

BZA Case No 19823
3920 Alton Place NW
Financial and Market Support

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President

The Vinca Group LLC



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- Founded 1994 to serve senior housing and long term care industry
- National practice
- Specialize in operations review, financial analysis and market feasibility
- Work supports HUD, agency, private equity, bank and REIT financing
- Most recent work with Sunrise Senior Living was in 2006

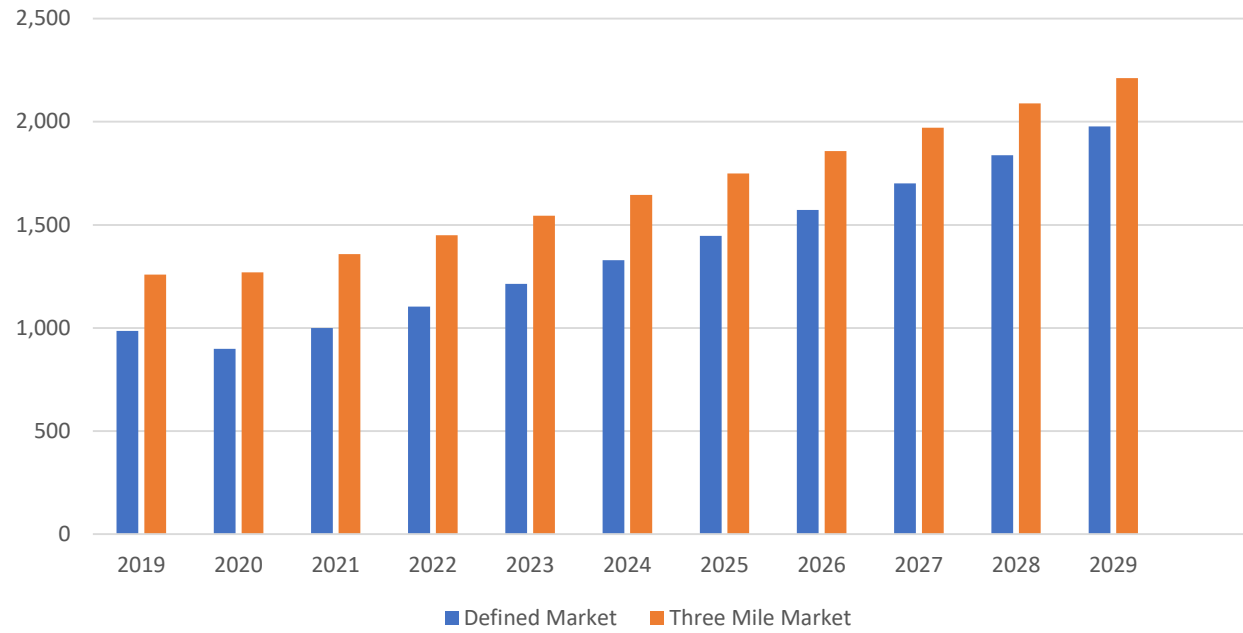
Practical Realities and Economic Feasibility

- Characteristics of Assisted Living
- Market Demand
- Design and Construction Cost Factors
- Operating Factors

Unique Characteristics of Assisted Living

- Assisted living is designed for frail individuals who need 24 hour oversight and assistance with activities of daily living (ADLs) but do not require continuous skilled nursing care
- Memory Care/Dementia Assisted Living units are designed for people with significant cognitive impairment who could benefit from programming that supports the resident's current cognitive status, increased dependence with ADLs and/or need to be in a secured environment
- Staffing is needs based and averages 1 FTE per 1.3 residents

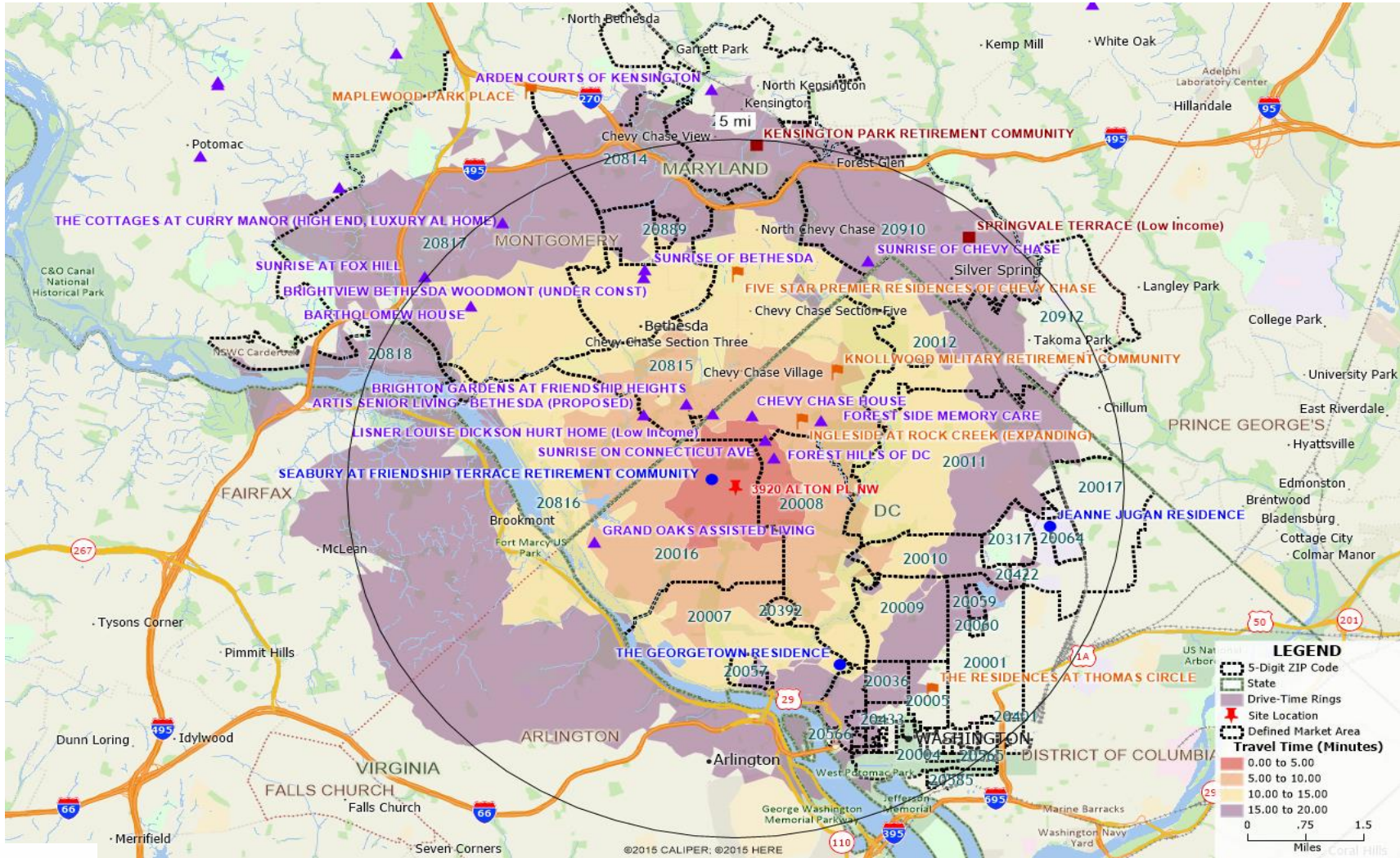
PROJECTED INCREMENTAL BED NEEDED



Three Mile Radius Market Area



Defined Market Area



Three Mile Radius Market Area and Current Inventory

- Reviewed three mile radius market area customary for urban markets Virginia excluded
- Ten properties offer assisted living in three mile radius market area
- Consider seven properties to have market rate beds available to general public (excludes entrance fee Life Plan Communities and lower rent beds) in three mile radius market area
- 578 operating routine assisted living beds
- 127 operating dementia assisted living beds

Demand Three Mile Radius Market

- Estimate 22% increase to 1,487 age, income and disability qualified people for routine assisted living from 2019 to 2024
- Estimate 23% increase to 2,626 age, income and disability qualified people for dementia assisted living from 2019 to 2024
- NICMAP 3Q2018 reports 93.2% occupancy in market rate routine assisted living beds and 94.0% occupancy in market rate dementia assisted living beds in properties reporting data
- Estimate net need in excess of 1,600 beds by 2024 and 2,200 beds by 2029

Defined Market Area Current Inventory

- Included all zip codes in District of Columbia and Maryland that had areas within five miles of site to review opposition cited properties. For example, all of ZIP code 20817 was included which captured buildings within 6.5 miles of the site.
- Virginia excluded
- 22 total properties in market area
- Consider 17 properties to have market rate beds available to general public (excludes entrance fee Life Plan Communities and low income beds)
- 913 operating routine assisted living beds
- 398 operating dementia assisted living beds

Demand Defined Market Area

- Estimate 20% increase to 2,952 age, income and disability qualified people for routine assisted living from 2019 to 2024
- Estimate 25% increase to 4,926 age, income and disability qualified people for dementia assisted living from 2019 to 2024
- NICMAP 3Q2018 reports 94.3% occupancy in market rate routine assisted living beds and 95.1% occupancy in market rate dementia assisted living beds in stabilized properties reporting data
- Estimate net need in excess of 1,300 beds by 2024 and 1,900 beds by 2029

Design and Construction Elements

- Common areas account for close to 50% of space because resident service functions take place outside resident room
- Specialized dining venues and multiple activity areas
- Technology throughout property for residents, visitors and supporting staff and care functions
- Resident safety systems
 - Emergency call pendants
 - Monitors to track resident movement
 - Automatic lights when enter bathroom

Construction Cost Elements Specific to Assisted Living

- I-2 construction (not stick built) in order to defend in place in the event of emergency
- Sprinklers NFPA 13 requirement
- Elevators (higher usage factor requires more cars and faster travel times)
- Commercial kitchen
- Commercial laundry
- Hair salon
- More intense usage of bathrooms per square foot than in multi-family
- Common space (i.e. dining rooms, living rooms, activity rooms, support offices, therapy/wellness suites, etc.)
- Robust resident safety systems : door security, e-call, staff communications, etc.
- Flame spread rating of fabrics on furniture and drapery
- Specialized furniture relative to design and dimensions to support ADL needs
- Site costs (patios, walking paths, gathering spaces)

Financial Demand and Operational Requirements

- Computerized care planning and management systems
- Medication administration, storage and disposal
- Increasing resident acuity requires highly skilled, more costly staff
- Capital expenditures \$2,990 per unit per year

Expectations of Lenders and Equity Participants

- Most borrowing 65% to 75% loan to total cost
- Strong track record as developer and operator
- Industry wide - 9% levered yield on cost to attract institutional equity and debt
- High barrier to entry locations with limited supply and high demand may accept lower yields

Minimum Size of Assisted Living

- Analysis of NICMAP data for properties constructed since 2015
- Properties majority routine assisted living
- Average size 93 units with 68 routine assisted living units and 25 memory care units
- 85 units minimum size required to support financial viability of project
- Risk Factors for Less than 85 Units
 - Minimum revenue needed to cover fixed operating and administrative costs
 - Census fluctuation has higher effect on revenue, cost management and income
 - Smaller census limits amount and variety of resident service offerings

Conclusions

- Demand projections strongly support project
- Care and service standards require significant fixed costs for staff and property
- Minimum 85 units required for financial viability in high barrier to entry urban markets