

RD AN No. 4331(1942-A)  
(3575-A)  
January 29 2008

TO: State Directors, Rural Development

ATTN: Community Programs Directors

FROM: Russell T. Davis (*Signed by James C. Alsop*) for  
Administrator  
Housing and Community Facilities Programs

SUBJECT: Financing Assisted Living Facilities Using Community Facilities Funds

**PURPOSE/INTENDED OUTCOME:**

This Administrative Notice (AN) is to provide guidance to Rural Development staff regarding financing assisted living facility projects with Community Facilities funds. This AN will clarify the necessary components of an eligible assisted living facility and provide recommendations to strengthen project viability.

**COMPARISON WITH PREVIOUS AN:**

This AN replaces AN 4176 (1942-A and 3575-A), which expired on April 20, 2007.

**IMPLEMENTATION RESPONSIBILITIES:**

Assisted living facilities are eligible essential community facilities. Assisted living facilities are designed to be operated, staffed, and maintained to best meet the needs and desires of their residents. While the scope of assisted living facilities may vary from region to region, there are some commonalities that should be consistent in order to provide adequate care to residents. It is the Agency's position that an assisted living facility is a residential facility designed, operated, and licensed to provide at least the following daily living and health care assistance to its clients and may include other components necessary to enrich the quality of life for its residents:

EXPIRATION DATE:  
February 28, 2009

FILING INSTRUCTIONS:  
Preceding RD Instructions  
1942-A and 3575-A

1. Twenty-four (24) hours a day access to medical personnel (either on-site or on call). A registered nurse or trained staff is required to be on call 24 hours a day in case of emergency, to provide medication management, and supervision of daily living activities, including making rounds and being aware of resident's general whereabouts. The number of personnel should be directly proportional to the census level of the facility. The staff may include administrators, nurses, certified nurse assistants, personal care attendants, health/wellness directors, activity directors, food service managers, marketing staff and maintenance personnel.
2. Assistance with the residents' activities of daily living such as bathing, dressing, taking medications, and eating. The facility may also incorporate a health and exercise program.
3. Providing at least two meals a day in a central dining area. (Assisted living facilities do not contain full-size kitchens, but often contain a kitchenette equipped with a dormitory-size refrigerator and/or microwave oven.)
4. Providing transportation to local medical facilities and businesses. This service allows for personal services to be met, with minimal decline in the independence of the resident.
5. The assisted living facility must comply with all state licensure/certification requirements.

Assisted living facilities must provide the aforementioned level of assistance to be considered eligible for Agency financing. Financial projections for assisted living facilities must be based on no more than 90 percent occupancy. This information must be provided to applicants early in the application process to ensure that preparers of feasibility reports use no more than this level of occupancy when developing financial projections for the facility. We recommend that initial operating capital be included in the RD loan. We also recommend deferral of principal payments for 1 to 2 years. These actions will assist the facility in achieving a stable cash flow position.

If you have any questions, please contact Chad Parker, Director, Direct Loan and Grant Division, or Joseph Ben-Israel, Director, Guaranteed Loan Division, Community Programs, by phone at (202) 720-1490, or by fax at (202) 690-0471.