adult Residential Care Association</p>	<p><b>No Time to Waste: An Imminent Housing Crisis for People with Serious Mental Illness Living in Adult Residential Facilities</b> prepared by Heart Forward and Coro Southern California</p>	<p><b>Stretched to Capacity: The Challenges Facing California’s Homelessness Service Providers</b> by Ryan Finnigan, the Turner Center for Housing Innovation</p>
<p><b>The Behavioral Health Infrastructure Bond Act 2023 (Assembly Bill No. 531, Chapter 789)</b> prepared by the State of California</p>	<p><b>Physical Needs Assessments</b> prepared by Partners Engineering, Science, Inc.</p>	<p><b>Wages of Direct Care Workers Lower than Other Entry-Level Jobs in Most States</b> by the US Department of Health and Human Services, Office of the Assistant Secretary for Planning and Evaluation</p>
<p><b>Chapter 1. Behavioral Health Continuum Infrastructure Program</b> prepared by the County of Los Angeles</p>	<p><b>Residential Regulations for Adult Residential Facilities: Personnel Requirements</b> prepared by the California Department of Social Services</p>	<p>➔ <b>Finally, GLA reviewed and analyzed various real estate projects, Project Homekey budgets and proformas, and market data to inform the development of the board and care financial models as referenced throughout this report.</b></p>
<p><b>Enriched Residential Care Program Guidelines and Procedures</b> prepared by DMH</p>	<p><b>Residential Regulations for Residential Care for the Elderly: Personnel Requirements</b> prepared by the California Department of Social Services</p>	
<p><b>Enriched Residential Care Program Placement Guide</b> prepared by DHS</p> <p><b>Estimated SSI/SSP Payment Standards (effective January 1, 2024)</b> from the California Health and Human Services Agency, Department of Social Services</p>	<p><b>State Efforts to Improve Direct Care Workforce Wages</b> prepared by HHS Office of the Assistant Secretary for Planning and Evaluation</p>	

# IV

# Our Analysis

Throughout the Program, we encountered several challenges that affected GLA’s ability to analyze the existing board and care landscape, which necessitated alternative means to gather data. While GLA has made substantial efforts to gather current data and comparable data for our analysis, please consider the following:

**1 Facility Operators’ Reluctance to Provide Financial Statements:** Board and care facility operators are not required to provide financial statements to the County or other funders, and most were unwilling to provide operating statements for GLA’s analysis. GLA offered to provide confidentiality agreements after operators expressed concern about their information being shared with the Internal Revenue Service (IRS); however, this did not improve participation. Brilliant Corners, DHS, and DMH also offered to leverage their relationship with facility operators to encourage participation, but this only provided a minimal sample size. Through this effort, GLA was able to collect operating statements from 10 facilities, and an operating model from the Los Angeles Residential Care Association (LARCA).

**2 Proxy Data:** Given the small sample size of only 10 board and care facilities (out of 3,065 facilities in Los Angeles County) that provided financial data, we used proxy data from tax credit affordable housing projects, Project Homekey, recent residential care acquisitions, and information provided by LARCA to provide additional operating expense data from similar housing facilities. This proxy data was compared against the data provided by the 10 board and care facilities and was used to inform our analysis and the development of a sustainable financial model for board and care facilities.



## Facility Size Categories Used for This Report

6

Beds or fewer

7-60

Beds

61+

Beds



**3 Facility Size Categorizations:** GLA used the categorizations of facility sizes in this report based on parameters set by The Future Organization’s (TFO) report, “Serving Our Vulnerable Populations: Los Angeles County Adult Residential Facilities and Residential Care Facilities for the Elderly.” TFO provided an in-depth landscape analysis of ARFs and RCFEs throughout L.A. County, noting how the categorizations of facility sizes (six beds, 7–60 beds, and 61+ beds) were used to more accurately analyze notable differences between facility sizes. GLA used these categorizations to maintain consistency throughout the Program.

**4 Pivot from Preservation to Expansion Models:** One of the Program’s original goals aimed to explore alternative ownership models that preserve and

expand board and care facilities throughout L.A. County. GLA explored potential models including: existing owners sell their property to mission-driven organizations to alleviate property operation responsibilities; mission-driven organizations acquire a property and facility operations to operate both programs and real estate under one entity; and partnerships with private investors who acquire and rehabilitate existing operational properties and then lease the property back to the operator. However, nearly all facility operators reported that they would be unwilling to sell their property as their ownership stake served as their retirement plan or means of creating generational wealth. As such, the Partnership focused on understanding the true costs to operate board and care facilities acquiring and rehabilitating new properties under an ownership or lease structure.



# Current Environment

Residents of ARFs and RCFEs may receive income through various sources, including SSI/SSP, pensions, or family to pay for housing and services.

However, this report details the fundamental challenges faced by board and care facilities serving populations who live with mental illness and/or physical disabilities and solely rely on public benefits like SSI/SSP and County programs that provide additional subsidy. This section summarizes the various income sources and operational expenses for board and care facilities to illustrate the operational deficits created by SSI/SSP's limited daily bed rate.

## Income Sources for Board and Care Facilities Serving Vulnerable Populations

Source	Monthly Rate	Daily Bed Rate (\$)	Daily Bed Rate (in addition to SSI/SSP)
SSI/SSP	\$1,575.00	\$52.50	N/A
DMH ERC Program - ARF/RCFE*	\$1,000 to \$3,000	\$33 to \$100	\$85.50 to \$152.50
DHS ERC Program - ARF*	\$1,000 to \$2,000	\$33 to \$66	\$85.50 to \$119
DHS ERC Program - RCFE*	\$3,000 to >\$3,500	\$100 to \$116	\$152.50 to \$169
Service Contract Subsidy (DMH/DHS)**	Varies	Varies	Varies
Pensions, Family-Funded, Other Private Sources	Varies	Varies	Varies

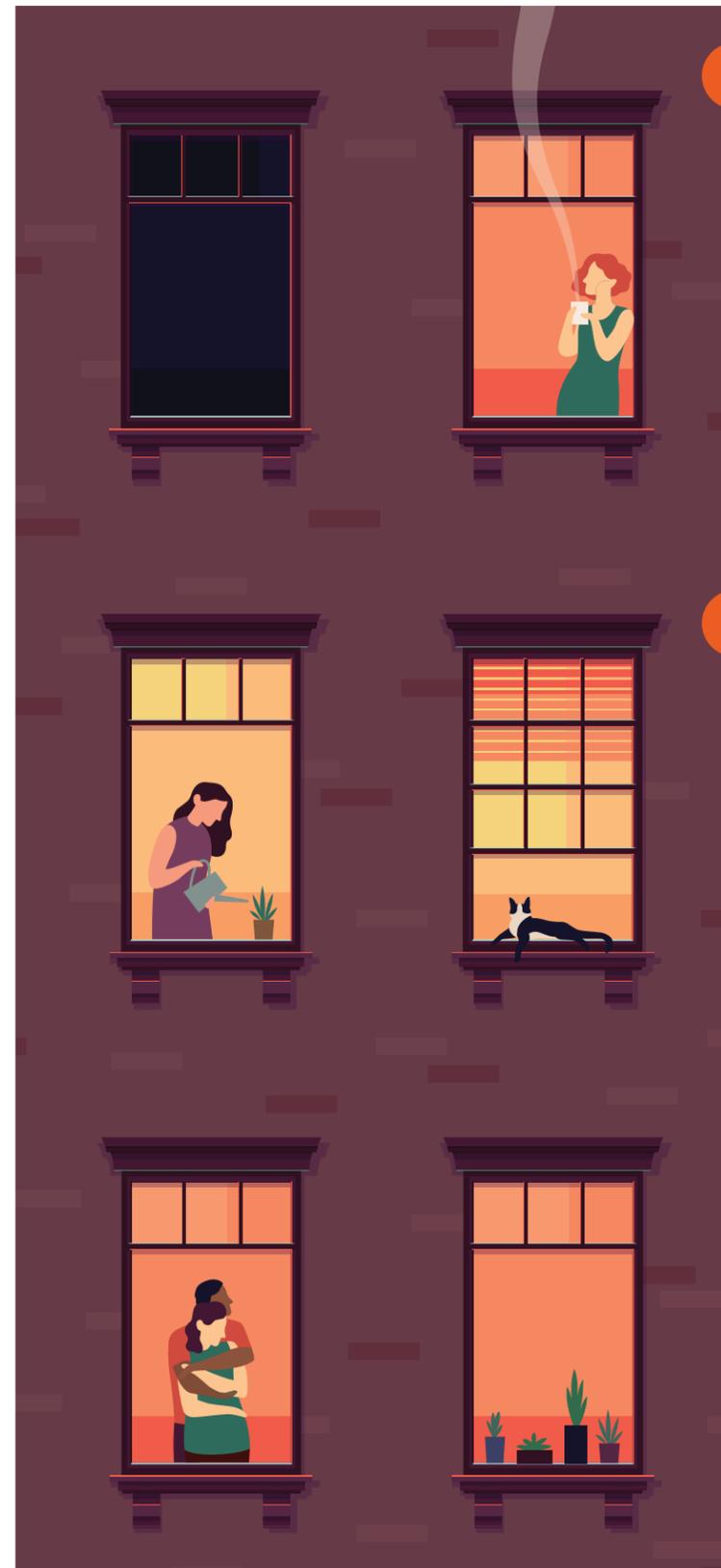
\*Enhanced Residential Care

**\$46.60**

Maximum that can be allocated toward housing expenses from the SSI/SSP daily rate (\$52.50).

**\$6**

Remaining per day for personal and incidental expenses after paying housing expenses with SSI/SSP.



### i Supplemental Security Income (SSI)/ State Supplementary Payment (SSP)

Per the California Department of Social Services, the non-Medical Out of Home Care rate in 2024 (the SSI/SSP rate for board and care facilities) is \$1,575 per month, or a bed rate of \$52.50 per day.<sup>6</sup> Experts in the board and care field reported that facility operators commonly allocate two clients per bedroom. Of the total monthly SSI/SSP income, up to \$1,398.07, or a bed rate of \$46.60 per day, can be allocated to housing expenses, which include room and board, plus care and supervision (the “Allocated Housing Expense”). The remaining \$177 per month, or just under \$6 per day, is available to the individual for all other personal and incidental expenses. The Allocated Housing Expense is mandated by the California Health and Human Services Agency.

### ii Enhanced Residential Care Program (DMH/DHS)

The income gap shouldered by ARFs and RCFEs throughout L.A. County is a longstanding issue which has been the subject of repeated studies that all point to a need for a more sizable SSI/SSP rate, beyond typical annual escalations of approximately 2.5%. To address the funding gaps for clients who rely on SSI/SSP, and in response to the urgent need to support these facilities, DHS launched its Enriched Residential Care (ERC) Program in 2015. In 2018, a Los Angeles County Board of Supervisors’ board motion led to DMH establishing its own ERC program, aligning its board and care preservation efforts with DHS. DMH and DHS’ ERC programs subsidize clients who require 24/7 care and supervision and have no-to-low income or receive SSI/SSP. Individuals enrolled in ERC may receive rental support and/or an enhanced services subsidy that is paid directly to the facility to support the enhanced service needs of a client. During the ERC eligibility evaluation, clients are assessed according to a tier-based system that determines the amount of supplemental funds provided to the facility. The amount of supplemental funds can generally range from \$1,000 to over \$3,000 per client per month to cover housing expenses, personal/incidental expenses, and any additional enhanced services for those living with a mental illness or physical disability. This is equivalent to approximately \$33 to \$100 per bed, per day in addition to a client’s \$52.50 daily bed rate from SSI/SSP, totaling a daily bed rate range of \$85.50 to \$152.50.

<sup>6</sup> Per the Estimated SSI/SSP Payment Standards (effective January 1, 2024) from the California Health and Human Services Agency, Department of Social Services

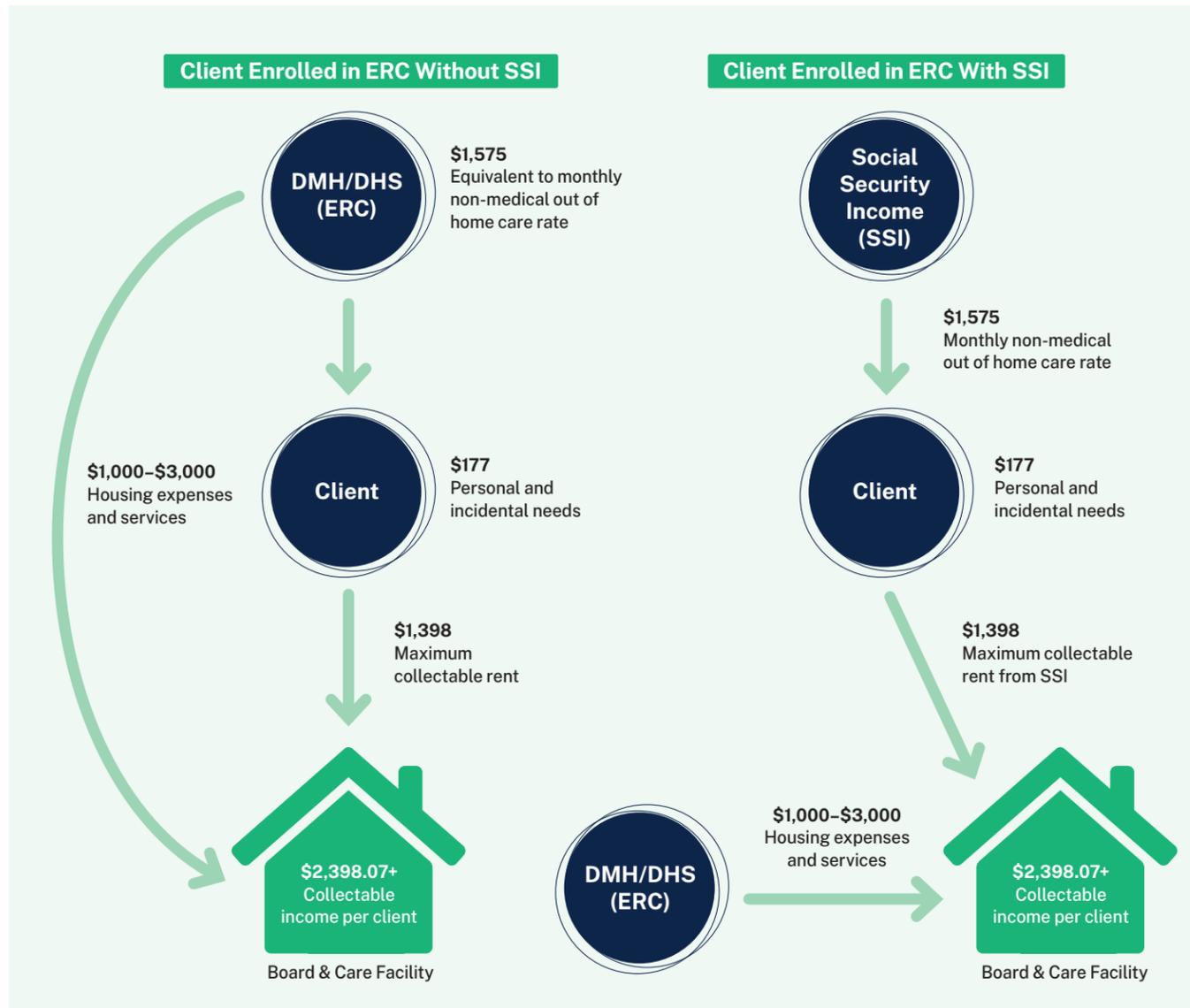


Figure A: Baseline visual model illustrating how operators receive additional income through the DMH/DHS ERC program when a client is enrolled in SSI/SSP versus when a client is not enrolled.

When a client without any source of income is enrolled in the ERC program (DHS or DMH), ERC will subsidize the client’s personal and incidental needs up to the total NMOHC rate while also providing supplemental funds to the facility to ensure the client’s services are provided (the “Full ERC Benefit”). DMH encourages clients receiving the Full ERC Benefit to apply for SSI/SSP with the help of a case manager. If receiving SSI/SSP prior to moving into a facility, clients will pay for rent while ERC provides supplemental funds to cover additional services. Clients are assisted to enroll in SSI/SSP, so that this income can free up DMH ERC funds to assist more individuals. Even if the client becomes eligible for SSI/SSP after moving into a facility, ERC will still provide subsidy for additional supportive services while the client pays rent from SSI/SSP.

Per board and care field experts, the amount of ERC income a client receives for housing and services also

depends on whether or not the client receives services from DHS or DMH, and if the client is housed in an ARF or RCFE. The subsidy provided by DMH’s ERC program is largely contingent on client acuity needs, whereas DHS’ ERC program sizes its supplemental funds based on both the client’s needs and a facility’s capacity to serve the client’s needs—i.e. facilities that can offer a broader range of services to a client receive a higher subsidy than those that provide a more limited scope of services. Per DHS, ARFs typically serve clients receiving \$1,000 to \$2,000 in subsidy from ERC, while RCFEs typically service clients receiving \$3,000 to over \$3,500 in supplemental funds. Since DMH’s ERC program is tied to the client, a majority of clients receive approximately \$1,000 to \$1,500 in supplemental funds, regardless of whether or not a client is housed in an ARF or RCFE.<sup>7</sup>

### iii Service Contracts

Facility operators can also enter into agreements with the County through service contracts, which act as an extension of DMH and DHS’ ERC program. Both DMH and DHS have very similar structures/processes in relation to facility service contracts. When a facility enters into a partnership with DMH or DHS, the facility operator negotiates a cost per client, which includes additional income for rent and supportive services for each DMH client. By entering into a service contract with DMH, facilities ensure guaranteed income in exchange for reserving available beds for DMH clients. Per DMH, the additional funds for the client’s services are negotiated on a project-by-project basis and therefore vary in the amount of funding one facility can receive per bed.<sup>8</sup>

DHS operates the L.A. County Flexible Housing Subsidy Pool (FHSP), a supportive housing rental subsidy program designed to secure quality affordable housing for DHS patients. Brilliant

Corners acts as the administrator of FHSP through a contract with DHS by administering funds and coordinating housing for DHS clients. To leverage the FHSP’s preexisting infrastructure of disseminating funds and services, DMH allocates ERC funds to the FHSP, which allows Brilliant Corners to administrate the funds on behalf of DMH while also providing housing retention services. Brilliant Corners then enters into agreements with facility operators to establish subsidy amounts needed for each client. If a client doesn’t have SSI/SSP but is eligible for ERC, DMH will cover expenses equivalent to the non-Medical Out of Home Care rate while also providing additional funds for the service contract. Even if the client becomes eligible for SSI/SSP after the service contract has been solidified, DMH will amend the contract to only include subsidy payments for additional services while the client pays for the rent from their SSI/SSP.

### iv Operational Expenses

GLA received one to three years of income statements from 10 separate facility operators, ranging from six beds to 175 beds throughout L.A. County (the “Sample Data”). One six-bed facility provided financial information for analysis; however, the data from this facility was excluded from our analysis as the information provided appeared to be an outlier when compared to larger facilities and a model developed by the Licensed Adult Residential Care Association (LARCA) to reflect typical operating expenses for a six-bed facility

(the “LARCA Model”). Therefore, this LARCA Model became the basis for our analysis of facilities with six beds or fewer.

Due to various ways that each facility classified their expenses, we consolidated each facility’s reported expenses into standardized line items to compare expenses across all facilities. We developed seven core line items based on the common expenses shared across all facilities (the “Consolidated Expenses”). The Consolidated Expenses are detailed in the list below:

- ✓ **Facility Expenses:** Mortgage or rent, property taxes
- ✓ **Staffing:** Wages, salaries, workers compensation, payroll taxes, benefits
- ✓ **Repairs and Maintenance:** Repairs, maintenance, janitorial supplies

- ✓ **Utilities:** Common utilities such as electricity, plumbing, air conditioning, telecommunications

- ✓ **Client Supplies and Services:** Food and medical supplies, client activity, transportation

- ✓ **Facility Administration:** Office administration costs, taxes, licenses, accounting expenses

- ✓ **Insurance:** Property and liability insurance expenses

<sup>7</sup> As of December 31, 2023. In 2024, DMH’s ERC program sizes amounts to for a client based on a tiered system, however such information was not yet available during the research period of this report.

<sup>8</sup> As of December 31, 2023. In 2024, DMH’s ERC program sizes amounts to for a client based on a tiered system, however such information was not yet available during the research period of this report.

Table 1: Average Operational Expenses as Reported by Facility Operators

Unit Size	≤6 Beds	7-60 Beds	61+ Beds	Notes
Sample Size	1	2	7	The ≤6 beds sample is from a typical property as modeled by LARCA.
Average Unit Count	6	30	108	
Average Square Footage	1,440	7,854	25,526	
Average ERC Participants in Facility	83%	72%	53%	
<b>Operational Expenses Per Bed (Consolidated)</b>				
Facility Expenses	\$7,200	\$3,934	\$5,176	This line item consists of mortgage or rent and property taxes. Interviews with facility operators and insight from LACDA have indicated that the ownership structure varies from property to property. Some facilities are part of a larger portfolio of assets in which rent is paid to a single holding entity, while other properties are owned and operated individually. There are also properties that are owned by a nonprofit organization or owned by a private company that leases the property to an operator. Yet other facilities are owned and operated by the same entity. These variations in ownership structures allow operators flexibility in operationalizing the facility, but make it difficult to standardize a model that works across all the variations of ownership structures. Based on the sample data provided to Genesis LA, the reported facility cost per bed ranges from \$5,176 to \$7,200, based on the various facility sizes.
Staffing	\$23,040	\$14,666	\$9,701	This line includes all costs for wages, salaries, workers compensation, payroll taxes, and benefits. Average staffing ratios per facility size include 1 staff per 2.65 beds for facilities with 7-60 beds; and 1 staff per 4.01 beds for facilities with 61 or more beds. Based on the minimum staffing recommendation provided by LARCA, the minimum ratio for a facility with 6 beds or fewer is 1 staff per 3 beds. These ratios include healthcare, maintenance, and administration staff. Based on the data provided by facility operators and LARCA's recommendation, the average staffing ratio across all facility sizes is 1 staff member for every 3.65 beds served. Total Staffing Costs reported by facility operators were divided by the estimated number of staff (based on the staff ratios from the Sample Data) to arrive at the average costs per bed. The average staffing expenses per bed are reported by facility size in the table to the left.
Repairs and Maintenance	\$2,500	\$1,166	\$982	A significant driver of cost burdens for facility operators is unexpected maintenance and repair costs associated with their facilities. Operators have generally been able to maintain their property, but many properties do experience deferred maintenance due to limited capital to make long-term improvements. Based on the expenses provided by facility operators, the average annual expense per bed for repairs and maintenance is \$2,500/bed for facilities with 6 beds or fewer, \$1,166/bed for facilities with 7-60 beds, and \$982/bed for facilities with 61 or more beds.
Utilities	\$3,080	\$948	\$967	Based on the data provided by facility operators, the average annual utility expense per bed was \$3,080 for facilities with 6 beds or fewer; \$948 for facilities with 7-60 beds; and \$967 for facilities with 61 or more beds.
Client Supplies and Services	\$6,800	\$4,604	\$2,229	This line item consists of the general supplies needed to operate a facility, including food and medical supplies, and client activities and transportation. Based on the data provided by facility operators, the average annual cost per bed for supplies and services was \$6,800 for facilities with 6 beds or fewer; \$4,604 for facilities with 7-60 beds; and \$2,229 for facilities with 61 or more beds. During our interviews, facility operators reported that additional client activities and transportation services are desired, but these expenses are often the first to be cut to ensure revenues can cover expenses.

Table 1: Average Operational Expenses as Reported by Facility Operators Continued

Facility Administration	\$2,800	\$2,417	\$1,860	This line item includes general office administration costs, taxes, and licenses. Based on the data provided by facility operators, the average annual Facility Administration cost per bed was \$2,800 for facilities with 6 beds or fewer; \$2,417 for facilities with 7-60 beds; and \$1,860 for facilities with 61 or more beds.
Insurance	\$1,800	\$580	\$815	This line items includes property and liability insurance costs associated with the facilities, which can vary widely between facilities and by property size. Based on the data provided by facility operators, the average annual insurance cost per bed was \$1,800 for facilities with 6 beds or fewer; \$580 for facilities with 7-60 beds; and \$815 for facilities with 61 or more beds.
<b>Total Cost Per Bed / Year</b>	<b>\$47,220</b>	<b>\$28,314</b>	<b>\$21,730</b>	
<b>Total Cost Per Bed / Day</b>	<b>\$129</b>	<b>\$78</b>	<b>\$60</b>	

Table 1: Operational Expense Findings

Facility operators reported a total cost per bed, per day of \$129 for facilities with six beds or fewer, \$78 for facilities with seven to 60 beds, and \$60 for facilities with over 60 beds. When compared to the daily bed rate supported by the Allocated Housing Expense (\$46.60), there is not nearly enough income to support facility operations with SSI/SSP alone.

The County's ERC program can provide a substantial source of revenue to facilities to make operations more sustainable

and keep facilities afloat. However, the County's Landscape Scan revealed that facilities rarely reserve 100% of their overall bed count for DMH/DHS clients. Interviews with facility operators revealed that facilities generally do not reserve all beds for DMH/DHS clients so that they can leave beds open to privately funded clients (pensions, family-funded, other private sources, etc.) to maintain a mixed-income facility and ensure they can address all operational needs.

### V The Operational Challenge

To understand why board and care facilities are closing throughout L.A. County, GLA consulted with LARCA, which has direct experience with the challenges that facility operators face. The LARCA Model illustrates how the daily bed rate provided by SSI/SSP payments is insufficient to support basic facility operations (see Table 2).

Table 2: Operational Surplus/(Deficit) for a 6-Bed Facility Solely Reliant on Clients with SSI/SSP Income

Sources	Per Month	Per Year
SSI Income, net personal allowance	\$8,388	\$100,661
<b>Total Sources</b>	<b>\$8,388</b>	<b>\$100,661</b>
<b>Uses</b>		
Staff/Hours	\$11,520	\$138,240
Utilities	\$1,540	\$18,480
Food	\$3,400	\$40,800
Supplies	\$1,750	\$21,000
Repairs and Maintenance	\$1,200	\$14,400
Home and Business Insurance	\$900	\$10,800
Mortgage	\$3,000	\$36,000
Government Fees (annually)	\$50	\$600
<b>Total Uses</b>	<b>\$23,360</b>	<b>\$280,320</b>
<b>Surplus/(Deficit)</b>	<b>\$(14,972)</b>	<b>\$(179,659)</b>

Table 2: LARCA Model illustrating the income gap for a 6-bed facility serving individuals solely reliant on SSI/SSP

Although expenses can be lowered by increasing efficiencies in operation when serving more clients (i.e. economy of scale), smaller facilities are left with the burden of solving a higher revenue gap. Further, the LARCA Model was created to illustrate the basic functions of a six-bed facility and does not factor additional information such as whether a facility is an ARF or RCFE, or any additional income the facility generates.

Table 3: Operational Surplus/(Deficit) for a 6-Bed Facility (ARF vs. RCFE) Using Reported Expenses

ARFs	Per Month	Per Year	RCFEs	Per Month	Per Year
<b>Sources</b>			<b>Sources</b>		
SSI Income, net personal allowance	\$8,388	\$100,661	SSI Income, net personal allowance	\$8,388	\$100,661
DMH/DHS Enhanced Rate (ERC)	\$7,870	\$94,435	DMH/DHS Enhanced Rate (ERC)	\$19,500	\$234,000
<b>Total Sources</b>	<b>\$16,258</b>	<b>\$195,096</b>	<b>Total Sources</b>	<b>\$27,888</b>	<b>\$334,661</b>
<b>Uses</b>			<b>Uses</b>		
Staff/Hours	\$11,520	\$138,240	Staff/Hours	\$11,520	\$138,240
Utilities	\$1,540	\$18,480	Utilities	\$1,540	\$18,480
Food	\$3,400	\$40,800	Food	\$3,400	\$40,800
Supplies	\$1,750	\$21,000	Supplies	\$1,750	\$21,000
Repairs and Maintenance	\$1,200	\$14,400	Repairs and Maintenance	\$1,200	\$14,400
Home and Business Insurance	\$900	\$10,800	Home and Business Insurance	\$900	\$10,800
Mortgage	\$3,000	\$36,000	Mortgage	\$3,000	\$36,000
Government Fees (annually)	\$50	\$600	Government Fees (annually)	\$50	\$600
<b>Total Uses</b>	<b>\$23,360</b>	<b>\$280,320</b>	<b>TOTAL USES</b>	<b>\$23,360</b>	<b>\$280,320</b>
<b>Surplus/(Deficit)</b>	<b>\$(7,102)</b>	<b>\$(85,224)</b>	<b>Surplus/(Deficit)</b>	<b>\$4,528</b>	<b>\$54,341</b>

Table 3: LARCA Model for a 6-bed ARF and RCFE facility receiving SSI/SSP and ERC income for operations

Using an internal chart from DMH and noting the concentrations of clients within each level of care and the respective tier of available subsidy, GLA calculated the weighted average additional subsidy a client can receive through ERC programs. DMH clarified that while the internal chart is a snapshot of current client rate structures, the number of clients within each level of care can change over time. Nevertheless, the current average ERC rates based on the current client mix can be generally relied upon for this report.

The weighted average additional subsidy for a DMH ERC client in an ARF is \$1,311.60. A list of the additional subsidy provided to DHS ERC clients was not available at the time of this report to provide a weighted average additional subsidy; however, DHS field experts noted using an average of \$3,250 would suffice for our analysis. To reflect this within the LARCA Model in Table 2, we used the average additional subsidy of \$3,250 per bed for DHS ERC clients, multiplied by six beds to form the ERC income for RCFEs and an average additional subsidy of \$1,311 for DMH ERC clients for ARFs, also multiplied by six beds. The income derived from SSI/SSP for both ARFs and RCFEs is based on the Allocated Housing Expense for six beds while the expenses listed are based on the LARCA Model.

The existing operations for ARFs are unsustainable with LARCA’s model, even if the facility received a weighted average of \$1,311.60 per bed in additional subsidy. Although the model for RCFEs in Table 2 reflects a positive cash flow, the data provided by facility operators noted additional line items not included in the LARCA model, such as insurance, taxes, licenses, transportation, and client activities. This would only lower the surpluses reflected in the model. Additionally, operators reported during interviews that when faced with large gaps in funding or met with unforeseen expenses, they

are left with the difficult choice of foregoing certain services or supplies to adequately operate a facility—with expenses like client activities and transportation being the first to be cut from the budget.

**The Facility Model**

Next, GLA developed a typical operating model for facilities based on the typical revenue sources and average expenses per Table 4, again organizing facilities with six beds or fewer, 7–60 beds, and over 60 beds (the “Facility Model”). The Facility Model is based on the average bed count and square footage reported by facilities within each category per the Sample Data received. GLA also collected a data set from L.A. County that listed contracted beds with DMH and DHS (the “Landscape Scan”) from 2016 to 2021. The Landscape Scan included key data points for the Facility Model such as bed count, staff count, and building square footage. Although the Landscape Scan did not have financial information on each facility, the Landscape Scan included each facility’s reported bed count, the proportion of DMH/DHS clients to the overall available bed count, the concentration of facilities within a given Service Provider Area (SPA), and whether a facility was owner operated. This data allowed us to develop a typical facility profile for each of the facility sizes in the Facility Model.

Facilities with seven to 60 beds reported an average bed count of 30 and facilities with over 60 beds reported an average bed count of 108 beds. LARCA’s model was based on a six-bed facility. The annual income from SSI/SSP was calculated using the Allocated Housing Expense multiplied by the average bed count reported by the Sample Data for each category. GLA used the same calculations for ERC income for ARFs and RCFEs as discussed in Table 2 for the LARCA Model.

Table 4: Operational Surplus/(Deficit) for ARFs and RCFEs by Facility Size with Reported Expenses

ARFs	≤6 Beds	7–60 Beds	61+ Beds	RCFEs	≤6 Beds	7–60 Beds	61+ Beds
<b>Sample Size</b>	1	2	7	<b>Sample Size</b>	1	2	7
<b>Bed Count (avg)</b>	6	30	108	<b>Bed Count (avg)</b>	6	30	108
<b>SQFT (avg)</b>	1,440	7,854	25,526	<b>SQFT (avg)</b>	1,440	7,854	25,526
<b>Average ERC Participants (%)</b>	83%	72%	53%	<b>Average ERC Participants (%)</b>	83%	72%	53%
<b>Income</b>				<b>Income</b>			
SSI Income	\$100,661	\$503,305	\$1,811,899	SSI Income	\$100,661	\$503,305	\$1,811,899
ERC Participation Income	\$78,381	\$339,967	\$900,912	ERC Participation Income	\$194,220	\$842,400	\$2,232,360
<b>Total Income</b>	<b>\$179,042</b>	<b>\$843,272</b>	<b>\$2,712,811</b>	<b>Total Income</b>	<b>\$294,881</b>	<b>\$1,345,705</b>	<b>\$4,044,259</b>
Daily Bed Rate	\$81.75	\$77.01	\$68.82	Daily Bed Rate	\$134.65	\$122.90	\$102.59
<b>Expense</b>				<b>Expense</b>			
Facility Expenses	\$43,200	\$118,020	\$558,971	Facility Expenses	\$43,200	\$118,020	\$558,971
Staffing	\$138,240	\$439,972	\$1,047,673	Staffing	\$138,240	\$439,972	\$1,047,673
Repairs and Maintenance	\$15,000	\$34,982	\$106,004	Repairs and Maintenance	\$15,000	\$34,982	\$106,004
Utilities	\$18,480	\$28,454	\$104,485	Utilities	\$18,480	\$28,454	\$104,485
Client Supplies and Services	\$40,800	\$138,117	\$240,732	Client Supplies and Services	\$40,800	\$138,117	\$240,732
Facility Administration	\$16,800	\$72,504	\$200,899	Facility Administration	\$16,800	\$72,504	\$200,899
Insurance	\$10,800	\$17,394	\$69,768	Insurance	\$10,800	\$17,394	\$69,768
<b>Total Expenses</b>	<b>\$283,320</b>	<b>\$832,048</b>	<b>\$2,258,764</b>	<b>Total Expenses</b>	<b>\$283,320</b>	<b>\$832,048</b>	<b>\$2,258,764</b>
<b>Surplus / (Deficit)</b>	<b>\$(104,278)</b>	<b>\$11,224</b>	<b>\$454,046</b>	<b>Surplus / (Deficit)</b>	<b>\$11,561</b>	<b>\$513,657</b>	<b>\$1,785,494</b>

Table 4: The Facility Model for ARFs and RCFEs receiving SSI/SSP, ERC income with Operator-Reported Expenses (annual)

The Facility Model highlights the challenges related to operating facilities of certain sizes and with certain populations that receive different sources of funding. Larger ARFs/RCFEs generally appear to be sustainable if populated with high levels of ERC Participants as shown in Table 4. However, smaller ARFs (60 beds or fewer) and six-bed ARFs and RCFEs operate on thin margins or even at a deficit (six-bed ARFs). While this Facility Model is based on a limited set of Sample Data, the findings seem to align with current dynamics within the board and care sector. For example, GLA’s analysis of facility closures from 2016–2021 found that facilities with six beds or fewer represented 91% of RCFE closures and 64% of ARFs closures.<sup>9</sup> The disproportionate

rate of closures among small board and care facilities is likely related to the challenging financial operations as demonstrated in the Facility Model.

Additionally, while the Facility Model demonstrates that the ERC Program can be successful in supporting ARFs and RCFEs throughout L.A. County, the County alone does not have the resources to sustain all board and care facilities in this way. Of the 3,065 licensed ARFs and RCFEs throughout L.A. County, only 200 facilities (6.5% of all facilities) house clients served by DHS and DMH and thus received ERC Program income.<sup>10</sup> Furthermore, not all facilities currently working with DMH and DHS have 100% of their beds reserved for their clients. ↘

<sup>9</sup> 2021 data retrieved from the Los Angeles County Department of Mental Health

<sup>10</sup> 2021 data retrieved from the Los Angeles County Department of Mental Health

# VI Operational Models

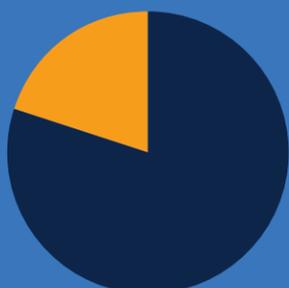
This report originally sought to preserve existing facilities by exploring alternative ownership structures that provide a more sustainable operation for board and care facilities across L.A. County. However, after conducting interviews with board and care operators, most stated that they would not sell their facility (if they already owned it) and others desired to own their facility, as operators saw ownership as a pathway to future retirement and wealth building.

## Ownership Model



■ 80% Debt | ■ 20% Grant

## Lease Model



■ 80% Debt | ■ 20% Equity

Based on this feedback from facility operators, the Program pivoted away from models to preserve existing facilities to exploring sustainable ownership and operational models to expand the bed count in L.A. County. As such, this section analyzes the operational deficits facilities often face that lead to permanent closure and summarizes GLA's approaches to building an operational model that encompasses the full scope of expenses needed to operate a board and care facility. From this analysis, we then determine a bed rate for a break-even operation and a bed rate that generates a reasonable operational surplus needed to retain and recruit more operators into the sector. Lastly, this section uses the sustainable rate calculated to explore two models as potential solutions to stabilize and expand board and care facilities: the Ownership Model and the Lease Model.

### **i** Ownership Model: Basis for Assumptions

In 2021, the State of California and L.A. County began to mobilize additional operating subsidy payments and capital improvement funds through the California Community Expansion program (CCE). The CCE has allocated nearly \$250 million to L.A. County to stabilize different types of housing settings that included board and care facilities. This section explores potential costs related to the expansion of board

and care facilities through an ownership model where providers acquire and own their facility, assuming 80% of the acquisition costs are paid by debt capital while the remaining 20% is funded by grants and equity (the "Ownership Model"). The loan is anticipated to be provided by a CDFI, which typically provides more favorable loans for mission-driven projects. All rehabilitation costs are assumed to be addressed with grant or equity capital.

The Sample Data provided critical insight into the existing expenses facilities encounter during operation; however, the small sample size (only 10 facilities out of 3,065 board and care facilities in L.A. County) led GLA to turn to other data sources to compare facility operating expenses. GLA made several attempts to retrieve additional data from facilities; however, facilities were more reluctant to provide financial information than anticipated. Therefore, GLA gathered data from all Low-Income Housing Tax Credit (LIHTC) projects awarded in 2023; CoStar reports listing board and care acquisitions from 2021 to 2023; and Project Homekey sites to supplement the facility cost and operations data available to inform our analysis (collectively, the "Proxy Data"). Lastly, we conducted several interviews with facility operators and experts in the board and care field to further guide our analysis.

### **ii** Adjusted Operational Expenses to Own a Facility

Although LIHTC and Homekey projects can provide comparable data to the Sample Data, the budgeted line items in a given LIHTC or Homekey project do not compare one-to-one with GLA's Consolidated Expenses. For example, LIHTC projects measure a building's size based on units, which may vary from a studio unit to a three-bedroom unit, whereas board and care facilities are based on the number of beds a facility houses, which typically allocate two beds per bedroom. Additionally, LIHTC projects include staffing for property management and/or maintenance staff, but do not factor healthcare employees typically found on a board and care facility's payroll. To make the Proxy Data more comparable with the Sample Data, we consolidated the expenses listed within the projected budgets for each LIHTC and Homekey project into the seven core line items outlined in the Consolidated Expenses (the "Consolidated Proxy Data"). To ensure the costs within the Consolidated Proxy Data are calculated on a per-bed basis to mirror the calculations for the Consolidated Expenses, GLA divided the projected cost per year within each LIHTC and Homekey project by the number of bedrooms as opposed to the typical cost per unit calculations provided in these types of projects. Using the Consolidated Proxy Data and other supplementary reports, GLA adjusted the Consolidated Expenses as follows:

### Facility Expenses

To adjust the Facility Expenses, GLA used acquisition data from a CoStar report listing all board and care acquisitions from 2021 to 2023. Although the CoStar report did not reference a bed count, GLA estimated the bed count for each facility sold based on the Sample Data's average square feet allotted per bed within a given facility. Per the Sample Data, facilities allotted approximately 239 square feet per bed, or 478 square feet per unit (consisting of two beds). We then divided the building square footage for each facility listed within the CoStar Report by the average allotted square footage for each bed to approximate the total bed count. We used this approximation to calculate the acquisition costs per bed for each facility from the CoStar report.

Further, GLA referenced the Physical Needs Assessments (PNA) provided by Partners ESI to estimate the weighted average cost per bed to rehabilitate a given facility. This estimation also includes a 15% contingency to the overall costs to consider any unforeseen expenses that typically arise during the rehabilitation construction. GLA found that the weighted average cost to repair a facility with six beds or less was \$44,120 per bed, \$15,447 per bed for facilities with seven to 60 beds, and \$13,901 for facilities with over 60 beds. The data collected from the CoStar Report and PNAs, combined with loan terms offered by peer Community Development Financial Institutions (CDFI), formed the basis for our adjustments to the Facility Expenses.

### Staffing

To adjust for realistic staffing costs specific to board and care operating needs, GLA relied on LARCA's recommendation to provide staff with a wage of at least \$25 per hour, and we added an 8% payroll tax expense and another 15% reserved for employee benefits. Through multiple interviews with board and care operators, GLA learned that most operators pay their staff minimum wage or slightly above, due to their limited income and often cannot provide employee benefits. This creates challenges in retaining staff.

Further, GLA consulted with field experts, analyzed reported staffing ratios from the Sample Data, and referenced resources from the California Department of Social Services (CDSS) to determine an adequate staffing ratio to ensure facilities can support their clients and found the minimum number of required staff is one staff member for every six beds. Although GLA did not have staffing data for facilities with six beds or fewer, LARCA recommended at least two staff members be employed for a six-bed facility in Los Angeles County. The reported average staffing ratio for facilities with seven to 60 beds was one staff per 2.65 beds, and one staff per 4.01 beds for facilities with over 60 beds. GLA used LARCA's recommendation of one staff member per three beds for facilities with six beds or fewer.

**Repairs and Maintenance, Utilities, Facility Administration**

Repairs and Maintenance, Utilities, Facility Administration, and Insurance were the expenses from the Consolidated Proxy Data that were the most similar to those operating expenses incurred by board and care facilities. Given that LIHTC and Homekey projects served similar populations, no additional adjustments were needed for Repairs, Maintenance and Utilities for comparison. Similarly, the costs associated with Administration within the LIHTC and Homekey projects included legal, accounting, security, and miscellaneous office administration costs, therefore, no additional adjustments were needed for comparison. GLA's adjustments to these line items were based on the most conservative expense data between the LIHTC and Homekey data and the Sample Data.

**Client Supplies and Services**

Although client supplies and services are not expenses carried by LIHTC and Homekey projects, they were noted as an expense across all financial statements provided within the Sample Data. During interviews with facility operators, this line item is the first to be cut back when struggling to make ends meet. Because of this, the client supplies and services line item varied from facility to facility. To make adjustments to this line item, GLA referred to a facility that key partners identified as being an exemplary model for client satisfaction and used their budget as the standard for our model.

**Insurance**

GLA used the operational expense projections from LIHTC and Homekey projects as the basis for our adjustments to this line item. Because the LIHTC and Homekey projects only had comparable data for facilities with seven to 60 beds and over 60 beds, GLA reviewed the most recent acquisitions of board and care facilities in Los Angeles County and calculated the estimated insurance cost per bed. Per a trusted insurance broker, the recommended multiplier to calculate insurance costs for a typical property is \$0.55 for every \$100 of replacement costs. GLA used this recommendation to calculate the adjusted cost of insurance for a three-bedroom home to represent a six-bed facility.

**Replacement Reserves**

Given that board and care facilities serve vulnerable populations, GLA included replacement reserves as a new line item to the Consolidated Expenses to ensure facilities had sufficient funds to address the general "wear and tear" facilities would experience. LIHTC and Homekey projects typically include a budgeted expense for replacement reserves, which was not reported as an expense in the Sample Data. Facility operators noted during interviews that they are able to keep operations afloat on a day-to-day basis; however, unforeseen expenditures such as spontaneous repairs or furniture replacement were often the breaking point that creates negative cash flow. As such, GLA included a line item for replacement reserves to ensure facilities set aside funds to address unforeseen expenses that may arise during operation. Typically, LIHTC and Homekey projects reserve amounts of \$250 to \$500 per unit per year in replacement reserves, therefore, GLA budgeted a conservative replacement reserve of \$500 per unit.

The hard debt assumes a mortgage interest rate of 7.85% and 30-year amortization. The interest rate assumption is based on the 7.80-7.85% (or SOFR +250 basis points) offered by our peer CDFIs for similar asset types.

Property taxes are based on the standard 1.25% rate multiplied by the acquisition cost. Together, the assumed debt payment for acquisition and rehabilitation and property tax form our basis for the adjusted facility cost in 2024 terms (the "CoStar Estimated Facility Cost"). Per the sample data provided by facility operators, the average square foot allotted per bed is 239 square feet, or 478 square feet per unit given that board and care facilities typically allocate two beds per unit.

Genesis LA then divided the square footage in each Costar Report property by 239 square feet to back into the approximate number of beds / clients per recently sold facility (the "CoStar Estimated Bed Count") and divided the CoStar Estimated Facility Cost by the number of estimated beds per facility. The acquisitions for facilities with 6 or fewer beds only noted purchases made in 2021 and 2022, which did not appear accurate given the increasing home sale prices in Los Angeles County. To adjust for this, Genesis LA used the median sales price for a single family home in Los Angeles County as of June 30, 2024 to determine the CoStar Estimated Facility Cost for facilities with 6 or fewer beds.

Lastly, we categorized each facility within the CoStar Report by 6 or fewer beds, 7-60 beds, and 61 or more beds using the new CoStar Estimated Bed Count. After including the expense for property tax, the annual Adjusted Facility Cost was \$15,750, \$8,970, and \$7,974, respectively. This is an increase of \$8,550, \$5,036, and \$2,798 from the reported Sample Data for facility expenses.

Through conversations with LARCA's executive team, the minimum recommended staffing ratio for small facilities should be one staff member for every three beds, given that at least two staff members would need to be on-duty to ensure 24-hour services without overly burdening one individual.

Further, both LARCA and facility operators interviewed by Genesis LA recommended that staff should ideally be paid a minimum wage of \$25 per hour to properly compensate employees for the level of services provided to residents and to retain staff. When adding payroll expenses at 8% of annual salary and an additional 15% for benefits, the annual cost for one staff member working 40 hours a week at \$25 per hour totals \$59,040.

Genesis LA utilized these adjusted staff costs and the staffing ratios from LARCA's recommendation of 1 staff per 3 beds for small facilities and the Sample Data's average staffing ratio of 1 staff per 2.65 beds for medium facilities and 1 staff per 4.01 beds for large facilities to arrive at the following average Staffing cost per bed: \$36,000 for facilities with 6 or fewer; \$21,469 for facilities with 7-60 beds, and \$14,723 for facilities with 61 or more beds. This results in an increase of \$12,960 for six-bed facilities and an increase of \$6,803 and \$5,023 for medium and large facilities (respectively).

**Ownership Model Operational Expenses**

**Adjusted Operational Expenses of an Owned Facility**

**Facility Expenses**



Given the age of many board and care facilities, their facility costs are likely lower than a comparable property would cost today. Additionally, any acquisitions made under this model assume some form of rehabilitation required to bring the

property to suitable conditions. To adjust for this, Genesis LA reviewed 29 assisted living buildings sold in L.A. County in 2023 via a CoStar Report and the 24 PNAs conducted by Partners ESI to estimate the cost to rehabilitate various board and care facilities throughout L.A. County.

These acquisition prices and estimated rehabilitation costs educated GLA's assumptions for the annual mortgage payment and property tax expense related to the acquisition and rehabilitation of these board and care facilities in the open market as the basis for this adjustment. The mortgage payment assumes a nonprofit is acquiring the property with 20% equity sourced by grants and the remaining 80% paid by hard debt.

**Staffing**



"Per DMH and DHS, there are no County-mandated minimum staff requirements to operate board and care facilities. This expense is borne directly by board and care facilities as compared to most LIHTC projects and Homekey projects that typically receive funding contracts from third parties to pay for the delivery of social services. Per the California Department of Social Services, the minimum staffing required for a six-bed facility is one staff member per six clients. However, this requires at least one staff member awake and on-duty at all times.

**Repairs and Maintenance**



Genesis LA compared Repairs and Maintenance costs per bedroom within a sample of Homekey and LIHTC projects as a point of comparison to board and care facilities. This data indicated an average Repairs and Maintenance cost per bedroom of \$1,950 for projects with 7-60 bedrooms and \$1,140 for projects with 61 or more bedrooms.

These costs were generally higher than the costs reported by board and care facility operators within the same general project size (Homekey and LIHTC projects did not have comparable data for facilities with 6 or fewer beds). Given the extensive inventory of Homekey and LIHTC projects and the transparency of costs for Repairs and Maintenance, Genesis LA has conservatively adjusted the Repairs and Maintenance costs per bed within this board and care model to be based on the data from Homekey and LIHTC projects. As such, the adjusted cost per bed is \$1,950 for facilities with 7-60 beds and \$1,140 for facilities with 61 or more beds. The cost for a 6 bed facility continues to rely on the data provided by LARCA.

**Utilities**



Genesis LA compared Utility costs per bedroom within a sample of Homekey and LIHTC projects as a point of comparison to board & care facilities. This data indicated an average Utilities cost per bedroom of \$1,410 for projects with 7-60 bedrooms and \$1,050 for projects with 61 or more bedrooms. These costs were generally higher than the costs reported by Board & Care facility operators within the same general project size (Homekey and LIHTC projects did not have comparable data for facilities with 6 or fewer beds). Genesis LA has conservatively adjusted the Utilities cost per bed within this Board & Care model to be based on the data from Homekey & LIHTC projects. As such, the adjusted cost per bed is \$1,410 for facilities with 7-60 beds and \$1,050 for facilities with 61 or more beds. The cost for a six-bed facility continues to rely on data provided by LARCA.

**Facility Administration**



Genesis LA compared Facility Administration costs per bedroom within a sample of Homekey and LIHTC projects as a point of comparison to Board & Care facilities. The Homekey and LIHTC sites indicated higher Facility Administration costs for projects with 7-60 bedrooms, but similar costs for projects with 61 or more units. As such, Genesis LA has adjusted Facility Administration costs per bed within this Board & Care model for facilities with 7-60 beds by adding an additional \$243 per bed, but has not made similar adjustments to the data received from our analysis of Board & Care operators for facilities with 6 or fewer beds or for facilities with 61 or more beds.

**Insurance**



Genesis LA compared Insurance costs per bedroom within a sample of Homekey and LIHTC projects and all acquisitions of board and care facilities in L.A. County in 2023 as points of comparison to this line item. Insurance costs were higher within the data obtained from board and care facilities when compared to Homekey projects and LIHTC projects, which came in at an average of \$574 for facilities with 7-60 beds and \$579 for facilities with 61 or more beds (Homekey and LIHTC projects did not have comparable data for facilities with 6 or fewer beds).

Further, GLA reviewed the most recent acquisitions of board and care facilities in Los Angeles County and calculated the estimated insurance cost per bed. Per a trusted insurance broker, the recommended multiplier to calculate insurance costs for a typical property is \$0.55 for every \$100 of replacement costs. GLA used the purchase price as the replacement cost to estimate the insurance cost per bed and found that the average cost for facilities with 6 or fewer beds was \$827, \$564 for facilities with 7-60 beds, and \$489 for facilities with 61 or more beds. Because the reported cost from the LARCA Model was more conservative than the estimated costs for LIHTC, Homekey, and recent board and care acquisitions, Genesis LA did not make any adjustments to this line item.

**Client Supplies and Services**



Client Supplies and Services are generally not costs paid for by operations within Homekey and LIHTC projects, thus we could not rely on similar comparison data to make adjustments here. However, board and care facility operators reported during interviews that additional client activities and transportation are strongly desired. While client services and supply needs vary from facility to facility, certain facilities identified by key partners to be exemplary models reported an average expense for client supplies and services to be \$7,000 per bed. As such, Genesis LA has used \$7,000 per bed to adjust Client Supplies and Services per bed for all facility types.

**Replacement Reserves**



Replacement reserves were not noted as an expense within board and care facility operator income statements. However, considering general “wear and tear” of board and care facilities and feedback from facility operators who reported the impact of unforeseen repairs, this line item was added as a new cost for this model. We reviewed all 9% LIHTC projects awarded tax credits in 2023 and found an average replacement reserve of \$20,074 across an average of 48 units, which results in an average replacement reserve of \$416.13 per unit; however, several projects budgeted replacement reserves below \$350 per unit, or not at all, which lowered the overall average budgeted reserve. Of the 25 projects awarded, 12 budgeted a replacement reserve of \$500 per unit. Genesis LA has conservatively budgeted a Replacement Reserve of \$500 per bed for all board and care facilities in this model.



**Total Cost Per Bed, Per Year**



GLA estimates a total cost per bed, per day at \$190 for facilities with six beds or fewer, \$122 for facilities with seven to 60 beds, and \$96 for facilities with over 60 beds (the “Adjusted Expenses”). The Adjusted Expenses increase the Consolidated Expenses by \$61 for six beds or fewer, \$44 for facilities with seven to 60 beds, and \$37 for facilities with over 60 beds. The largest modifications within the Adjusted Expenses for each facility were

related to Staffing and Facility Expenses. The Facility Expenses were adjusted to represent a facility’s costs when paying a mortgage on a new acquisition and using grant dollars for rehabilitation. Given the older age of most existing board and care facilities and the high cost of real estate today, the higher Facility Expenses resulting from our Adjusted Expenses are not surprising and reflect the higher cost of creating new facilities today. The Staffing Expenses

were adjusted based on recommended wages and staffing ratios recommended by LARCA and reported by facility operators. Based on our understanding that most board and care facilities pay low wages and cannot provide benefits, the higher Staffing Expenses resulting from our Adjusted Expenses are also not surprising and reflect the higher cost needed to effectively compete for and retain quality staff.

Table 6 incorporates the Adjusted Expenses into the Facility Model to examine how the expenses necessary to successfully

operate a facility affect the project's cash flow (the "Adjusted Model"). The square footage for each facility pulls from the reported average square feet for a building from the Sample Data, rounded to the nearest tenth. The Adjusted Model also uses the reported average bed count from the Sample Data, with the exception of facilities with over 60 beds being rounded to the nearest tenth. The income structure for SSI/SSP, ERC Income, and proportion of ERC participants remains the same as the Facility Model in Table 2.

Ownership Model

Table 6: Operational Surplus/(Deficit) for ARFs and RCFEs by Facility Size with Adjusted Expenses

ARFs	≤6 Beds	7–60 Beds	61+ Beds	RCFEs	≤6 Beds	7–60 Beds	61+ Beds
<b>Bed Count</b>	6	30	110	<b>Bed Count</b>	6	30	110
<b>Sq. Ft.</b>	1,500	8,000	25,500	<b>Sq. Ft.</b>	1,500	8,000	25,500
<b>Average ERC Participants (%)</b>	83%	72%	53%	<b>Average ERC Participants (%)</b>	83%	72%	53%
<b>Income</b>				<b>Income</b>			
SSI Income	\$100,661	\$503,305	\$1,845,452	SSI Income	\$100,661	\$503,305	\$1,845,452
ERC Participation Income	\$78,381	\$339,967	\$900,912	ERC Participation Income	\$194,220	\$842,400	\$2,232,360
<b>Total Income</b>	<b>\$179,042</b>	<b>\$843,272</b>	<b>\$2,746,364</b>	<b>Total Income</b>	<b>\$294,881</b>	<b>\$1,345,705</b>	<b>\$4,077,812</b>
Bed Rate	\$81.75	\$77.01	\$68.40	Bed Rate	\$134.65	\$122.90	\$101.56
<b>Expense</b>				<b>Expense</b>			
Facility Expenses	\$94,500	\$269,840	\$877,200	Facility Expenses	\$94,500	\$269,840	\$877,200
Staffing	\$216,000	\$644,073	\$1,619,551	Staffing	\$216,000	\$644,073	\$1,619,551
Repairs and Maintenance	\$15,000	\$58,500	\$125,400	Repairs and Maintenance	\$15,000	\$58,500	\$125,400
Utilities	\$18,480	\$42,300	\$115,500	Utilities	\$18,480	\$42,300	\$115,500
Client Supplies and Services	\$42,000	\$210,000	\$770,000	Client Supplies and Services	\$42,000	\$210,000	\$770,000
Facility Administration	\$16,800	\$79,800	\$204,620	Facility Administration	\$16,800	\$79,800	\$204,620
Insurance	\$10,800	\$17,394	\$89,680	Insurance	\$10,800	\$17,394	\$89,680
Replacement Reserves	\$3,000	\$15,000	\$55,000	Replacement Reserves	\$3,000	\$15,000	\$55,000
<b>Total Expenses</b>	<b>\$413,580</b>	<b>\$1,321,907</b>	<b>\$3,801,952</b>	<b>Total Expenses</b>	<b>\$413,580</b>	<b>\$1,321,907</b>	<b>\$3,801,952</b>
<b>Surplus / (Deficit)</b>	<b>\$(234,537)</b>	<b>\$(478,635)</b>	<b>\$(1,055,587)</b>	<b>Surplus / (Deficit)</b>	<b>\$(118,699)</b>	<b>\$23,798</b>	<b>\$275,861</b>

Table 6: Adjusted Model with the annual SSI/SSP, ERC Income, and Adjusted Expenses

The Adjusted Model's higher operating expenses results in more than half of all ARFs and RCFEs operating at a deficit. Note that this Adjusted Model assumes new facility costs, which are not necessarily borne by current operators who benefit from the lower property costs associated with older facilities. With those existing facilities, County aide in the form of ERC subsidy or similar support can help facilities to operate sustainably. However, the County's operational subsidy alone

is not currently robust enough to sustain the vast majority of board and care facilities and does not provide high enough rates to sustain the cost of new facilities needed to grow the inventory of board and care facilities. Furthermore, a break-even operation does not attract new operators to the board and care sector when facilities are continually operating on the brink of a deficit. Unsustainable operations may force an owner to sell their property, which puts beds at risk of closure to make

room for a more profitable market-rate opportunities such as redevelopment. Interviews with facility operators indicated that the surplus from operations would enhance the care of their clients and allow operators to properly compensate their staff while providing a sustainable income for the operator.

iii Lease Model: Basis for Assumptions

While ownership is a viable option to preserve and expand board and care facilities in L.A. County, there are many facilities that successfully operate under a lease structure in which a private owner master leases the building to a mission-driven operator. To reflect this operating model, our leasing model assumes a private investor pays for acquisition and rehabilitation of a given property with the intention to master lease the site to a nonprofit operator (the "Lease Model"). Funding sources for the acquisition and rehabilitation of a given property are based on a 30-year loan from a CDFI, which would provide more favorable terms for a mission-driven investment, providing up to 80% Loan to Value with an interest rate of 7.85%. The remaining 20% of the costs are assumed to be paid by private equity from the investor with the Return on Investment received by the equity investors through ongoing project cash flows generated from the master lease. GLA used the Adjusted Expenses as the baseline for the Lease Model and augmented the analysis using a CoStar report of all board and care acquisitions from 2021 to 2023 and a list of market lease rates from DaeCo, a leasing agency for board and care facilities in L.A. County. These adjustments focused on the facility expense difference between owning and renting the facility to form the basis of the Lease Model.

iv Adjusted Operational Expenses to Lease a Facility

DaeCo advised that master lease agreements with board and care facilities in L.A. County are typically structured as a modified lease, in which the tenant is responsible for maintenance, repairs, utilities, and janitorial services, while the landlord is responsible for property taxes, insurance, and significant repairs. Although expenses related to the Lease Model overlap with the Ownership Model, expenses like Insurance and Replacement Reserves were consolidated into the Facility Expenses line item from the Adjusted Expenses to reflect a modified lease. Staffing, Repairs and Maintenance, Utilities, Client Supplies and Services, and Facility Administration were not adjusted for the Lease Model as these line items are primarily tied to tenant operations or terms of a modified lease.

GLA reviewed 29 lease rates for board and care facilities across L.A. County and found the average annual lease was \$11,071 per bed for facilities with 7–60 beds and \$15,628 per bed for facilities with 61 or more beds. The lease rate data set did not include information for facilities with six beds or fewer. Per DaeCo, the lease rates vary from facility to facility, largely due to its location. Additionally, these facilities are either move-in ready or had been recently renovated, thus excluding rehabilitation costs from the adjustments for medium to large facilities. Further, insurance expenses and significant repairs are included as the owner's responsibility in the Lease Model, therefore assuming that insurance expenses have already been factored into the lease rates. Because the market lease rate data did not have information for facilities with six beds or fewer, GLA estimated the cost to acquire, rehabilitate, and operate a three-bedroom home as a six-bed facility in L.A. County using market rate data for three-bedroom homes in L.A. County and typical lending terms from a Community Development Financial Institution (CDFI).

The median home sales price of a three-bedroom house in L.A. County is \$796,931 (the "Median Home Price").<sup>11</sup> To estimate the rehabilitation costs for a six-bed facility, GLA reviewed the 24 Physical Needs Assessments conducted for awardees of the CCE program and found the weighted average cost to address all deferred maintenance repairs for a six-bed facility was \$44,120 per bed, or \$264,720 total for a six-bed facility (the "Rehab Cost"). When compared to the weighted average cost per bed for facilities with 7–60 beds and facilities with over 60 beds (\$15,447 and \$13,901, respectively), smaller facilities appeared to be overburdened with the cost to address deferred maintenance expenses without the economy of scale to spread across beds.

Local CDFIs have reported that typical loan terms include an 80% Loan-to-Value (LTV) with a 7.85% interest rate as of June 30, 2024. The term of the loan for a six-bed facility, or three-bedroom home, is projected with a 30-year term to reflect typical market rate loan terms. Per a trusted insurance broker, the recommended basis for estimating the insurance premium on a three-bedroom house in L.A. County was \$0.55 for every \$100 of the property's replacement cost. Property taxes were calculated based on 1.25% of the property value. To estimate the facility expenses for a facility with six beds or fewer, we combined the Median Home Price with the Rehab Cost and multiplied the sum by 80% to determine a maximum loan for the acquisition/rehabilitation costs. When totaling the annual mortgage of \$74,378, the annual property tax of \$9,962, the insurance premium at \$4,383, and replacement reserves at \$500 per bed, the total cost to lease a facility with six beds is \$91,723 per year, or \$15,287 per bed, per year.

<sup>11</sup> Data retrieved from Zillow.com on June 30, 2024

## Lease Model Operational Expenses

**Table 7: Adjusted Operational Expenses of a Leased Facility**

### Facility Expenses



To determine the cost to lease a facility with 7-60 beds and 61 or more beds, Genesis LA consulted with DaeCo Inc. to provide actual lease rates for 29 board and care facilities across L.A. County. For facilities with 7-60 beds, the average lease was \$11,071 per bed, and facilities with 61 or more beds leased their facility at \$15,628 per bed. Per DaeCo Inc., the cost of the lease varied from facility to facility, largely due to its location. Additionally, these facilities are either move-in ready, or had been recently renovated, thus, additional costs for rehabilitation were not factored into the data set for these facility sizes. Further, insurance expenses are included as the owner's responsibility in the Lease Model, thus it is assumed the insurance expense has already been factored into the lease rate. The data provided by DaeCo Inc. did not have comparable data for facilities with 6 or fewer beds.

To estimate the cost to lease a facility with 6 or fewer beds under the Lease Model, Genesis LA used a 30-year loan at 80% Loan-to-Value with a 7.85% interest rate to calculate the total debt to acquire and rehabilitate a given property. The loan is anticipated to come from a CDFI. Property taxes are based on the standard 1.25% rate multiplied by the acquisition cost, and the insurance is calculated by multiplying the sales price by \$0.55 per \$100 of the building replacement value as recommended by a trusted insurance broker.

According to the data set of median home sale prices provided by Zillow.com, the median sales price of a three-bedroom house in L.A. County (as of June 30, 2024), was \$796,931 (the "Median Home Price"). To calculate the estimated rehabilitation costs, Genesis LA analyzed 24 Physical Needs Assessments provided by Brilliant Corners and DMH and found the weighted average cost per bed to address all deferred maintenance repairs for a given facility with 6 or fewer beds, 7-60 beds, and 61 or more beds was \$44,120, \$15,447, and \$13,901, respectively (the "Rehab Cost per Bed"). We then combined the Median Home Price with the Rehab Cost per Bed and multiplied the sum by 80% to determine a maximum loan of \$849,321 for the acquisition and rehabilitation costs.

With a 7.85% interest rate over 30 years, the annual mortgage payment is \$74,378. After adding the annual property tax of \$9,962, the annual insurance payment of \$4,383, and replacement reserve of \$3,000 (\$500 per bed), the total cost to lease a facility with 6 beds is \$91,723 per year, or \$15,287 per bed, per year. Therefore, the cost per bed for facilities with 6 or fewer beds is estimated to be \$15,287, \$11,071 for facilities with 7-60 beds, and \$15,628 for facilities with 61 or more beds. This results in a slight decrease of \$463 for six-bed facilities and an increase of \$2,101 and \$7,654 for medium and large facilities (respectively) when compared to the Adjusted Facility Expenses in the Ownership Model.

### Staffing



This line item did not change as this expense is tied to tenant operations, not the lease structure.

### Repairs and Maintenance



This line item did not change as the operator would be responsible for day to day repairs in the building under the Lease Model.



### Utilities



This line item did not change as the operator would be responsible for this expense under a triple net lease.

### Client Supplies and Services



This line item did not change as this expense is tied to tenant operations, not the lease structure.

### Facility Administration



This line item did not change as the operator would be responsible for this expense under a triple net lease.

### Insurance

This line item is included in the Facility Expenses line item under the triple net lease.

### Replacement Reserves

This line item is included in the Facility Expenses line item under the triple net lease.

## Total Cost Per Bed, Per Year

**\$66,667**  
or \$183 per day  
for ≤6 beds

**\$45,560**  
or \$125 per day  
for 7-60 beds

**\$41,401**  
or \$113 per day  
for 61+ beds

Under the Lease Model, GLA estimates a total daily bed rate at \$183 for facilities with six beds or fewer, \$125 for facilities with seven to 60 beds, and \$113 for facilities with over 60 beds (the "Lease Expenses"). When compared to the Adjusted Expenses, the Lease Expenses for a facility with six beds or fewer cost \$8 less per day (\$2,763 annually) than the Adjusted Expenses for the same category. Under the Lease Model, the

daily bed rate costs more than the Adjusted Expenses by \$3 per day (\$1,021 annually) for facilities with 7-60 beds and \$17 per day (\$6,338 annually) for facilities with over 60 beds. The Lease Model presents a 4% discount for facilities with six beds or fewer, a 2% increase for facilities with 7-60 beds, and an 18% increase for facilities with 61 beds or more when compared to the Adjusted Expenses. ↘

# VII Proposed Rate

The Adjusted Expenses and the Lease Expenses reflect a more comprehensive cost to address all expenses necessary to successfully operate a board and care facility; however, the estimated daily cost per bed does not account for any profit that a privately operated facility would need to incentive ongoing operation.

To account for an operator’s need to earn a profit from their business, GLA included a 10% surplus (the “Recommended Rate”). The surplus would provide sufficient liquidity to take on additional debt should the facility experience unforeseen repairs or costs, while also providing an enticing return to those seeking to enter the board and care industry.

### **i** Comparing the Ownership Model and Lease Model

Within the Ownership Model, a daily bed rate with a 10% markup for owners of a facility with six beds or fewer is \$209 per bed, \$134 per bed for facilities with 7–60 beds, and \$106 for facilities with over 60 beds. The Recommended Rate under the Ownership Model represents a 62%, 73% and 77% increase (respectively) from the daily bed rate reported by facility operators from the Consolidated Expenses noted in Table 3. When incorporating the 10% markup to the Consolidated Expenses reported by facility operators, the Recommended Rate under the Ownership Model represents a 47% increase for facilities with six or fewer beds, 57% increase for facilities with 7–60 beds, and a 61% increase for facilities with over 60 beds. The average Recommended Rate across all facility sizes is approximately \$150, which generally aligns with what field experts and facility operators reported in interviews as the minimum daily bed rate needed to properly operate their facility (approximately \$150 per bed, per day).

**\$150**

The average daily bed rate needed to sufficiently operate a board and care facility.

**\$350M**

Additional funds needed to activate the existing 6,400 vacant beds across L.A. County.

Table 8: Ownership vs. Lease Model Cost Comparison, by Facility Size

≤6 Beds			
	Own	Lease	Variance
<b>Cost Per Bed / Year</b>	<b>Adj. Expenses</b>		
Facility Expenses	\$15,750	\$15,287	\$(463)
Staffing	\$36,000	\$36,000	
Repairs and Maintenance	\$2,500	\$2,500	
Utilities	\$3,080	\$3,080	
Client Supplies and Services	\$7,000	\$7,000	
Facility Administration	\$2,800	\$2,800	
Insurance	\$1,800		\$(1,800)
Replacement Reserves	\$500		\$(500)
<b>Total Cost Per Bed / Year</b>	<b>\$69,430</b>	<b>\$66,667</b>	<b>\$(2,763)</b>
<b>Cost Per Bed / Day</b>	<b>Adj. Expenses</b>		
Facility Expenses	\$43	\$42	\$(1)
Staffing	\$99	\$99	
Repairs and Maintenance	\$7	\$7	
Utilities	\$8	\$8	
Client Supplies and Services	\$19	\$19	
Facility Administration	\$8	\$8	
Insurance	\$5		\$(5)
Replacement Reserves	\$1		\$(1)
<b>Total Cost Per Bed / Day</b>	<b>\$190</b>	<b>\$183</b>	<b>\$(8)</b>
<b>“Total Recommended Rate (Break-Even Rate + 10% profit)”</b>	<b>\$209</b>	<b>\$201</b>	
<b>% increase / decrease: -4%</b>			

7–60 Beds			
	Own	Lease	Variance
<b>Cost Per Bed / Year</b>	<b>Adj. Expenses</b>		
Facility Expenses	\$8,995	\$11,071	\$2,077
Staffing	\$21,469	\$21,469	
Repairs and Maintenance	\$1,950	\$1,950	
Utilities	\$1,410	\$1,410	
Client Supplies and Services	\$7,000	\$7,000	
Facility Administration	\$2,660	\$2,660	
Insurance	\$580		\$(580)
Replacement Reserves	\$500		\$(500)
<b>Total Cost Per Bed / Year</b>	<b>\$44,564</b>	<b>\$45,560</b>	<b>\$997</b>
<b>Cost Per Bed / Day</b>	<b>Adj. Expenses</b>		
Facility Expenses	\$25	\$30	\$6
Staffing	\$59	\$59	
Repairs and Maintenance	\$5	\$5	
Utilities	\$4	\$4	
Client Supplies and Services	\$19	\$19	
Facility Administration	\$7	\$7	
Insurance	\$2		\$(2)
Replacement Reserves	\$1		\$(1)
<b>Total Cost Per Bed / Day</b>	<b>\$122</b>	<b>\$125</b>	<b>\$3</b>
<b>“Total Recommended Rate (Break-Even Rate + 10% profit)”</b>	<b>\$134</b>	<b>\$137</b>	
<b>% increase / decrease: 2%</b>			

61+ Beds

	Own	Lease	Variance
<b>Cost Per Bed / Year</b>	<b>Adj. Expenses</b>		
Facility Expenses	\$7,975	\$15,628	\$7,653
Staffing	\$14,723	\$14,723	
Repairs and Maintenance	\$1,140	\$1,140	
Utilities	\$1,050	\$1,050	
Client Supplies and Services	\$7,000	\$7,000	
Facility Administration	\$1,860	\$1,860	
Insurance	\$815		\$(815)
Replacement Reserves	\$500		\$(500)
<b>Total Cost Per Bed / Year</b>	<b>\$35,063</b>	<b>\$41,401</b>	<b>\$6,338</b>
<b>Cost Per Bed / Day</b>	<b>Adj. Expenses</b>		
Facility Expenses	\$22	\$43	\$21
Staffing	\$40	\$40	
Repairs and Maintenance	\$3	\$3	
Utilities	\$3	\$3	
Client Supplies and Services	\$19	\$19	
Facility Administration	\$5	\$5	
Insurance	\$2		\$(2)
Replacement Reserves	\$1		\$(1)
<b>Total Cost Per Bed / Day</b>	<b>\$96</b>	<b>\$113</b>	<b>\$17</b>
<b>“Total Recommended Rate (Break-Even Rate + 10% profit)”</b>	<b>\$106</b>	<b>\$125</b>	
<b>% increase / decrease: 18%</b>			

Table 8: Ownership Model vs. Lease Model: Operational Expense Comparison

The Lease Model’s Recommended Rate for facilities with six beds or fewer was \$201, \$137 per bed for facilities with 7–60 beds, and \$125 for facilities with over 60 beds. The Recommended Rates for the Lease Model represent a 4% decrease from the Recommended Rate under the Ownership model and an increase of 2% and 18% for facilities with 7–60 beds and over 60 beds, respectively. When compared to the expenses reported by facility operators, the Lease Model’s Recommended Rate represents an increase of 55% for facilities with 6 or fewer beds, 77% increase for facilities with 7–60 beds, and 110% increase for facilities with over 60 beds. When incorporating the 10% markup to the expenses reported by facility operators in the Consolidated Expenses, the Recommended Rate under the Lease Model represents a 41% increase for facilities with 6 or fewer beds, 61% increase for facilities with 7–60 beds, and a 91% increase for facilities with over 60 beds. The average Recommended Rate under the Leasing model across all facilities is approximately \$154 per bed, per day, which generally aligns with what field experts and facility operators reported in interviews as the minimum daily bed rate needed to properly operate their facility.

**ii The Cost-Effective Rates**

This report finds the Recommended Rates for both the Ownership Model and the Lease Model to be relatively similar, with minimal differences between the two. However, while both models provide operational surpluses, the most cost-effective model for a six-bed facility, however nominal, appears to be under the Lease Model, whereas facilities with 7–60 beds and over 60 beds appear to be the most cost effective under the Ownership model. Under the Lease Model, a six-bed facility can save approximately \$2,763 per bed, per year (or \$16,577 annually) as a tenant as opposed to being an owner-operator. While a daily bed rate of \$201 can sustain a six-bed facility under an ownership model while generating an operational surplus of approximately \$23,000, this surplus amounts to approximately 5%, which does not align with the goals of this report. For facilities with 7–60 beds, it costs \$1,021 more per bed, per year to lease a facility than it would be to own and operate a facility. When considering the average number of beds for facilities with 7–60 beds from the Sample Data (30 beds), owning a facility saves an



owner-operator approximately \$30,642 per year. Owners of facilities with over 60 beds can save the most among the three facility categories at approximately \$6,338 per bed, per year. When considering the average bed count for large facilities as reported from the Sample Data, an owner of a facility with 110 beds can save nearly \$700,000 per year on expenses. The average between the Recommended Rate under the Leasing model for a six-bed facility (\$201) and the Recommended Rates under the Ownership Model for medium and large facility (\$134 and \$106, respectively) is \$147, which generally aligns with what field experts and facility operators reported in interviews as the minimum daily bed rate needed to properly operate their facility.

While most costs like Client Supplies, Staffing, and Facility Administration overlap between the two models given that they are largely tied to facility operations, costs such as Facility Expenses, Insurance, and Replacement Reserves are the primary contributors to the differences between the models given that these costs are absorbed into the lease rate under the Lease Model as opposed to paying for each cost directly within the Ownership Model. The Ownership Model provides an opportunity for mission-driven organizations to expand and preserve board and care beds in perpetuity, however, these organizations are then burdened with covering all costs to run a facility, including unforeseen expenditures. The Lease Model can relieve the pressures of owning a facility by separating

ownership and operations; however, these beds are at risk of being lost should the private owner wish to sell the property and move on to another venture.

Pursuing the Ownership Model requires operators to have sufficient surpluses to qualify for a loan while also securing a 20% down payment for acquisition and rehabilitation costs from public funds, which creates a steep barrier to entry. The average acquisition cost of a medium-sized board and care facility (7–60 beds) from 2021 to 2023 was \$1.9 million. Assuming an 80% LTV from a CDFI lender, this would require the buyer to come up with \$380,000 for a down payment for the remaining 20%. Per the awarded 4% LIHTC projects in 2023, the average cost per square foot for rehabilitation projects was \$108. Therefore, the rehabilitation costs at \$108 per square foot for a 4,750 square foot facility (based on the average square footage of recently acquired medium-sized facilities) would amount to \$513,000 in rehabilitation costs. With a 20% contingency, based on industry-standard practices for rehabilitation projects, the rehabilitation costs rise to \$615,600. Under the Ownership model, the buyer would need to secure at least \$995,600 in additional subsidy to secure and rehabilitate the property, not including additional costs such as legal fees, title and escrow fees, and financing costs. This represents another area where public subsidies are needed to grow the inventory of board and care facilities.



Table 9: The Cost-Effective Rate between the Ownership and Lease Model (Green), by Facility Size

≤6 Beds

	Own	Lease	Variance
<b>Cost Per Bed / Year</b>	<b>Adj. Expenses</b>		
Facility Expenses	\$15,750	\$15,287	\$(463)
Staffing	\$36,000	\$36,000	
Repairs and Maintenance	\$2,500	\$2,500	
Utilities	\$3,080	\$3,080	
Client Supplies and Services	\$7,000	\$7,000	
Facility Administration	\$2,800	\$2,800	
Insurance	\$1,800		\$(1,800)
Replacement Reserves	\$500		\$(500)
<b>Total Cost Per Bed / Year</b>	<b>\$69,430</b>	<b>\$66,667</b>	<b>\$(2,763)</b>
<b>Cost Per Bed / Day</b>	<b>Adj. Expenses</b>		
Facility Expenses	\$43	\$42	\$(1)
Staffing	\$99	\$99	
Repairs and Maintenance	\$7	\$7	
Utilities	\$8	\$8	
Client Supplies and Services	\$19	\$19	
Facility Administration	\$8	\$8	
Insurance	\$5		\$(5)
Replacement Reserves	\$1		\$(1)
<b>Total Cost Per Bed / Day</b>	<b>\$190</b>	<b>\$183</b>	<b>\$(8)</b>
<b>“Total Recommended Rate (Break-Even Rate + 10% profit)”</b>	<b>\$209</b>	<b>\$201</b>	
% increase / decrease: -4%			

7–60 Beds

	Own	Lease	Variance
<b>Cost Per Bed / Year</b>	<b>Adj. Expenses</b>		
Facility Expenses	\$8,995	\$11,071	\$2,077
Staffing	\$21,469	\$21,469	
Repairs and Maintenance	\$1,950	\$1,950	
Utilities	\$1,410	\$1,410	
Client Supplies and Services	\$7,000	\$7,000	
Facility Administration	\$2,660	\$2,660	
Insurance	\$580		\$(580)
Replacement Reserves	\$500		\$(500)
<b>Total Cost Per Bed / Year</b>	<b>\$44,564</b>	<b>\$45,560</b>	<b>\$997</b>
<b>Cost Per Bed / Day</b>	<b>Adj. Expenses</b>		
Facility Expenses	\$25	\$30	\$6
Staffing	\$59	\$59	
Repairs and Maintenance	\$5	\$5	
Utilities	\$4	\$4	
Client Supplies and Services	\$19	\$19	
Facility Administration	\$7	\$7	
Insurance	\$2		\$(2)
Replacement Reserves	\$1		\$(1)
<b>Total Cost Per Bed / Day</b>	<b>\$122</b>	<b>\$125</b>	<b>\$3</b>
<b>“Total Recommended Rate (Break-Even Rate + 10% profit)”</b>	<b>\$134</b>	<b>\$137</b>	
% increase / decrease: 2%			

61+ Beds

	Own	Lease	Variance
<b>Cost Per Bed / Year</b>	<b>Adj. Expenses</b>		
Facility Expenses	\$7,975	\$15,628	\$7,653
Staffing	\$14,723	\$14,723	
Repairs and Maintenance	\$1,140	\$1,140	
Utilities	\$1,050	\$1,050	
Client Supplies and Services	\$7,000	\$7,000	
Facility Administration	\$1,860	\$1,860	
Insurance	\$815		\$(815)
Replacement Reserves	\$500		\$(500)
<b>Total Cost Per Bed / Year</b>	<b>\$35,063</b>	<b>\$41,401</b>	<b>\$6,338</b>
<b>Cost Per Bed / Day</b>	<b>Adj. Expenses</b>		
Facility Expenses	\$22	\$43	\$21
Staffing	\$40	\$40	
Repairs and Maintenance	\$3	\$3	
Utilities	\$3	\$3	
Client Supplies and Services	\$19	\$19	
Facility Administration	\$5	\$5	
Insurance	\$2		\$(2)
Replacement Reserves	\$1		\$(1)
<b>Total Cost Per Bed / Day</b>	<b>\$96</b>	<b>\$113</b>	<b>\$17</b>
<b>“Total Recommended Rate (Break-Even Rate + 10% profit)”</b>	<b>\$106</b>	<b>\$125</b>	
% increase / decrease: 18%			

When considering the supplemental funds provided by the County’s ERC program, the daily bed rate can range from \$85.50 to \$152.50. However, the actual amount received per client depends on several factors such as the level of care needed for each client, whether the client receives services from DMH or DHS, and if the client lives in an ARF or RCFE. Further, both the Sample Data and TFO’s report found that not all board and care facilities in L.A. County reserve 100% of beds for DMH or DHS clients which affects the amount of income a given facility can generate.

This report estimates that the average cost per bed to successfully support a board and care facility in L.A. County to be, on average, approximately \$150 per bed, per day, or \$54,750 per bed, per year. A recent study by Abt Associates titled “Understanding Interim Housing Costs Across L.A. County” which estimated the average cost per bed at \$139 per night. However, while interim housing shares similar characteristics in serving vulnerable populations, board and care facilities provide on-site services to its clients and can house residents for extended periods of time and therefore do not factor additional costs for onsite services. When broken down by facility size and factoring the most cost-effective ownership structure for facilities, this report estimates the daily rate to successfully operate a facility with six beds or fewer to be \$201 per bed, \$134 per bed for

facilities with 7–60 beds, and \$106 per bed for facilities with over 60 beds (the “Cost-Effective Rates”). These estimates represent a \$148, \$82, and \$53 increase to the existing daily bed rate for each respective facility size when compared to the SSI/SSP daily bed rate, or a 283%, 156%, and 101% increase (respectively).

 **The Funding Gap**

TFO’s analysis of the existing market of board and care facilities found that there were 3,065 licensed ARFs and RCFEs in L.A. County. Of the total number of licensed facilities, TFO’s report found that there are approximately 750 facilities that would be willing to serve or are already serving individuals with mental and/or physical disabilities. Within these 750 facilities, there are approximately 6,400 vacant beds, according to TFO’s report. When considering GLA’s estimated average daily rate of \$150 per bed, or \$54,750 per bed annually, it would require \$350.4 million in additional funds just to activate these 6,400 vacant beds with DHS or DMH clients. Of the \$350.4 million needed, the current SSI/SSP rate would cover \$122.64 million, leaving a gap of \$227,760,000 annually, or \$97.50 per bed, per day (the “Funding Gap”).

GLA estimates that a client with SSI/SSP enrolled in DMH's ERC program living in an ARF would have a total of \$96.22 per day to cover all expenses. When comparing the rate a client would receive with SSI/SSP and DMH's ERC program to the Cost-Effective Rates, the difference represents a \$105 increase for facilities with six beds or fewer, \$38 increase for facilities with 7-60 beds, and a \$9 increase for facilities with over 60 beds, or a 109%, 40%, and 10% increase for each facility size (respectively).

GLA estimates a client with SSI/SSP enrolled in DHS' ERC program living in an ARF to have a total of \$160.83 per day to cover all expenses. When comparing the rate a client would receive with SSI/SSP and DHS' ERC program to the Cost-Effective Rates, the difference represents a \$40 increase for facilities with six beds or fewer, a decrease of \$27 for facilities with seven to 60 beds, and a decrease of \$55 for facilities with 61 beds or more. These differences represent a 25% increase for small facilities, a 17% decrease for medium-sized facilities, and a 34% decrease for large facilities. Based on the average, the combined daily bed rate for individuals with SSI/SSP and DHS' ERC program is sufficient to sustainably operate medium and large facilities, however, this rate needs to be raised 25% to support facilities with six beds or fewer.

### iv Potential Funding Sources

Board and care facilities continue to face operational deficits despite notable efforts to address the matter, such as the County's ERC programs. Currently, there are two potential funding sources at the state and local level that may offer an

opportunity to leverage public resources to bridge the Funding Gap and stabilize the board and care industry. Using grant sources to fund the acquisition costs for a given facility lowers a project's need to rely on hard debt for the remainder of the project costs. By relying less on hard debt, the project can maintain lower mortgage payments, which ultimately lower operational expenses (Facility Expenses) in our Ownership and Lease Models.

#### California Proposition 1

Passed in March 2024 through California Senate Bill (SB) 326 and California Assembly Bill (AB) 531, California Proposition 1 ("Prop 1") aims to reform and expand California's behavioral health system through two efforts: The Behavioral Health Services Act and the Behavioral Health Bond.<sup>12</sup> Per AB 531, the Behavioral Health Infrastructure Bond Act of 2024 authorizes the issuance of bonds in the amount of \$6.38 billion to finance the loans or grants for the acquisition of capital assets for the conversion, rehabilitation, or new construction of permanent supportive housing for veterans and others who are homeless that meet specified criteria, and for grants for the Behavioral Health Continuum Infrastructure Program (BHCIP).<sup>13</sup> The BHCIP was authorized by California legislation in 2021 and acts as a vehicle for the State to award grant funding to construct, acquire, and expand properties and invest in mobile crisis infrastructure related to behavioral health. The loans or grants for the Behavioral Health Bond are to be administered by the Department of Housing and Community Development (HCD) or the State Department of Health Care Services (DHCS). The allocation of uses and funds within the \$6.38 billion bond is broken down in the table below.

Uses Under the Behavioral Health Bond	Amount	Administered By
Veterans (Individuals or Households)	\$1,065,000,000	HCD*
Homeless Individuals (Current, Chronic, At-Risk)	\$922,000,000	HCD*
Infrastructure Expansion for Behavioral Health Treatment Resources	\$1,500,000,000	DHCS**
Bond Issuance and Administration Costs	\$2,893,000,000	HCD*
<b>Total</b>	<b>\$6,380,000,000</b>	

\*Department of Housing and Community Development \*\*State Department of Health Care Services

Although not all of these funds will be available to L.A. County, leveraging funds made available to L.A. County would provide substantial progress in closing the Funding Gap. Per AB 531, additional guidance on the Behavioral Health Bond's implementation from HCD and DHCS is expected by July 1, 2025.



#### Los Angeles County Measure A

Passed in 2024, Measure A is a 0.5-cent sales tax across L.A. County that is intended to prevent and reduce homelessness and make housing more affordable in L.A. County. The funds generated through Measure A are intended to fund proven and innovative homelessness prevention programs and housing solutions that address the root causes of homelessness.<sup>14</sup> Measure A is expected to generate \$1 billion annually and will be shared by L.A. County, cities

and their councils of government, the Los Angeles County Development Authority (LACDA), and the Los Angeles County Affordable Housing Solutions Agency (LACAHS). Measure A has gone into effect as of April 1, 2025. The proceeds of the Measure A tax are to be distributed between L.A. County, LACDA, and LACAHS to fund four core areas of support: Comprehensive Homelessness Services, Accountability, Data and Research, Local Housing Production, and Affordable Housing and Prevention.

Using the projected \$1 billion in revenue generated annually as the basis for our assumptions, approximately \$600 million may be available per year to support board and care facilities in L.A. County to close the Funding Gap. Assuming the Program only qualifies for funds related to Comprehensive Homelessness Services, the \$600 million allocation is 2.63x

the amount estimated to close the Funding Gap annually. While not all of Measure A's revenues may be reserved to preserve and expand board and care facilities across L.A. County, leveraging available resources from Measure A and Prop 1 with philanthropy and innovative strategies may offer a new opportunity to stabilize the board and care industry.

Distribution of Measure A Proceeds	Allocation of Tax Proceeds	Administered By
Comprehensive Homelessness Services, the Local Solutions Fund, and Homelessness Solution Innovations	60.00%	L.A. County
Accountability, Data, and Research	1.25%	L.A. County
Local Housing Production	3.00%	LACDA
Affordable Housing and Prevention	35.75%	LACAHS

<sup>12</sup>Per the Department of Health Care Services Overview of Proposition 1

<sup>13</sup>Per the Behavioral Health Infrastructure Bond Act of 2023 (Assembly Bill No. 531, Chapter 789)

<sup>14</sup>Per the Affordable Housing, Homelessness Solutions, and Prevention Now Transactions and Use Tax Ordinance (Ordinance No. 2024-0062)

# VIII Takeaways

Throughout GLA's work on this Program, we encountered the following themes brought forth by both our research and feedback from facility operators. These themes offer an opportunity to further investigate the policies and practices that affect facility operators' ability to provide services to their clients. Responsible parties should contemplate both administrative and legislative fixes to the areas of interest outlined below.

## Insights from Facility Operators

**1 Lack of Adequate Bed Rate Funding Strains Operators and Facilities:** The increase in SSI/SSP income is crucial for facilities to address general operational needs and provide the level of care required for clients. Because facility operators serve clients whose primary source of income comes from SSI/SSP, operators are often left with a financial gap, forcing them to cut back on expenses. Per TFO's report, "[interviewees] identified a need for external funding to support with issues relating to facility maintenance and pest control." Further, GLA's interviews indicated that operators are often left to their own devices to make ends meet, including hiring family members to work, minimizing services, and paying employees at minimum wage.

**2 Owner-Operator Long-Term Goals:** An initial objective of the Program sought to create alternative ownership models to preserve board and care facilities throughout L.A. County. One potential ownership model included operators selling ownership of their facility to a mission-driven organization in an effort to separate operations from the burden of property management and maintenance, a model similar to how many of the state's Regional Centers deliver housing to clients with developmental disabilities. Through GLA's interviews, a majority of facility operators noted that ownership of their facility serves as either their path to retirement or a tool for building generational wealth. A majority of operators interviewed expressed their reluctance to sell their facility unless the offer value, at minimum, secured their retirement. These testimonies align with TFO's report that 89.8% of operators of RCFEs or ARFs had no intention of selling or transferring ownership of their facility.



## Report Takeaways

**1 Need for Increased SSI/SSP rate or Supplemental Bed Rate:** LARCA's financial model for six-bed facilities illustrates that the underlying infrastructure for board and care operations begin at a deficit because clients are receiving an unsustainable daily bed rate from SSI/SSP. Although ERC provides additional subsidy to facilities, the daily bed rate remains insufficient for many facilities, leaving facility operators to seek alternative means of making ends meet. In order for board and care facilities to become a reliable source for addressing the homelessness crisis, additional SSI/SSP funds are needed to support facility operations. This takeaway is further supported by TFO's report that found that 56.3% of facility owner-operators surveyed reported that their priority was for the government to focus on increasing resident care funding.

**2 County ERC is Largely Successful but Cannot Save the Board and Care System Alone:** Despite County aide, facilities continue to close down, indicating a larger issue within the board and care ecosystem. There are 3,065 licensed ARFs and RCFEs throughout L.A. County, yet facilities with clients served by DHS and DMH represent only about 6.5% of all facilities in the County. The board and care ecosystem must identify other funding sources in addition to the County if it is to source sufficient revenue to sustain and grow the board and care inventory.

**3 Existing Available Beds in L.A. County:** While this report seeks to further expand board and care facilities in L.A. County, supporting and accessing underutilized board and care facilities would preserve the existing stock of beds serving vulnerable populations. TFO's analysis of the existing market of board and care facilities

found that there were 3,065 licensed ARFs and RCFEs in L.A. County. Of the total number of licensed facilities, TFO's report found that there are approximately 750 facilities that would be willing to serve or are already serving individuals with mental and/or physical disabilities in L.A. County. Within these facilities, TFO estimates there are approximately 6,400 vacant beds. These beds present immediate capacity to serve vulnerable residents of L.A. County. Both the TFO report and GLA's analysis identify a need to supplement daily bed rate revenue with other sources in order to make these beds viable placements for at-risk individuals.

**4 The Funding Gap to Support Existing Board and Care Facilities:** This report estimates the average rate needed to successfully operate a board and care facility to be \$150 per bed, per day. When compared to the income range a client with SSI/SSP enrolled in DMH or DHS' ERC program (\$85.50 to \$152.50 per day), clients need at most an additional \$64.50 to provide their facility with sufficient income for operations. Although some clients may receive up to \$152.50 per day based on their needed level of service, these subsidy amounts are often reserved for the few clients that require a high level of care to carry out everyday activities. Further, those that require a higher level of care are likely to have higher operating expenses per client, thus the perceived cash flow on these higher rates may actually be much lower when you add additional operating costs for their higher needs. The \$64.50 gap amounts to an additional \$23,542.50 needed annually to sufficiently cover a client's needs. Further, TFO's impact analysis uncovered a vacancy rate of 25.6% across all facilities reviewed within L.A. County, which represent approximately 6,400 vacant beds in facilities that are currently vacant or are available to serve vulnerable

## Takeaways

populations. When considering GLA's estimated average daily rate of \$150 per bed, or \$54,750 per bed annually, it would require \$350.4 million in additional funds just to fill the existing stock of 6,400 unoccupied but available beds in L.A. County each year. Of the \$350.4 million needed, the current SSI/SSP rate would cover \$122.64 million, leaving a gap of \$227,760,000 annually, or \$97.50 per bed, per day.

**5 Prop 1 and Measure A Bring Opportunities to Close the Funding Gap:** In addition to increasing the SSI/SSP daily bed rate to address ongoing operational deficits in board and care facilities, there are recently passed public resources that may offer an opportunity to address the Funding Gap. At the state level, California Proposition 1 will issue bonds totaling \$6.38 billion dollars to reform and expand California's behavioral health system. Additionally, L.A. County's Measure A is projected to bring \$1 billion annually in sales tax revenue to make housing more affordable and prevent homelessness. Leveraging these public funds existing resources will be vital to preserve and expand board and care facilities across L.A. County.

**6 Collaboration with Private Financing May Offer Opportunity to Preserve and Expand Beds:** Using public dollars to acquire facilities is a slow process,

leaving available beds that provide critical services at risk of permanent loss. While private financing provides a much faster process to secure available beds in the short term, these beds are at risk of being lost should the private investor wish to sell the property and move on to another venture. By collaborating with privately financed organizations and a mission-driven organization to operate the property, the partnership can streamline the disbursement of funds to acquire and rehabilitate a given property with a guaranteed tenant at project completion. Although the private investor may seek an exit within a given timeline, providing the mission-driven tenant with an opportunity to take over ownership of the property via a lease-to-own structure or first right of refusal would ensure the units are preserved in perpetuity.

Alternatively, pursuing the Ownership Model without collaboration requires operators to have sufficient surpluses to qualify for a loan in addition to securing public funding to cover the 20% down payment and rehabilitation costs. Assuming an acquisition price of \$1.9 million for a 4,750-square-foot facility with \$1.187 million in rehabilitation costs, the operator would need to secure at least \$143 per bed, per day in additional subsidy to adequately support the project. A partnership with the private sector under the Lease Model can lower the upfront costs to activate a facility without relying on public sector capital in addition to raising the rate needed to stabilize operations. ↘



# Preserving + Expanding Board and Care Facilities in Los Angeles County

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Appendix 1: Summary of Adjusted Operational Expenses

≤6 Beds

Cost Per Bed / Year	Findings	Adjustment +/-	Adj. Expenses
Facility Expenses	\$7,200	\$8,550	\$15,750
Staffing	\$23,040	\$12,960	\$36,000
Repairs and Maintenance	\$2,500		\$2,500
Utilities	\$3,080		\$3,080
Client Supplies and Services	\$6,800	\$200	\$7,000
Facility Administration	\$2,800		\$2,800
Insurance	\$1,800		\$1,800
Replacement Reserves		\$500	\$500
<b>Total Cost Per Bed / Year</b>	<b>\$47,220</b>	<b>\$22,210</b>	<b>\$69,430</b>
Cost Per Bed / Day	Findings	Adjustment +/-	Adj. Expenses
Facility Expenses	\$20	\$23	\$43
Staffing	\$63	\$36	\$99
Repairs and Maintenance	\$7		\$7
Utilities	\$8		\$8
Client Supplies and Services	\$19	\$1	\$19
Facility Administration	\$8		\$8
Insurance	\$5		\$5
Replacement Reserves		\$1	\$1
<b>Total Cost Per Bed / Day</b>	<b>\$129</b>	<b>\$61</b>	<b>\$190</b>
<b>47%</b>			

7-60 Beds

Cost Per Bed / Year	Findings	Adjustment +/-	Adj. Expenses
Facility Expenses	\$3,934	\$5,061	\$8,995
Staffing	\$14,666	\$6,803	\$21,469
Repairs and Maintenance	\$1,166	\$784	\$1,950
Utilities	\$948	\$462	\$1,410
Client Supplies and Services	\$4,604	\$2,396	\$7,000
Facility Administration	\$2,417	\$243	\$2,660
Insurance	\$580		\$580
Replacement Reserves		\$500	\$500
<b>Total Cost Per Bed / Year</b>	<b>\$28,314</b>	<b>\$16,249</b>	<b>\$44,564</b>
Cost Per Bed / Day	Findings	Adjustment +/-	Adj. Expenses
Facility Expenses	\$11	\$14	\$25
Staffing	\$40	\$19	\$59
Repairs and Maintenance	\$3	\$2	\$5
Utilities	\$3	\$1	\$4
Client Supplies and Services	\$13	\$7	\$19
Facility Administration	\$7	\$1	\$7
Insurance	\$2		\$2
Replacement Reserves		\$1	\$1
<b>Total Cost Per Bed / Day</b>	<b>\$78</b>	<b>\$45</b>	<b>\$122</b>
<b>57%</b>			

61+ Beds

Cost Per Bed / Year	Findings	Adjustment +/-	Adj. Expenses
Facility Expenses	\$5,176	\$2,799	\$7,975
Staffing	\$9,701	\$5,023	\$14,723
Repairs and Maintenance	\$982	\$158	\$1,140
Utilities	\$967	\$83	\$1,050
Client Supplies and Services	\$2,229	\$4,771	\$7,000
Facility Administration	\$1,860		\$1,860
Insurance	\$815		\$815
Replacement Reserves		\$500	\$500
<b>Total Cost Per Bed / Year</b>	<b>\$21,730</b>	<b>\$13,333</b>	<b>\$35,063</b>
Cost Per Bed / Day	Findings	Adjustment +/-	Adj. Expenses
Facility Expenses	\$14	\$8	\$22
Staffing	\$27	\$14	\$40
Repairs and Maintenance	\$3	\$0	\$3
Utilities	\$3	\$0	\$3
Client Supplies and Services	\$6	\$13	\$19
Facility Administration	\$5		\$5
Insurance	\$2		\$2
Replacement Reserves		\$1	\$1
<b>Total Cost Per Bed / Day</b>	<b>\$60</b>	<b>\$37</b>	<b>\$96</b>
<b>61%</b>			

Appendix 2: Ownership Model and Lease Model Operational Expense Summary

≤6 Beds

	Own	Lease	Variance
<b>Cost Per Bed / Year</b>	<b>Adj. Expenses</b>		
Facility Expenses	\$15,750	\$15,287	\$(463)
Staffing	\$36,000	\$36,000	
Repairs and Maintenance	\$2,500	\$2,500	
Utilities	\$3,080	\$3,080	
Client Supplies and Services	\$7,000	\$7,000	
Facility Administration	\$2,800	\$2,800	
Insurance	\$1,800		\$(1,800)
Replacement Reserves	\$500		\$(500)
<b>Total Cost Per Bed / Year</b>	<b>\$69,430</b>	<b>\$66,667</b>	<b>\$(2,763)</b>
<b>Cost Per Bed / Day</b>	<b>Adj. Expenses</b>		
Facility Expenses	\$43	\$42	\$(1)
Staffing	\$99	\$99	
Repairs and Maintenance	\$7	\$7	
Utilities	\$8	\$8	
Client Supplies and Services	\$19	\$19	
Facility Administration	\$8	\$8	
Insurance	\$5		\$(5)
Replacement Reserves	\$1		\$(1)
<b>Total Cost Per Bed / Day</b>	<b>\$190</b>	<b>\$183</b>	<b>\$(8)</b>
<b>“Total Recommended Rate (Break-Even Rate + 10% Profit)”</b>	<b>\$209</b>	<b>\$201</b>	
% increase / decrease: -4%			

% Increase / Decrease	Own	Lease
from Findings	62%	55%
from Findings +10%	47%	41%
from Adjusted Expenses		-4%
from Adj. Expenses +10%		
Difference from SSI rate	\$(156.74)	\$(148.41)
%	-299%	-283%
Difference from DMH (SSI+ERC)	\$113.02	\$104.69
%	117%	109%
Difference from DHS (SSI+ERC)	\$48.41	\$40.08
%	30%	25%
Avg CPB (Own)	\$150	
Avg CPB (Lease)	\$154	
Avg CPB (Cost Efficient)	\$147	
<b>Average CPB (Own / Lease)</b>	<b>\$150</b>	
Difference from SSI rate	\$(97.84)	
%	-186%	
Difference from DMH (SSI+ERC) rate	\$(54.12)	
%	-103%	
Difference from DHS (SSI+ERC) rate	\$10.49	
%	20%	

7-60 Beds

	Own	Lease	Variance
<b>Cost Per Bed / Year</b>	<b>Adj. Expenses</b>		
Facility Expenses	\$8,995	\$11,071	\$2,077
Staffing	\$21,469	\$21,469	
Repairs and Maintenance	\$1,950	\$1,950	
Utilities	\$1,410	\$1,410	
Client Supplies and Services	\$7,000	\$7,000	
Facility Administration	\$2,660	\$2,660	
Insurance	\$580		\$(580)
Replacement Reserves	\$500		\$(500)
<b>Total Cost Per Bed / Year</b>	<b>\$44,564</b>	<b>\$45,560</b>	<b>\$997</b>
<b>Cost Per Bed / Day</b>	<b>Adj. Expenses</b>		
Facility Expenses	\$25	\$30	\$6
Staffing	\$59	\$59	
Repairs and Maintenance	\$5	\$5	
Utilities	\$4	\$4	
Client Supplies and Services	\$19	\$19	
Facility Administration	\$7	\$7	
Insurance	\$2		\$(2)
Replacement Reserves	\$1		\$(1)
<b>Total Cost Per Bed / Day</b>	<b>\$122</b>	<b>\$125</b>	<b>\$3</b>
<b>“Total Recommended Rate (Break-Even Rate + 10% Profit)”</b>	<b>\$134</b>	<b>\$137</b>	
% increase / decrease: 2%			

% Increase / Decrease	Own	Lease
from Findings	73%	77%
from Findings +10%	57%	61%
from Adjusted Expenses		2%
from Adj. Expenses +10%		
Difference from SSI	\$(81.80)	\$(84.81)
%	-156%	-162%
Difference from DMH (SSI+ERC)	\$38.08	\$41.09
%	40%	43%
Difference from DHS (SSI+ERC)	\$(26.53)	\$(23.53)
%	-16%	-15%

Funding Gap	Avg Bed Count	PBPD	PBPY
Small	6	\$104.69	\$38,213.51
Medium	30	\$38.08	\$13,899.63
Large	108	\$9.45	\$3,449.21
<b>Funding Gap Per Facility, Per Year</b>			
			\$229,281.06
			\$416,988.93
			\$372,515.00
			\$1,018,784.99

Appendix 2: Ownership Model and Lease Model Operational Expense Summary Continued

61+ Beds

	Own	Lease	Variance
<b>Cost Per Bed / Year</b>	<b>Adj. Expenses</b>		
Facility Expenses	\$7,975	\$15,628	\$7,653
Staffing	\$14,723	\$14,723	
Repairs and Maintenance	\$1,140	\$1,140	
Utilities	\$1,050	\$1,050	
Client Supplies and Services	\$7,000	\$7,000	
Facility Administration	\$1,860	\$1,860	
Insurance	\$815		\$(815)
Replacement Reserves	\$500		\$(500)
<b>Total Cost Per Bed / Year</b>	<b>\$35,063</b>	<b>\$41,401</b>	<b>\$6,338</b>
<b>Cost Per Bed / Day</b>	<b>Adj. Expenses</b>		
Facility Expenses	\$22	\$43	\$21
Staffing	\$40	\$40	
Repairs and Maintenance	\$3	\$3	
Utilities	\$3	\$3	
Client Supplies and Services	\$19	\$19	
Facility Administration	\$5	\$5	
Insurance	\$2		\$(2)
Replacement Reserves	\$1		\$(1)
<b>Total Cost Per Bed / Day</b>	<b>\$96</b>	<b>\$113</b>	<b>\$17</b>
<b>"Total Recommended Rate (Break-Even Rate + 10% Profit)"</b>	<b>\$106</b>	<b>\$125</b>	
% increase / decrease: 18%			

% Increase / Decrease	Own	Lease
from Findings	77%	110%
from Findings +10%	61%	91%
from Adjusted Expenses		18%
from Adj. Expenses +10%		
Difference from SSI	\$(53.17)	\$(72.27)
%	-101%	-138%
Difference from DMH (SSI+ERC)	\$9.45	\$28.55
%	10%	30%
Difference from DHS (SSI+ERC)	\$(55.16)	\$(36.06)
%	-34%	-22%

Appendix 3: Summary of Facility-Reported Operational Expenses

Facility Operator	≤6 Beds		7-60 Beds				61+ Beds				
	LARCA Model	Facility 1	Facility 2	Facility 3	Facility 4	Facility 5	Facility 6	Facility 7	Facility 8	Facility 9	Facility 1
<b>Fiscal Year End</b>	n/a	12/31/21	12/31/21	12/31/21	12/31/22	12/31/22	12/31/21	12/31/21	12/31/21	12/31/22	12/31/22
<b>Number of Beds</b>	6	6	14	46	68	68	72	100	135	136	175
<b>% DMH/DHS Clients</b>	n/a	83%	43%	100%	59%	53%	60%	43%	33%	100%	22%
<b>Square Footage (Building)</b>	n/a	1,440	2,858	12,850	17,842	17,771	19,623	24,522	34,410	27,372	37,142
<b>Staff (Healthcare)</b>	n/a	5	4	2	25	1	16	5	2	9	1
<b>Staff (Incl. Healthcare)</b>	2	9	4	23	25	25	16	19	33	25	53
<b>Staffing Ratio (All)</b>	3	0.67	3.50	2.00	2.72	2.72	4.50	5.26	4.09	5.44	3.30
<b>Cost Per Bed (By consolidated line item)</b>											
Facility Expenses	\$7,200	\$17,100	\$6,335	\$1,532	\$4,547	\$11,978	\$2,735	\$2,004	\$2,442	\$6,188	\$6,336
Staffing	\$23,040	\$18,899	\$6,814	\$22,518	\$8,106	\$17,083	\$6,647	\$7,691	\$8,698	\$8,066	\$11,614
Repairs and Maintenance	\$2,500	\$2,194	\$723	\$1,609	\$322	\$753	\$2,413	\$1,659	\$901	\$645	\$177
Utilities	\$3,080	\$4,417	\$725	\$1,172	\$700	\$888	\$621	\$1,032	\$890	\$1,347	\$1,293
Client Supplies and Services	\$6,800	\$12,888	\$1,841	\$7,367	\$1,644	\$2,426	\$3,123	\$2,197	\$2,398	\$2,053	\$1,761
Facility Administration	\$2,800	\$6,678	\$1,663	\$3,171	\$2,742	\$2,728	\$1,670	\$278	\$2,180	\$1,407	\$2,017
Insurance	\$1,800	\$4,550	\$259	\$901	\$1,383	\$974		\$163	\$1,364	\$162	\$477
<b>Total Cost Per Bed / Year</b>	<b>\$45,420</b>	<b>\$79,530</b>	<b>\$18,181</b>	<b>\$35,836</b>	<b>\$18,577</b>	<b>\$36,303</b>	<b>\$17,309</b>	<b>\$14,862</b>	<b>\$18,177</b>	<b>\$19,724</b>	<b>\$23,599</b>
<b>Adjusted CPB/Year</b>	<b>\$43,620</b>	<b>\$74,980</b>	<b>\$17,922</b>	<b>\$34,935</b>	<b>\$17,194</b>	<b>\$35,329</b>	<b>\$17,309</b>	<b>\$14,699</b>	<b>\$16,813</b>	<b>\$19,562</b>	<b>\$23,123</b>
<b>Total Cost Per Sq. Ft. (Building)</b>											
Facility Expenses		\$71	\$31	\$5	\$17	\$46	\$10	\$8	\$10	\$31	\$30
Staffing		\$79	\$33	\$81	\$31	\$62	\$24	\$31	\$34	\$7	\$54
Repairs and Maintenance		\$9	\$4	\$6	\$1	\$3	\$9	\$7	\$4	\$3	\$1
Utilities		\$18	\$4	\$4	\$3	\$3	\$2	\$4	\$3	\$7	\$6
Client Supplies and Services		\$54	\$9	\$26	\$6	\$9	\$11	\$9	\$9	\$10	\$8
Facility Administration		\$28	\$8	\$11	\$10	\$10	\$6	\$1	\$9	\$7	\$10
Insurance		\$19	\$1	\$3	\$5	\$4		\$1	\$5	\$1	\$2
<b>Total Cost Per Sq. Ft.</b>		<b>\$278</b>	<b>\$90</b>	<b>\$137</b>	<b>\$74</b>	<b>\$137</b>	<b>\$63</b>	<b>\$61</b>	<b>\$74</b>	<b>\$65</b>	<b>\$111</b>
<b>Total Cost per Staff Person (Healthcare)</b>											
Facility Expenses		\$20,520	\$22,172	\$35,243	\$12,368	\$814,470	\$12,308	\$40,071	\$164,840	\$93,507	\$1,108,882
Staffing		\$22,679	\$23,849	\$517,904	\$22,049	\$1,098,657	\$29,910	\$153,826	\$587,087	\$19,969	\$2,005,850
Repairs and Maintenance		\$2,633	\$2,530	\$37,009	\$876	\$51,232	\$10,860	\$33,189	\$60,819	\$9,739	\$30,969
Utilities		\$5,301	\$2,538	\$26,949	\$1,903	\$60,412	\$2,796	\$20,643	\$60,099	\$20,358	\$226,279
Client Supplies and Services		\$15,465	\$6,443	\$169,440	\$4,472	\$164,959	\$14,053	\$43,949	\$161,891	\$31,018	\$308,254
Facility Administration		\$8,013	\$5,821	\$72,923	\$7,459	\$185,503	\$7,514	\$5,551	\$147,165	\$21,261	\$352,893
Insurance		\$5,460	\$905	\$20,722	\$3,761	\$66,250		\$3,254	\$92,055	\$2,445	\$83,432
<b>Total Cost Per Staff (Total)</b>		<b>\$80,071</b>	<b>\$64,258</b>	<b>\$880,191</b>	<b>\$52,887</b>	<b>\$2,441,483</b>	<b>\$77,440</b>	<b>\$300,484</b>	<b>\$1,273,955</b>	<b>\$198,298</b>	<b>\$4,116,559</b>
<b>Cost per Staff (All Staff)</b>											
Facility Expenses		\$11,400	\$22,172	\$3,065	\$12,368	\$32,579	\$12,308	\$10,545	\$9,990	\$33,662	\$20,922
Staffing		\$12,600	\$23,849	\$45,035	\$22,049	\$43,946	\$29,910	\$40,480	\$35,581	\$7,189	\$37,846
Repairs and Maintenance		\$1,463	\$2,530	\$3,218	\$876	\$2,049	\$10,860	\$8,734	\$3,686	\$3,506	\$584
Utilities		\$2,945	\$2,538	\$2,343	\$1,903	\$2,416	\$2,796	\$5,432	\$3,642	\$7,329	\$4,269
Client Supplies and Services		\$8,592	\$6,443	\$14,734	\$4,472	\$6,598	\$14,053	\$11,566	\$9,812	\$11,167	\$5,816
Facility Administration		\$4,452	\$5,821	\$6,341	\$7,459	\$7,420	\$7,514	\$1,461	\$8,919	\$7,654	\$6,658
Insurance		\$3,033	\$905	\$1,802	\$3,761	\$2,650		\$856	\$5,579	\$880	\$1,574
<b>Total Cost Per Staff (Healthcare)</b>		<b>\$44,484</b>	<b>\$64,258</b>	<b>\$76,538</b>	<b>\$52,887</b>	<b>\$97,659</b>	<b>\$77,440</b>	<b>\$79,075</b>	<b>\$77,209</b>	<b>\$71,387</b>	<b>\$77,671</b>

Appendix 4: Operating Cost Analysis (2023 9% TCAC Projects; L.A. County; New Construction)

Project	CTCAC Number	Units	Bedrooms	Operating Expenses	Replacement Reserves	Replacement Reserves / Unit	Total Expenses	OpEx / Unit	OpEx / Bed	Homeless / Special Needs Units	% Units Homeless or Special Needs
<b>First Street North B Apartments</b> Define Special Need Units: 17 homeless, 1.75	CA-23-001	67	117	\$528,435	\$33,500	\$500	\$561,935	\$8,387	\$4,803	17	25%
<b>Lexington Gardens</b> Define Special Need Units: 12 homeless, 12 ind. with disability 1.02	CA-23-005	48	49	\$524,539	\$24,000	\$500	\$548,539	\$11,428	\$11,195	24	50%
<b>Martel EAH</b> Define Special Need Units: 25 homeless 1.02	CA-23-006	50	51	\$405,335	\$25,000	\$500	\$430,335	\$8,607	\$8,438	25	50%
<b>Larkin Place</b> Define Special Need Units: 32 homeless and/or ind. with physical, mental, and development disabilities, 1.00	CA-23-020	32	32	\$278,671	\$9,900	\$309	\$288,571	\$9,018	\$9,018	32	100%
<b>Sunnyside</b> Define Special Need Units: 26 homeless, 1.00	CA-23-022	27	27	\$342,144	\$9,450	\$350	\$351,594	\$13,022	\$13,022	26	96%
<b>Mariposa on Second</b> Define Special Need Units: 25 homeless 1.36	CA-23-023	50	68	\$493,021	\$0	\$0	\$493,021	\$9,860	\$7,250	25	50%
<b>Santa Fe Springs Village</b> Define Special Need Units: 21 senior, 22 ind. with physical, mental, development disabilities, 1.02	CA-23-035	44	45	\$345,200	\$13,200	\$300	\$358,400	\$8,145	\$7,964	43	98%
<b>3125 Firestone</b> Define Special Need Units: Family housing 2.30	CA-23-036	61	140	\$390,469	\$15,250	\$250	\$405,719	\$6,651	\$2,898	0	0%
<b>2052 Lake Avenue Apartments</b> Define Special Need Units: 57 homeless 1.02	CA-23-054	58	59	\$546,381	\$24,400	\$421	\$570,781	\$9,841	\$9,674	57	98%
<b>Loma Verde</b> Define Special Need Units: 18 homeless, 1.00	CA-23-057	19	19	\$240,440	\$6,650	\$350	\$247,090	\$13,005	\$13,005	18	95%
<b>Manchester Apartments</b> Define Special Need Units: 41 senior 1.02	CA-23-064	42	43	\$253,450	\$12,600	\$300	\$266,050	\$6,335	\$6,187	0	0%
<b>The Steps on St. Andrews</b> Define Special Need Units: 19 homeless, 1.00	CA-23-069	20	20	\$243,992	\$10,000	\$500	\$253,992	\$12,700	\$12,700	19	95%
<b>Rose Town Apartments</b> Define Special Need Units: Family housing, 1.79	CA-23-070	48	86	\$307,200	\$12,000	\$250	\$319,200	\$6,650	\$3,712	0	0%

Project	CTCAC Number	Units	Bedrooms	Operating Expenses	Replacement Reserves	Replacement Reserves / Unit	Total Expenses	OpEx / Unit	OpEx / Bed	Homeless / Special Needs Units	% Units Homeless or Special Needs
<b>Baldwin Park Affordable Housing</b> Define Special Need Units: 18 survivors of domestic violence, 2.16	CA-23-074	51	110	\$403,577	\$25,500	\$500	\$429,077	\$8,413	\$3,901	18	35%
<b>18722 Sherman Way</b> Define Special Need Units: 63 homeless, 1.02	CA-23-091	64	65	\$613,030	\$32,000	\$500	\$645,030	\$10,079	\$9,924	63	98%
<b>Central Avenue Apartments</b> Define Special Need Units: 30 TAY, 28 families, 1.42	CA-23-092	59	84	\$611,442	\$29,500	\$500	\$640,942	\$10,863	\$7,630	58	98%
<b>The Garvey</b> Define Special Need Units: 37 homeless, 37 TAY, 1.21	CA-23-102	75	91	\$763,938	\$37,500	\$500	\$801,438	\$10,686	\$8,807	74	99%
<b>Prisma Artist Lofts</b> Define Special Need Units: Family housing, 1.89	CA-23-112	75	142	\$536,572	\$22,500	\$300	\$559,072	\$7,454	\$3,937	0	0%
<b>Baldwin Park Affordable Housing</b> Define Special Need Units: 18 survivors of domestic violence, 2.16	CA-23-118	51	110	\$403,577	\$25,500	\$500	\$429,077	\$8,413	\$3,901	18	35%
<b>CRCD Normandie Apartments</b> Define Special Need Units: 14 homeless, ind. with physical, mental, and development disabilities, 1.00	CA-23-123	57	57	\$695,080	\$28,500	\$500	\$723,580	\$12,694	\$12,694	56	98%
<b>Willowbrook 3</b> Define Special Need Units: 50 homeless, 1.02	CA-23-130	51	52	\$555,745	\$15,300	\$300	\$571,045	\$11,197	\$10,982	50	98%
<b>The Carlton</b> Define Special Need Units: 30 homeless, 30 TAY, 1.22	CA-23-139	60	73	\$587,504	\$30,000	\$500	\$617,504	\$10,292	\$8,459	60	100%
<b>Sunnyside</b> Define Special Need Units: 26 homeless, 1.00	CA-23-140	27	27	\$342,144	\$9,450	\$350	\$351,594	\$13,022	\$13,022	26	96%
<b>The Steps on St. Andrews</b> Define Special Need Units: 13 homeless, 1.00	CA-23-143	20	20	\$239,242	\$10,000	\$500	\$249,242	\$12,462	\$12,462	13	65%
<b>Mariposa on Second</b> Define Special Need Units: 25 homeless, 1.36	CA-23-150	50	68	\$493,021	\$0	\$0	\$493,021	\$9,860	\$7,250	25	50%
<b>Average</b>		48	1.37	\$20,074	\$412		\$10,453	\$8,581			

## Appendix 5: Development Cost Analysis (2023 9% TCAC Projects; L.A. County; New Construction)

Project Name	CTCAC NUMBER	Residential Unit Sq. Ft.	Avg. Unit Size (Bed Count)	Avg. Sq. Ft. per Unit	Common Area / Other Sq. Ft.*	Commercial Space	Parking Sq. Ft.	Total Sq. Ft.	Load Factor (Common Area / Residential Area)	Parking as % of All Other Sq. Ft.	Soft Costs (All, Including Financing, Holding, Soft Conting., Developer Fee)	Soft Costs as % of Hard Costs	Soft Costs as % of TDC	Other / Relocation	Total Hard Costs	Hard Costs (\$\$ / Unit with Prevailing Wages)	Hard Cost Contingency	Hard Cost Contingency as % of Hard Costs	LIHTC Budgeted Total Development Cost	LIHTC TDC / Unit	Total Budget w/o Prevailing Wages (25% Prevailing Wage Premium)	Hard Costs (\$\$ / Sq. Ft. w/o Prevailing Wages)	Hard Costs (\$\$ / Unit w/o Prevailing Wages)	Hard Costs (\$\$ / Bedroom w/o Prevailing Wages)
<b>First Street North B</b> Area: Little Tokyo	CA-23-001	56,785	1.75	848	1,931	14,949	0	73,665	3.40%	0.00%	\$17,460,200	54.17%	33.09%	0.00%	\$32,232,518	\$481,082	\$3,069,742	9.52%	\$52,762,460	\$787,499	\$24,354,891	\$331	\$363,506	\$208,161
<b>Lexington Gardens</b> Area: City of Los Angeles	CA-23-005	20,163	1.02	420	4,675	0	10,322	35,160	23.19%	41.56%	\$9,096,253	39.85%	23.09%	0.00%	\$22,826,827	\$475,559	\$2,242,956	9.83%	\$39,396,348	\$820,757	\$18,590,433	\$529	\$387,301	\$379,397
<b>Martel EAH</b> Area: Balance of Los Angeles County	CA-23-006	25,154	1.02	503	26,264	0	0	51,418	104.41%	0.00%	\$10,199,478	42.35%	23.43%	0.00%	\$24,085,188	\$481,704	\$2,380,963	9.89%	\$43,525,629	\$870,513	\$19,136,498	\$372	\$382,730	\$375,225
<b>Larkin Place</b> Area: Balance of Los Angeles County	CA-23-020	14,394	1.00	450	8,584	0	0	22,978	59.64%	0.00%	\$8,674,052	70.02%	37.28%	0.00%	\$12,387,553	\$387,111	\$853,949	6.89%	\$23,269,386	\$727,168	\$9,142,894	\$398	\$285,715	\$285,715
<b>Sunnyside</b> Area: City of Los Angeles	CA-23-022	7,325	1.00	271	5,644	0	0	12,969	77.05%	0.00%	\$5,900,168	49.97%	29.46%	0.29%	\$11,807,474	\$437,314	\$1,263,539	10.70%	\$20,030,100	\$741,856	\$9,430,355	\$727	\$349,272	\$349,272
<b>Mariposa on Second</b> Area: Balance of Los Angeles County	CA-23-023	32,555	1.36	651	8,120	0	21,297	61,972	24.94%	52.36%	\$11,176,241	42.97%	26.69%	0.00%	\$26,011,326	\$520,227	\$2,611,503	10.04%	\$41,869,500	\$837,390	\$20,547,956	\$332	\$410,959	\$302,176
<b>Santa Fe Springs Village</b> Area: Balance of Los Angeles County	CA-23-035	19,023	1.02	432	4,919	0	13,391	37,333	25.86%	55.93%	\$5,364,950	38.88%	23.81%	0.00%	\$13,800,000	\$313,636	\$694,000	5.03%	\$22,529,000	\$512,023	\$9,913,788	\$266	\$225,313	\$220,306
<b>3125 Firestone</b> Area: Balance of Los Angeles County	CA-23-036	52,700	2.30	864	7,120	0	0	59,820	13.51%	0.00%	\$10,103,061	47.37%	26.03%	0.00%	\$21,326,151	\$349,609	\$1,076,308	5.05%	\$38,811,964	\$636,262	\$17,060,921	\$285	\$279,687	\$121,864
<b>2052 Lake Avenue Apartments</b> Area: Balance of Los Angeles County	CA-23-054	31,328	1.02	540	6,413	0	0	37,741	20.47%	0.00%	\$10,614,928	50.49%	27.61%	0.36%	\$21,023,921	\$362,481	\$1,870,273	8.90%	\$38,452,770	\$662,979	\$15,148,638	\$401	\$261,183	\$256,757
<b>Loma Verde</b> Area: City of Los Angeles	CA-23-057	5,400	1.00	284	4,014	0	0	9,414	74.33%	0.00%	\$4,871,548	61.88%	32.90%	0.00%	\$7,873,093	\$414,373	\$775,776	9.85%	\$14,804,978	\$779,209	\$6,209,730	\$660	\$326,828	\$326,828
<b>Manchester Apartments</b> Area: City of Los Angeles	CA-23-064	27,268	1.02	649	4,257	0	0	31,525	15.61%	0.00%	\$6,311,798	38.45%	25.78%	0.00%	\$16,417,439	\$390,891	\$826,133	5.03%	\$24,480,600	\$582,871	\$12,438,446	\$395	\$296,153	\$289,266
<b>The Steps on St. Andrews</b> Area: City of Los Angeles	CA-23-069	4,643	1.00	232	3,570	0	0	8,213	76.89%	0.00%	\$5,802,257	64.77%	37.41%	0.00%	\$8,958,763	\$447,938	\$747,640	8.35%	\$15,508,660	\$775,433	\$7,207,855	\$878	\$360,393	\$360,393
<b>Rose Town Apartments</b> Area: Balance of Los Angeles County	CA-23-070	37,570	1.79	783	10,100	0	0	47,670	26.88%	0.00%	\$9,425,423	44.55%	29.77%	0.00%	\$21,159,225	\$440,817	\$1,080,000	5.10%	\$31,664,648	\$659,680	\$16,927,380	\$355	\$352,654	\$196,830
<b>Baldwin Park Affordable Housing</b> Area: Balance of Los Angeles County	CA-23-074	40,954	2.16	803	19,898	0	36,163	97,015	48.59%	59.43%	\$13,260,303	49.40%	28.68%	0.00%	\$26,840,652	\$526,287	\$1,352,033	5.04%	\$46,235,788	\$906,584	\$20,172,466	\$208	\$395,539	\$183,386
<b>18722 Sherman Way</b> Area: City of Los Angeles	CA-23-091	19,278	1.02	301	19,749	0	0	39,027	102.44%	0.00%	\$13,795,165	54.73%	29.66%	0.34%	\$25,203,767	\$393,809	\$2,528,877	10.03%	\$46,515,127	\$726,799	\$19,566,647	\$501	\$305,729	\$301,025

Appendix 5: Development Cost Analysis  
(2023 9% TCAC Projects; L.A. County; New Construction) Continued

Project Name	CTCAC NUMBER	Residential Unit Sq. Ft.	Avg. Unit Size (Bed Count)	Avg. Sq. Ft. per Unit	Common Area / Other Sq. Ft. *	Commercial Space	Parking Sq. Ft.	Total Sq. Ft.	Load Factor (Common Area / Residential Area)	Parking as % of All Other Sq. Ft.	Soft Costs (All, Including Financing, Holding, Soft Conting., Developer Fee)	Soft Costs as % of Hard Costs	Soft Costs as % of TDC	Other / Relocation	Total Hard Costs	Hard Costs (\$\$ / Unit with Prevailing Wages)	Hard Cost Contingency	Hard Cost Contingency as % of Hard Costs	LIHTC Budgeted Total Development Cost	LIHTC TDC / Unit	Total Budget w/o Prevailing Wages (25% Prevailing Wage Premium)	Hard Costs (\$\$ / Sq. Ft. w/o Prevailing Wages)	Hard Costs (\$\$ / Unit w/o Prevailing Wages)	Hard Costs (\$\$ / Bedroom w/o Prevailing Wages)					
<b>Central Avenue Apartments</b> Area: City of Los Angeles	CA-23-092	43,365	1.42	735	17,397	0	10,920	71,682	40.12%	17.97%	\$14,604,114	49.59%	27.37%	0.00%	\$29,451,013	\$499,170	\$2,975,860	10.10%	\$53,359,224	\$904,394	\$23,013,807	\$321	\$390,065	\$273,974					
<b>The Garvey</b> Area: Balance of Los Angeles County	CA-23-102	43,300	1.21	577	17,969	0	0	61,269	41.50%	0.00%	\$10,533,955	37.41%	24.07%	0.00%	\$28,155,600	\$375,408	\$2,829,845	10.05%	\$43,765,192	\$583,536	\$20,612,205	\$336	\$274,829	\$226,508					
<b>Prisma Artist Lofts</b> Area: Balance of Los Angeles County	CA-23-112	70,892	1.89	945	26,115	0	0	97,007	36.84%	0.00%	\$12,756,190	44.06%	26.88%	0.00%	\$28,953,869	\$386,052	\$1,250,707	4.32%	\$47,460,766	\$632,810	\$23,163,095	\$239	\$308,841	\$163,120					
<b>Baldwin Park Affordable Housing</b> Area: Balance of Los Angeles County	CA-23-118	40,954	2.16	803	19,898	0	36,163	97,015	48.59%	59.43%	\$14,045,235	52.33%	29.74%	0.00%	\$26,840,652	\$526,287	\$1,363,718	5.08%	\$47,232,405	\$926,126	\$20,172,466	\$208	\$395,539	\$183,386					
<b>CRCD Normandie Apartments</b> Area: Balance of Los Angeles County	CA-23-123	24,778	1.00	435	2,041	1,242	0	28,061	8.24%	0.00%	\$10,228,670	54.51%	30.73%	0.00%	\$18,766,357	\$329,234	\$1,200,000	6.39%	\$33,287,045	\$583,983	\$13,762,876	\$490	\$241,454	\$241,454					
<b>Willowbrook 3</b> Area: Balance of Los Angeles County	CA-23-130	29,050	1.02	570	20,106	0	0	49,156	69.21%	0.00%	\$10,400,656	44.44%	26.70%	0.00%	\$23,404,416	\$458,910	\$1,185,611	5.07%	\$38,951,477	\$763,754	\$18,235,706	\$371	\$357,563	\$350,687					
<b>The Carlton</b> Area: City of Los Angeles	CA-23-139	36,385	1.22	606	106,744	0	0	143,129	293.37%	0.00%	\$15,225,670	53.55%	29.50%	0.00%	\$28,432,072	\$473,868	\$2,898,046	10.19%	\$51,604,921	\$860,082	\$22,465,225	\$157	\$374,420	\$307,743					
<b>Sunnyside</b> Area: City of Los Angeles	CA-23-140	7,325	1.00	271	6,459	0	0	13,784	88.18%	0.00%	\$5,310,013	44.97%	27.31%	0.30%	\$11,807,474	\$437,314	\$1,263,539	10.70%	\$19,439,945	\$719,998	\$9,430,355	\$684	\$349,272	\$349,272					
<b>The Steps on St. Andrews</b> Area: City of Los Angeles	CA-23-143	4,643	1.00	232	3,570	0	0	8,213	76.89%	0.00%	\$5,933,200	66.47%	38.00%	0.00%	\$8,926,501	\$446,325	\$752,798	8.43%	\$15,612,499	\$780,625	\$7,175,593	\$874	\$358,780	\$358,780					
<b>Mariposa on Second</b> Area: Balance of Los Angeles County	CA-23-150	32,555	1.36	651	8,120	0	21,297	61,972	24.94%	52.36%	\$13,246,671	50.93%	30.15%	0.00%	\$26,011,326	\$520,227	\$2,611,503	10.04%	\$43,939,930	\$878,799	\$20,547,956	\$332	\$410,959	\$302,176					
			1.31	554.3					57%	14%		49.9%	29.0%		\$435,025				Avg. Unit (All)	\$746,445		\$426	\$337,787	\$276,548					
<b>Average Sq. Ft.</b>		29,111			14,547		5,982	49,641				<b>Average Hard Costs: \$20,908,127</b>																	
<b>% of Total Sq. Ft.</b>		58.6%			29.3%		12.1%					<b>Average Hard Cost per Sq. Ft.: \$421</b>														\$842,400	<b>Avg. Unit Gross up to 2-beds w/ Structured Parking</b>		
<b>*TCAC Applications combine manager's unit(s) with common areas</b>																													

Appendix 6: Project Homekey Operations

Project	Units	Avg. Sq. Ft. / Unit	Unit Type	Revenue (Stabilized)**	Monthly Rent Per Unit (Excl. Manager Unit)	Operating Expenses (Excl. RE Taxes, Services)	Vacancy	Replacement Reserves	Total Expenses	OpEx Per Unit / Year
Aviation Blvd	48	300	Studio	\$920,565	\$1,632	\$545,532	10%	\$24,000	\$569,532	\$11,865
Avenida	76	300	Studio	\$903,533	\$1,004	\$610,534	5%	\$48,708	\$659,242	\$8,674
Weingart Willows	53	235	Studio	\$989,136	\$1,585	\$845,880	10%	\$26,500	\$872,380	\$16,460
Norwalk Homekey	52	230	Studio	\$869,256	\$1,420	\$537,692	10%	\$18,200	\$555,892	\$10,690
Harbor City HK	50	277	Studio	\$704,956	\$1,199	\$454,500	10%	\$19,000	\$473,500	\$9,470
M6 Long Beach	40	420	Studio	\$608,688	\$1,301	\$442,730	10%	\$20,000	\$462,730	\$11,568
BLVD Hotels	62	348	Studio	\$1,469,003	\$2,007	\$598,240	10%	\$24,800	\$623,040	\$10,049
Alvarado & Temple	66	398	1BR	\$1,573,130	\$2,017	\$652,928	5%	\$33,000	\$685,928	\$10,393
<b>Average</b>					<b>\$1,521</b>					<b>\$11,146</b>
<b>Average (Units between 48–53)</b>					<b>\$1,459</b>					<b>\$12,121</b>

Appendix 7: Adjusted Acquisition Cost per Bed for Facilities with 6 Beds or Fewer (Based on Board & Care Acquisitions in 2023)

Assisted Living Sales Prices

Project	Sq. Ft.	Date Acquired	Sales Price	Debt Size <sup>2</sup> (80% Debt)	Annual Payment <sup>3</sup>	Property Tax <sup>1</sup> (1.25%)	Estimated Units <sup>4</sup>	Estimated Beds	Adjusted Acquisition Cost / Bed
<b>Board &amp; Care Acquisitions 2023</b>									
15224 Roper Ave.	1,289	3/7/22	\$590,000	\$472,000	\$41,335	\$7,375	3	6	\$8,118
5833 Brayton Ave.	1,615	8/24/21	\$710,000	\$568,000	\$49,742	\$8,875	3	6	\$9,769
<b>Average Acq.</b>	<b>1,452</b>		<b>\$650,000</b>	<b>\$520,000</b>	<b>\$45,538</b>		<b>\$3</b>		<b>\$8,944</b>

<sup>1</sup> Tax rated based on the California Board of Equalization Property Tax Exemption for nonprofits.

<sup>2</sup> Debt size assumes 80% Loan to Value (LTV) with 20% equity funded by a grant.

<sup>3</sup> The annual debt service is based on a 30-year mortgage with a fixed interest rate of 7.85% and an 80% LTV. The interest rate assumption is based on the 7.80-7.85% (or SOFR +250 basis points) offered by our peer community development financial institutions for similar asset types.

<sup>4</sup> The CoStar Reports did not provide a unit count with each sale. Per the sample data provided by facility operators, the average square foot allotted per bed is 239 square feet. To reflect a two-beds-per-bedroom layout as advised by DHS/DMH, Genesis LA multiplied doubled this average, resulting in a total of 478 square feet per unit. The total square feet for each facility was divided by the square feet for a 2-bed bedroom to estimate the total number of units per facility.

L.A. County Median Sale Price	Rehab Cost	Debt Size <sup>2</sup> (80% Debt)	Annual Payment <sup>3</sup>	Property Tax <sup>1</sup> (1.25%)	Estimated Units <sup>4</sup>	Estimated Beds	Adjusted Acquisition Cost / Bed
\$883,333	\$264,720	\$918,442	\$80,431	\$11,042	3	6	\$15,245
\$920,000	\$264,720	\$947,776	\$83,000	\$11,500	3	6	\$15,750

<sup>1</sup> Per Zillow.com as of 6/30/24

<sup>2</sup> Per Redfin.com as of 6/30/24

Appendix 8: Adjusted Acquisition Cost per Bed for Facilities with 7 to 60 Beds (Based on Board & Care Acquisitions in 2023)

Assisted Living Sales Prices

Project	Sq. Ft.	Date Acquired	Sales Price	Rehab Cost	Debt Size <sup>2</sup> (80% Debt)	Annual Payment <sup>3</sup>	Property Tax <sup>1</sup> (1.25%)	Estimated Units <sup>4</sup>	Estimated Beds	Adjusted Acquisition Cost / Bed
<b>Board &amp; Care Acquisitions 2023</b>										
23511 Berdon St.	3,300	8/21/23	\$1,400,000	\$213,285	\$1,290,628	\$113,025	\$17,500	7	14	\$9,453
452 Sellers St.	7,504	5/18/23	\$3,590,909	\$494,304	\$3,268,170	\$286,205	\$44,886	16	32	\$10,347
827 Crenshaw Blvd.	5,471	4/17/23	\$1,550,000	\$339,834	\$1,511,867	\$132,399	\$19,375	11	22	\$6,899
1035 Olive Ave.	3,074	3/10/23	\$950,000	\$185,364	\$908,291	\$79,542	\$11,875	6	12	\$7,618
413 Ocean Ave.	13,052	2/13/23	\$5,600,000	\$834,138	\$5,147,310	\$450,767	\$70,000	27	54	\$9,644
2411 Arizona Ave.	3,074	7/19/22	\$2,400,000	\$185,364	\$2,068,291	\$181,127	\$30,000	6	12	\$17,594
528 Howard St.	2,886	11/8/21	\$1,100,000	\$186,527	\$1,029,222	\$90,132	\$13,750	6	12	\$8,603
2411 Arizona Ave.	3,074	9/9/21	\$1,800,000	\$185,364	\$1,588,291	\$139,092	\$22,500	6	12	\$13,466
5833 Brayton Ave.	1,615	8/24/21	\$710,000	\$92,682	\$642,146	\$56,235	\$8,875	3	6	\$10,852
335 Mission Rd.	8,559	6/22/21	\$3,950,000	\$553,184	\$3,602,547	\$315,487	\$49,375	18	36	\$10,188
1025 Los Robles Ave.	7,770	4/16/21	\$1,240,000	\$494,304	\$1,387,443	\$121,503	\$15,500	16	32	\$4,281
15410 Bledsoe St.	2,065	3/25/21	\$744,500	\$123,576	\$694,461	\$60,816	\$9,306	4	8	\$8,765
18312 Mansel Ave.	2,679	2/17/21	\$750,000	\$185,364	\$748,291	\$65,530	\$9,375	6	12	\$6,242
5811 Capistrano Ave.	2,374	1/29/21	\$1,050,000	\$153,436	\$962,749	\$84,311	\$13,125	5	10	\$9,809
<b>Average Acq.</b>	<b>4,750</b>		<b>\$1,916,815</b>	<b>\$301,909</b>	<b>\$1,774,979</b>	<b>\$155,441</b>	<b>\$23,960</b>	<b>10</b>	<b>20</b>	<b>\$9,554</b>

<sup>1</sup> Tax rated based on the California Board of Equalization Property Tax Exemption for nonprofits.

<sup>2</sup> Debt size assumes 80% Loan to Value (LTV) with 20% equity funded by a grant.

<sup>3</sup> The annual debt service is based on a 30-year mortgage with a fixed interest rate of 7.85% and an 80% LTV. The interest rate assumption is based on the 7.80-7.85% (or SOFR +250 basis points) offered by our peer community development financial institutions for similar asset types.

<sup>4</sup> The CoStar Reports did not provide a unit count with each sale. Per the sample data provided by facility operators, the average square foot allotted per bed is 239 square feet. To reflect a two-beds-per-bedroom layout as advised by DHS/DMH, Genesis LA multiplied doubled this average, resulting in a total of 478 square feet per unit. The total square feet for each facility was divided by the square feet for a 2-bed bedroom to estimate the total number of units per facility.

\$ / Bed (Debt Svc + Tax)	Weight (Units)	X
\$9,453	14	\$130,525
\$10,347	32	\$331,091
\$6,899	22	\$151,774
\$7,618	12	\$91,417
\$9,644	54	\$520,767
\$17,594	12	\$211,127
\$8,603	12	\$103,882
\$13,466	12	\$161,592
\$10,852	6	\$65,110
\$10,188	36	\$364,862
\$4,281	32	\$137,003
\$8,765	8	\$70,123
\$6,242	12	\$74,905
\$9,809	10	\$97,436
	274	\$2,511,615
<b>Weighted Average</b>		<b>\$9,179</b>

Appendix 9: Adjusted Acquisition Cost per Bed for Facilities with Over 60 Beds (Based on Board & Care Acquisitions in 2023)

Assisted Living Sales Prices

Project	Sq. Ft.	Date Acquired	Acquisition Cost	Rehab Cost	Debt Size <sup>2</sup> (80% Debt)	Annual Payment <sup>3</sup>	Property Tax <sup>1</sup> (1.25%)	Estimated Units <sup>4</sup>	Estimated Beds	Adjusted Acquisition Cost / Bed
<b>Board &amp; Care Acquisitions 2023</b>										
3340 Shelby Dr.	38,184	12/26/23	\$11,200,000	\$2,220,903	\$10,736,722	\$940,251	\$140,000	80	160	\$6,761
150 S. Commonwealth	31,720	11/6/23	\$4,200,000	\$1,834,932	\$4,827,946	\$422,799	\$52,500	66	132	\$3,601
6833 Fallbrook Ave.	54,230	9/7/23	\$13,500,000	\$3,141,626	\$13,313,301	\$1,165,890	\$168,750	113	226	\$5,905
5401 Berdon St.	43,018	8/1/23	\$13,750,000	\$2,502,064	\$13,001,651	\$1,138,598	\$171,875	90	180	\$7,281
6054 Franklin Ave.	32,345	3/6/23	\$12,500,000	\$1,890,536	\$11,512,429	\$1,008,182	\$156,250	68	136	\$8,562
200-204 W. Paramount	24,331	11/22/22	\$6,200,000	\$1,415,168	\$6,092,135	\$533,509	\$77,500	51	102	\$6,002
1505 Colby Dr.	31,065	8/2/22	\$23,500,000	\$1,806,839	\$20,245,471	\$1,772,964	\$293,750	65	130	\$15,900
3850 E. Esther St.	22,602	8/2/22	\$17,650,000	\$1,306,694	\$15,165,355	\$1,328,081	\$220,625	47	94	\$16,476
23420 Avenida Rotella	48,867	5/20/22	\$10,500,000	\$2,842,260	\$10,673,808	\$934,741	\$131,250	102	204	\$5,214
925 E. Villa St.	81,121	12/22/21	\$25,000,000	\$4,726,340	\$23,781,072	\$2,082,588	\$312,500	170	340	\$7,044
4825 Earle Ave.	126,944	11/15/21	\$41,038,454	\$7,395,332	\$38,747,029	\$3,393,207	\$512,981	266	532	\$7,342
9120 Woodman Ave.	42,577	10/19/21	\$20,500,000	\$2,476,414	\$18,381,131	\$1,609,697	\$256,250	89	178	\$10,474
3620 Lomita Blvd.	76,807	10/6/21	\$39,687,500	\$4,476,122	\$35,330,898	\$3,094,045	\$496,094	161	322	\$11,149
8120 Painter Ave.	41,658	6/7/21	\$7,700,000	\$2,422,962	\$8,098,369	\$709,201	\$96,250	87	174	\$4,621
<b>Average Acq.</b>	<b>49,676</b>		<b>\$17,637,568</b>	<b>\$2,889,871</b>	<b>\$16,421,951</b>	<b>\$1,438,125</b>		<b>104</b>	<b>208</b>	<b>\$8,310</b>
<sup>1</sup> Tax rated based on the California Board of Equalization Property Tax Exemption for nonprofits.										
<sup>2</sup> Debt size assumes 80% Loan to Value (LTV) with 20% equity funded by a grant.										
<sup>3</sup> The annual debt service is based on a 30-year mortgage with a fixed interest rate of 7.85% and an 80% LTV. The interest rate assumption is based on the 7.80-7.85% (or SOFR +250 basis points) offered by our peer community development financial institutions for similar asset types.										
<sup>4</sup> The CoStar Reports did not provide a unit count with each sale. Per the sample data provided by facility operators, the average square foot allotted per bed is 239 square feet. To reflect a two-beds-per-bedroom layout as advised by DHS/DMH, Genesis LA multiplied doubled this average, resulting in a total of 478 square feet per unit. The total square feet for each facility was divided by the square feet for a 2-bed bedroom to estimate the total number of units per facility.										

\$ / Bed (Debt Svc + Tax)	Weight (Units)	X
\$6,761	160	\$1,080,251
\$3,601	132	\$475,299
\$5,905	226	\$1,334,640
\$7,281	180	\$1,310,473
\$8,562	136	\$1,164,432
\$6,002	102	\$611,009
\$15,900	130	\$2,066,714
\$16,476	94	\$1,548,706
\$5,214	204	\$1,065,991
\$7,044	340	\$2,395,088
\$7,342	532	\$3,906,188
\$10,474	178	\$1,865,947
\$11,149	322	\$3,590,139
\$4,621	174	\$805,451
	2,910	\$23,220,327
<b>Weighted Average</b>		<b>\$7,978</b>

Appendix 10: Summary of Existing Lease Rates (Provided by DAECO Inc.)

Use	Total Units / Rooms	Total Beds	Effective Date	Term (Years)	City	Zip	SPA	L.A. City Council District	Base Rent (Monthly)	Nightly Bed Rate	Nightly Room Rate
<b>On Market</b>											
Interim Housing	31	62	N/A	3-5	Los Angeles	90046	4-Metro	5	\$90,000.00	\$48.39	\$96.77
Interim Housing	18	40	N/A	3-5	Los Angeles	90005	4-Metro	10	\$50,000.00	\$41.67	\$92.59
Interim Housing	36	60	N/A	3-5	Van Nuys	91401	2-SFV	6	\$25,000.00	\$13.89	\$23.15
<b>Leased</b>											
Interim (Women & Family)	27	72	3/24/23	5	Los Angeles	90033	4-Metro	14th	\$101,250.00	\$46.88	\$125.00
Interim Housing (ODR)	20	80	8/1/23	10	Los Angeles	90061	6-South	N/A	\$91,200.00	\$38.00	\$152.00
Interim Housing (Family)	12	25	4/6/21	5	Los Angeles	90037	6-South	9th	\$27,000.00	\$36.00	\$75.00
Interim Housing (Family)*	18	54	6/1/20	5	Los Angeles	90035	5-West	5th	\$55,000.00	\$33.95	\$101.85
Board & Care (ARF)	31	62	12/9/19	10	Los Angeles	90007	6-South	8th	\$70,680.00	\$38.00	\$76.00
Interim Housing (ODR)	17	33	3/8/20	13	Los Angeles	90016	6-South	1st	\$25,000.00	\$25.25	\$49.02
Interim Housing (Family)	18	48	12/20/19	5	Los Angeles	90011	6-South	9th	\$30,000.00	\$20.83	\$55.56
Interim Housing (ODR)	23	46	11/13/19	10	Los Angeles	90037	6-South	9th	\$49,020.00	\$35.52	\$71.04
Board & Care (ARF)	24	48	3/18/19	10	Los Angeles	90006	4-Metro	1st	\$64,800.00	\$45.00	\$90.00
Board & Care (ARF)	17	35	6/29/18	10	Tujunga	91042	2-SFV	7th	\$42,500.00	\$40.48	\$83.33
Interim Housing (ODR)	13	21	11/29/18	5	Los Angeles	90019	4-Metro	10th	\$13,000.00	\$20.63	\$33.33
Interim Housing (ODR)	6	15	6/1/19	5	Los Angeles	90006	4-Metro	1st	\$10,000.00	\$22.22	\$55.56
Interim Housing (Family)*	18	54	9/1/20	5	Los Angeles	90058	6-South	9th	\$15,000.00	\$9.26	\$27.78
Board & Care (ARF)	11	21	12/10/18	10	Los Angeles	90019	4-Metro	10th	\$18,000.00	\$28.57	\$54.55
Interim Housing	12	22	6/11/18	10	Torrance	90501	8-South Bay	N/A	\$18,000.00	\$27.27	\$50.00
Interim Housing	16	48	2/6/19	15	Los Angeles	90031	4-Metro	1st	\$53,250.00	\$36.98	\$110.94

\*Bed count derived by factoring an average family household size of 3 individuals



Preserving + Expanding Board and Care Facilities in Los Angeles County