Exhibit 3
Standardized Building Cost Computation

When reviewing the 2003 annual cost report data the initial finding was that the components which make up the ACF building costs varied widely. Some facilities reported interest expense, real estate taxes and depreciation expense related to mortgages. Other facilities reported lease expense as their only property cost. Mortgages between facilities also varied considerably due to the remaining life on the mortgage. Leases were sometimes market-based, while others were non-arms-length leases whereby an operator leased the facility property from a related entity. As a result of the non-arms-length lease arrangements, a true lease cost could often not be determined.

To compensate for building cost variations a standard was needed to equalize the cost of housing across ACFs. The standard chosen was the banking industry's Front-End Ratio formula. This ratio is the method used by banks to determine the amount a household should expect to spend on housing costs. It is based on monthly housing expenses (including principal, interest, property taxes, and insurance) compared to the household's gross, pretax monthly income. This percentage is universally set at 28% of Income.

The ACF industry includes significant personnel services cost in addition to providing housing to residents. These staffing costs had to be excluded from Total Revenue (Income) in order to remain consistent with the Front End Ratio computation. The average Salary & Fringe Benefit Cost reported by proprietary facilities* in 2003 was calculated to be 39.9% of Total Revenue. This is the percentage that was subtracted from Total Revenue prior to applying the 28% Front End Ratio to the remaining non-salary Total Revenue component.

The Salary & Fringe Benefit average percentage of 39.9 %, described above, was also compared with the staffing component of the 2007 SSI Level III rate. The staffing component is considered to be the State Share amount less the applicable Personal Needs Allowance (PNA) and minus the state share of the "live alone" rate. The percentage arrived at was 38.5%, as illustrated below. This percentage is close to the average staffing cost of 39.9% that proprietary facility operators report. The formula is illustrated below.

2007 SSI Benefit Level Chart – Level III

Federal Share	State Share	PNA	Live Alone State Share
$623	$641	$164	$87

Computation of Net State Share

State Share less PNA & Live Alone State Share = $641 – ($164 + $87) = $390

Computation of Personnel Cost Component

Federal Share	Net Staffing amount State Share	Factor
$623	$390	$390/$1,013 = 38.5%

* Not–for–Profit (NFP) financial reports were excluded from the analysis because NFPs generally staff at a higher level than proprietary operations.