

SAN MIGUEL SENIOR HOUSING
DUE DILIGENCE REPORT

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Chapter 1 – General Description

1.1 Executive Summary

The following report is a due diligence study on a senior housing facility located in the community of San Miguel. Per Clients request, the Consultants established a senior housing facility location (referred to as the Site from here on) and a facility type and size (referred to the Project from here on) and analyzed how the current development conditions would affect the developmental process. The report will show that the Site provides a great opportunity for development, the established land use allows a project of this nature, the political climate favors a project of this type, and also determines that the Project has little environment impacts. However through market analysis research, the Consultants found that the Project may be too big for the current San Miguel market base. The report concludes that under the financial conditions assumed, the Project is a financially sound investment for the Client. The purpose of this report is to provide the Client with detailed analysis, concluding with findings that support a decision of the whether or not to build a senior housing facility in San Miguel.

1.2 Project Description

Project Location

The Consultants conducted a site visit to San Miguel to select a site that would provide the greatest opportunity for the success of a senior housing facility. The Consultants narrowed the selection to parcels of land in San Miguel that were either undeveloped or partially undeveloped, zoned Residential Multi-Family (RMF), close to services and the central business district, and in a relatively safe neighborhood. Using these site selection conditions, the Consultants selected two parcels on East 12th Street (Figure 1.1). The site selected (referred to as the Site from here on) consists of approximately 3.7 acres of undeveloped land. The Consultants analyzed the Site in further detail in the Site Analysis Chapter.

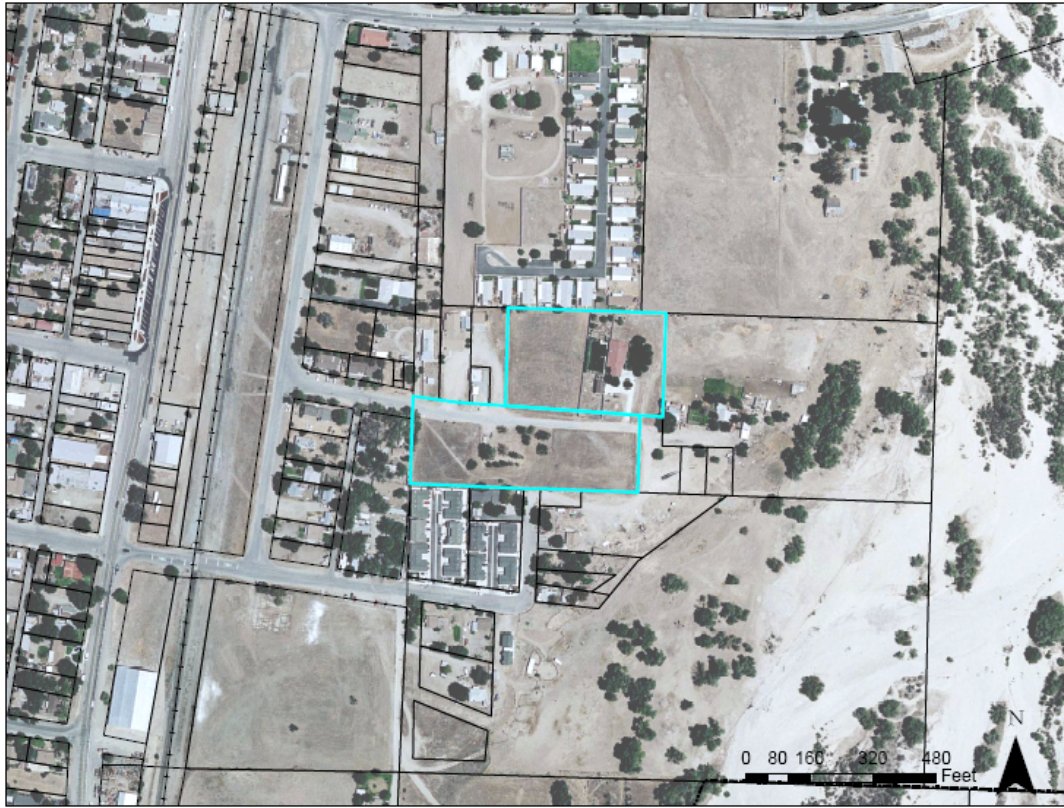


Figure 1.1 Selected Site.

Project Description

After the Site was selected for the Project, the Consultants were able to analyze the type and size of the senior living facility. Due to the nature of the Site, (limited services and emergency response times discussed in the Site Analysis Chapter) the Consultants determined that the senior living facility should only incorporate independent and assisted living households. The Site would not be an ideal location for a senior nursing home.

To fulfill the County of San Luis Obispo's goals and programs (discussed in the Land Use Chapter), the Consultants decided that all of the independent senior housing units should be affordable households. In order to utilize Site location and diversity while not compromising aesthetic beauty or functionality, the Consultants established that the independent units should incorporate detached housing units as well as townhome housing units. The Consultants established

that 15 detached independent units and 16 townhome units would be the best way to utilize the southern parcel (Table 1.1). Through market analysis research (discussed in the Market Analysis Chapter), the Consultants established that all units should be renter occupied.

Through case study analysis (discussed in the Case Studies Chapter) and market analysis (discussed in the Market Analysis Chapter), the Consultants determined that all units within the assisted living facility would be market rate units. The units need to charge market rate rents to receive the services necessary for assisted living. The assisted living facility would incorporate 30 bedrooms at approximately 500 Sq Ft per room (Table 1.1).

Table 1.1 – Unit Description

Unit Description		
Type	# of Units	Size per Unit (Sq Ft)
Detached Independent	15	1,172
Townhome Independent	16	1,000
Assisted Living Bedroom	30	500

Conceptual Site Plan

The Consultants drafted a Conceptual Site Plan for the Project to ensure that unit quantity and size fit the Site (Figure 1.2). The Conceptual Site Plan adhered to the allowed densities, parking regulations, structural setbacks and other development standards established by the County of San Luis Obispo.

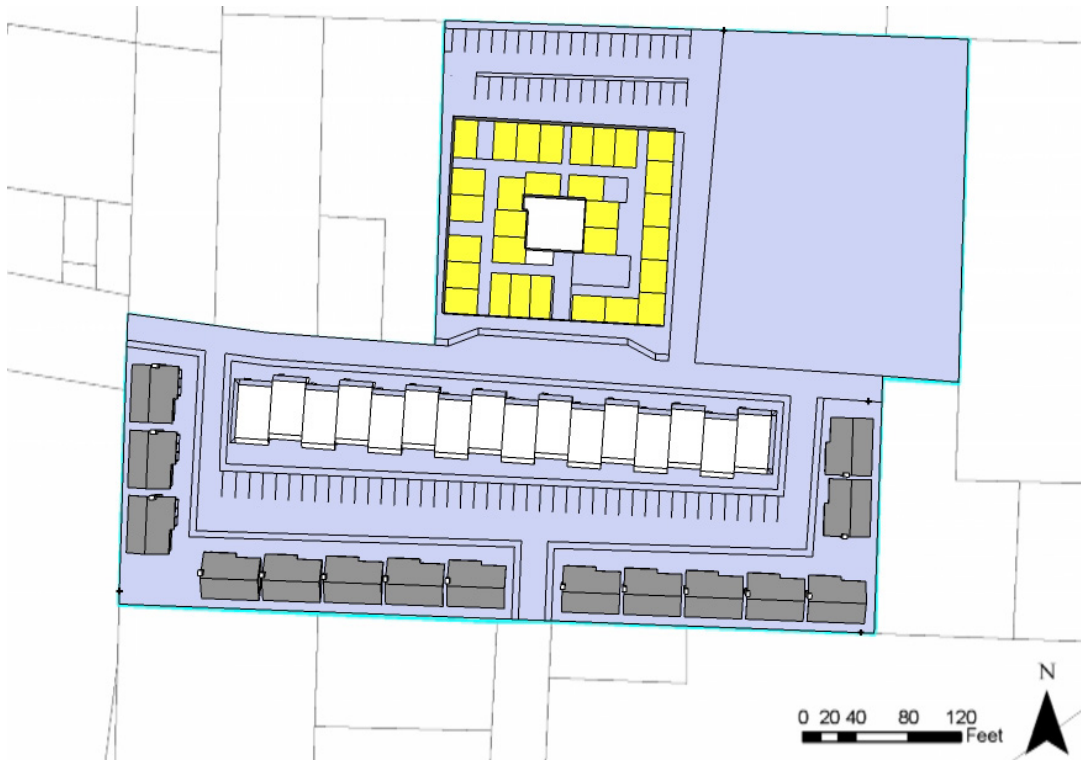


Figure 1.2 Conceptual Site Plan.

Chapter 2 – Case Studies

Introduction

In order to discover the type of senior living facility suitable for San Miguel, the Consultants conducted case studies of three small scale projects from around the country. These projects were chosen because they fit the description of what would be appropriate and feasible in scope for San Miguel. Some of the factors used for choosing these cases were the number of units, the kind of care given at the facilities, and the affordability of the units. The Consultants used the Urban Land Institute's website to reference these three senior living projects; Mountain View Senior Apartments in Ontario California, Shaw Village in Austin Texas, and Sunshine Villa in Santa Cruz California. The consultants found valuable data in the information gathered from these three projects as summed up below.

2.1 Case Study #1

Mountain View Senior Apartments - Ontario, CA

Mountain View Senior Apartments offers residents 86 one and two-bedroom apartments that surround a swimming pool and community center (Figure 2.1). The facility offers affordable housing for individuals over 55 earning between 30 and 60 percent of the San Bernardino County, California, median income. One of the goals of the developer was to create housing that is indistinguishable from market-rate products. To build the apartments, the developer received grants from many local, state, and federal authorities, including the city of Ontario, the state of California, and the U.S. Department of Housing and Urban Development (HUD). As for the project itself, first-floor units designed to be accessible for residents with disabilities and features inside the units include; door levers instead of knobs, raised electrical outlets, lower light switches, lower cabinet heights, grab bars in the bathroom, and emergency pull cords.

This project is also of particular interest because of its surroundings. The area around the Mountain View Senior Apartments site is characterized by a variety of land uses, in a section of Ontario where development originally occurred primarily between the 1950s and 1970s. A lack of development since then, and the deteriorating condition of many of the properties there, has made this area a target for redevelopment. The site is located along Mountain Avenue, a major north/south arterial street, which provides access to Interstate 10 to the north and California Highway 60 to the south. This is in many ways similar to the Site in San Miguel with regards to deteriorating surroundings and proximity to a major north/south transportation corridor. Further similarities to San Miguel include the concept being generally well received, although the term “affordable” was a source of some concern. This was mitigated through numerous public meetings to gain city and neighborhood input for the design and layout of the project. The developer chartered a bus to take municipal officials and residents on a tour of other projects the company had developed to see the quality they could expect in Ontario, and dispel the concern that an affordable housing project would negatively affect the neighborhood.

In looking forward it was vital for the developer to undertake a high-quality market research study to determine the depth of the target market, and best determine marketing efforts. Many programs and sources of funding are available to developers of affordable housing, and it is crucial to conduct adequate research to determine what best suits the proposed project. The layers of financing that went into the project were complex, and were a challenge for the developer to assemble. Considering consumers' response to the project, the developers stated that they would have built more units at Mountain View. The design and architecture of the project make it indistinguishable from market-rate product—an important feature in affordable housing projects. From the lessons of this project, the Consultants can take away a sense of how to successfully design, build, and create community acceptance of affordable senior living options (Appendix 2.1).



Figure 2.1 Mountain View Senior Apartments

2.2 Case Study # 2

Shaw Village - Austin, Texas

Shaw Village is a cluster of six small cottages providing an affordable housing opportunity for elderly individuals (Figure 2.2). Five of the six cottages are 440 square feet in size and contain a bedroom, a bathroom, a living room, and a kitchen with a dining area. The sixth cottage is a 550-square-foot two-bedroom unit that houses an on-site resident manager. This project was chosen by the Consultants to show that single-family units can be built affordably for senior living applications. The project itself was also successful due to the design blending in with surrounding development and the site contributing to infill development in the Blackland neighborhood of Austin. The arrangement of units offers tenants the privacy, dignity, and independence of living in their own separate homes while simultaneously promoting the friendliness and security offered by being in close proximity to watchful neighbors. Funding for Shaw Village was provided completely by a Community Development Block Grant (CDBG) from the U.S. Department of Housing and Urban Development.

The project is in the heart of the 38-block Blackland neighborhood in East Austin, several blocks east of the campus of the University of Texas and downtown Austin. Shaw Village is sited on an 18,850-square-foot lot that

occupies the northwest quarter of a city block and is leased from the city. A neighborhood center on the southwest quarter of the block offers various social services, including senior meals and activities programs. The surrounding area is composed primarily of small established single-family houses. These are important features that related to the Site in San Miguel because of the proximity to the San Miguel Senior Center and the Site's location in an established neighborhood of mostly single-family residences.

In Austin, original single-family zoning would have permitted two duplex structures, containing a total of four units, on the site. A waiver of a five-acre minimum acreage requirement allowed the project to be reviewed as a Planned Unit Development. As a PUD, the innovative site plan and increased number of units were approved. Planners obtained a variance to reduce the two-vehicles-per-unit parking ratio. This is essential for the Site in San Miguel as the unit count will be higher than the space needed for parking requirements and a PUD for the San Miguel project is the initial plan for part of the San Miguel senior living facility. Lessons taken from Shaw Village by the Consultants include the need for a PUD development and parking reductions, the need for a community-centered design with shared public space, and recognition that the San Miguel Site will most likely operate on a break-even basis (Appendix 2.2).



Figure 2.2 Shaw Village

2.3 Case Study #3

Sunshine Villa - Santa Cruz, CA

Sunshine Villa is a 106-room assisted-living facility situated in the historic Beach Hill neighborhood of Santa Cruz (Figure 2.3). The project houses up to 163 elderly residents with an average age of 84 years. Services include all daily meals and minimum levels of assistance with bathing, dressing, medication reminders, and other daily chores. The project provides an alternative to high-care nursing homes. This relates to the San Miguel Site in that the northern parcel will provide assisted care in apartment-style units, although at a lower unit count, that is also considered infill development.

Beach Hill was once one of Santa Cruz's most fashionable addresses. The large Victorian houses that dotted the hillside provided summer retreats for the wealthy, such as President Theodore Roosevelt, well into the 20th century. Sunshine Villa is built on a portion of the one-block estate of food merchant James P. Smith and incorporates the restored main house, originally constructed in 1863. The contemporary project takes its name from the Smith family's tag for their summer home. Since this time however, the site had fallen into disrepair and the City of Santa Cruz hoped to rehabilitate the site. At first the property could not attract a viable economic use for the small, irregularly shaped site could not be found under the historic preservation requirements. The building and land remained vacant and for sale for some time. The San Miguel Site has had similar issues with proposed projects never coming to fruition and the parcels sitting vacant for long periods of time.

The average age of residents is 84, with women accounting for 80 percent of the resident population. Virtually all residents are single, although three married couples currently live in the facility. Residents are offered a range of accommodations depending on their ages and lifestyles: single- and double-occupancy studios, companion suites (two studios sharing a bath), or one-bedroom and two-bedroom units. Room sizes vary from about 300 to 600 square feet.

Some level of care and assistance is provided to about 75 percent of the residents at Sunshine Villa; about 25 percent experience some level of dementia, as in the early stages of Alzheimer's disease. Services provided at Sunshine Villa include reminders to take prescription medications and assistance with bathing and dressing, and are carried out mostly by four personal-care assistants which are on staff daily, along with a registered nurse. Light housekeeping services and three meals per day are provided, as in-room cooking is not allowed. The total staff is composed of 70 employees (about 55 full-time equivalents). Besides assistance providers and administrative staff, employees include an activities director, housekeepers, and food preparation and service staff. Amenities and events offered to residents include scheduled shopping trips, transportation to medical appointments, exercise classes, arts and crafts, and bingo parties. The staff count for the San Miguel senior living facility would be much lower as there would be a lower number of residents living in the facility.

Early market studies indicated that Santa Cruz had a strong existing demand—and a growing potential—for housing for the elderly. Sunshine Villa was conceived as an alternative, interim housing option for elderly citizens who are able and willing to maintain some level of independence. Within two months of opening, occupancy levels reached 30 percent and later 75 percent after 24 months. The developer estimates that the project had broke even at about 70 percent occupancy. These aspects are important to consider for San Miguel because it should be noted that San Luis Obispo County is aging and in need of this type of facility, to inform potential residents that the level of care is minimal, and that the Client should expect to break even on this aspect of the project only after three quarters of the facility is occupied. Lessons also learned by the Consultants include referrals proving most effective for potential residents and the fact that assisted-living facilities are need-driven products and not affected by the surrounding housing market. Also, the Client should recognize that a project of this nature is much more akin to operating a business than it is a conventional housing development. Much care is needed in choice of management to ensure a return on investment (Appendix 2.3).



Figure 2.3 Sunshine Village

Chapter 3 - Site Analysis

3.1 Location

Regional Context

San Miguel is located on the central coast of California in San Luis Obispo County (Figure 3.1). San Luis Obispo County is known for its agricultural / rural character and beautiful scenery. San Miguel is located in northern San Luis Obispo County. San Miguel is approximately 1.67 square miles and had an approximate population of 2,000 people. The citizens of San Miguel consider the community divided into three distinct areas. The boundaries of the west side of San Miguel include all land west of the rail road tracks. This area includes downtown, Mission San Miguel, an elementary school, San Miguel Community Park, and older residential units. The majority of parcels on the west side of San Miguel are developed. The boundaries of the east side of San Miguel include all land east of the rail road track and west of the Salinas River. This area includes newer development, and a mixture of multi and single-family dwelling units. The majority of vacant parcels in San Miguel are in the eastern portion of San Miguel. The last distinct area is the San Lawrence Terrace. This area includes low density and intensity residential uses.

San Miguel is known most for its historical identity. The two major attractors of tourism in San Miguel are Mission San Miguel Archangel and the Rio Caledonia Adobe. There are many other historical features in San Miguel; however these two historical monuments are responsible for the majority of tourism for San Miguel.

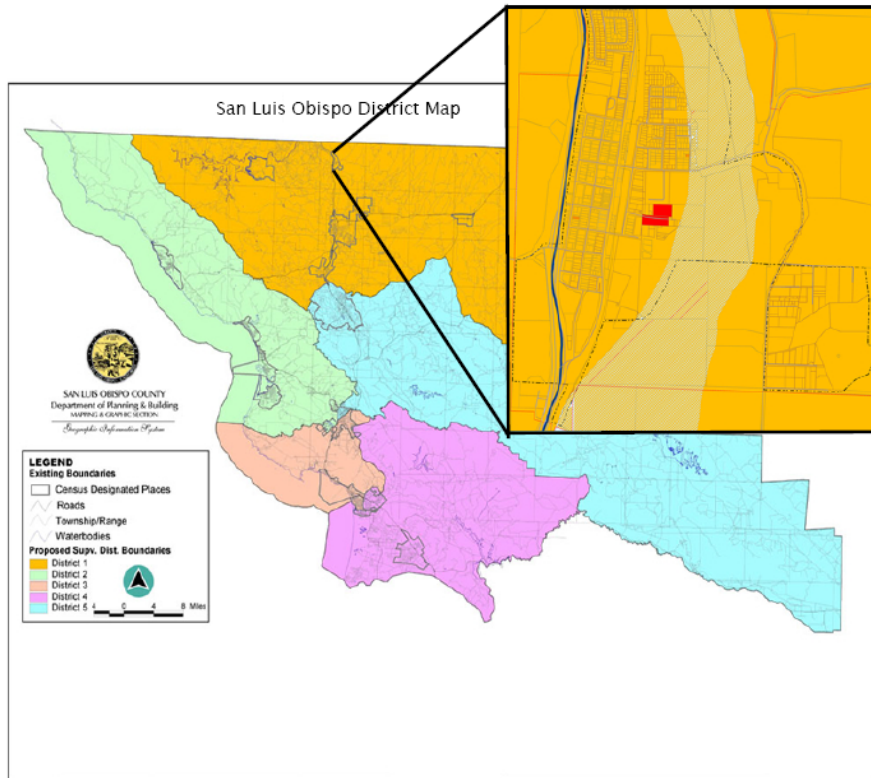


Figure 3.1 Context Map.

Local Context

The Site is located on the eastern side of town on 12th Street. The site is composed of two adjacent parcels and incorporates the majority of 12th Street within its lot lines (Figure 3.2). The Site is not frequented by the community or out of the area residents. This is largely due to the fact that 12th Street only connects to N Street and dead ends near the Salinas River.

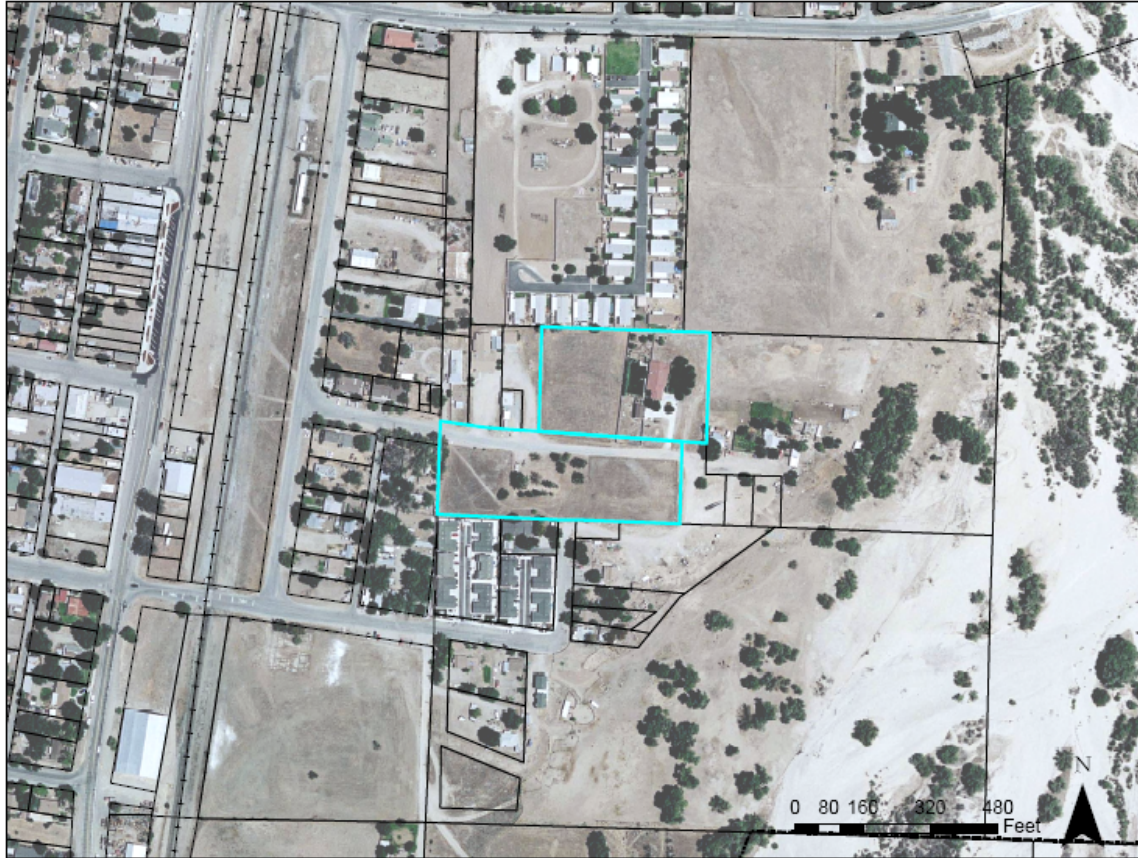


Figure 3.2 Site Location in San Miguel.

3.2 Surrounding Development

12th St Parcels

There are currently 11 parcels located immediately off of 12th Street, not including both parcels on the Site (Appendix 3.1). Four of these parcels are vacant land (including one of the parcels on Site). The developed parcels on 12th Street are mostly composed of residential dwellings; however a senior center was noted adjacent to the site.

Residential Uses

There are five residential structures located on 12th Street. Two of the residential structures are considered deteriorating and are vacant (Figure 3.3 and 3.4). A deteriorating structure is a structure portrays defects correctable through maintenance.



Figure 3.3 Vacant House on 12th St. and N Street.



Figure 3.4 Vacant House on 12th Street. Adjacent to Site.

The remaining three residential structures are considered in good condition (Figures 3.5 – 3.7). A structure in good condition is considered to show no visible defects.



Figure 3.5 Multi-family Unit on North side of 12th Street and N Street.



Figure 3.6 Residential Structure on North side of 12th Street.



Figure 3.7 Residential Structure on South Side of 12th Street.

End of 12th St.

Towards the end of 12th Street the paved road becomes a dirt road for approximately 200ft. The dirt road ends at a private residence. This parcel of land has two permanent structures on it; a small house (Figure 3.8) and a shed. Both of these structures appeared to be in poor condition. The parcel also included three trailers on site (Figure 3.9). It was undetermined if these trailers were occupied. The rest of the land on this parcel appeared to be used for livestock grazing (horses, goats, and chickens).



Figure 3.8 Small House at the End of 12th Street.



Figure 3.9 Trailers at the End of 12th Street.

Senior Center

The three parcels adjacent to the Site are occupied by the San Miguel Senior Center (Figure 3.10). The Senior Center was closed during the site visit, however it is still in operation.



Figure 3.10 The San Miguel Senior Center.

Surrounding Parcel Not Located on 12th St

The White Oaks Mobile Home Park lies adjacent to the northern border of the Site. The mobile home park was built in the late 1980s and early 1990s. The development consists of 27 mobile home units. Each unit ranges from 2 – 4 bedrooms. The asking price of a typical unit in the development is around \$40,000 (www.trulia.com). The structures of this neighborhood are well maintained and are in good condition. Five of the mobile home units share a lot line with the Site.

The adjacent parcels on the southern border currently incorporate a single family structure and two multi-family developments. The single family dwelling unit is old and in poor condition. Chickens were noted on the property of the single family residence. The larger multi-family development is newer and in better condition than the older smaller triplex.

3.3 Existing Conditions on Site

Natural Environment

The vast majority of the vegetation on the Site is unmaintained wild grasses and weeds. However, there are 12 trees located in the middle on the southern parcel. Six of these trees are mature and six of the trees are immature. None of the trees hold any significant value to the community. Further research on significant environmental species on Site will be analyzed in Chapter 6.

The most significant view shed on Site is to the East. This view shed has aesthetically pleasant views of the Salinas River and the rolling hills of San Luis Obispo County. This view shed should be considered in site design.

Climate

San Luis Obispo County is considered to have a Mediterranean Climate. The coastal communities experience less fluctuation in temperature throughout the year than the inland communities. San Miguel experiences warmer summer months with temperatures averaging 93 degrees Fahrenheit. It is not uncommon for San Miguel to experience one week of 100+ degrees Fahrenheit temperatures. Winter high temperatures in San Miguel average around 61 degrees Fahrenheit. It is not uncommon that San Miguel experiences freezing temperatures for one week out of the year.

San Miguel is considered an area with low rainfall, averaging around 13.08 inches per year. January, February, and March are considered the rainiest months of the year in San Miguel.

Climate			
Average Temperature			Rain
Season	Min. (°F)	Max (°F)	Mean (In.)
Winter	36.0	61.3	2.5
Spring	42.3	73.7	1.2
Summer	52.7	92.3	0.0
Fall	44.3	79.3	0.7
Annual	43.8	76.7	1.1

Table 3.1 Average Climate
Source: Intellicast.com

Salinas River Flood Plan

The Salinas River is largest river in San Luis Obispo County and Monterey County. The river runs approximately 170miles northward and has a drainage basin of approximately 4,160 sq miles. The Salinas River runs in between the San Lawrence Terrace and the rest of San Miguel (Figure 3.11).

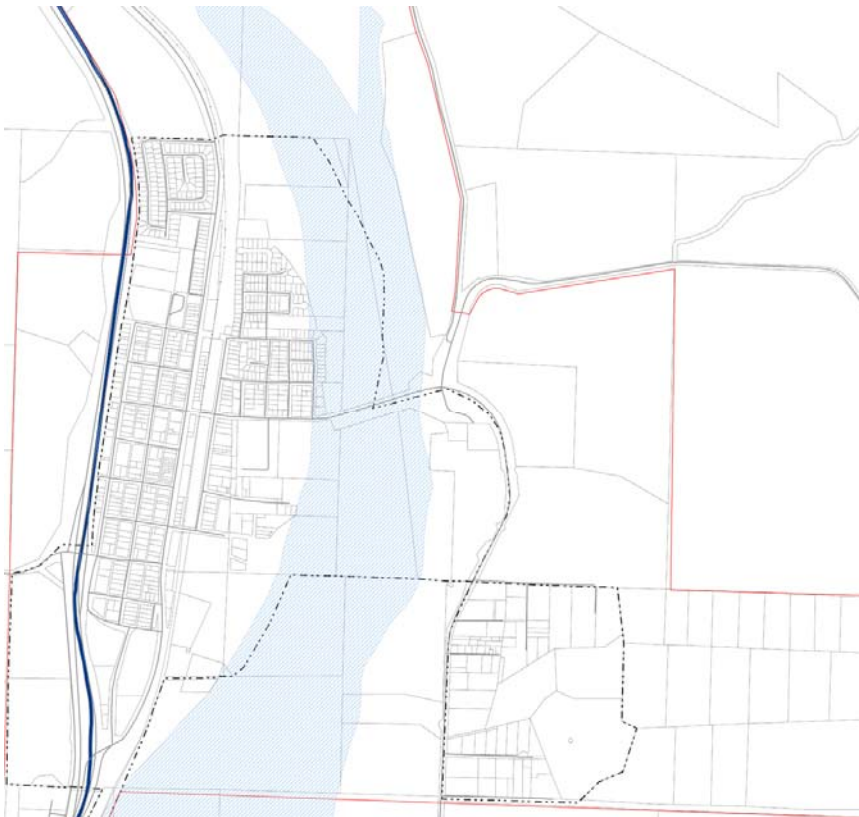


Figure 3.11 Salinas River in San Miguel.

The Salinas River flows seasonally in San Miguel and is dry throughout most of the year. The Site is approximately 250 ft from the perimeter of the FEMA 100 year flood plain (Figure 3.12). Developing in the FEMA 100 year flood plain is highly discouraged by state and local governments. Since the Site is not located within the FEMA 100 year flood plain, the Salinas River will not significantly affect the Project.

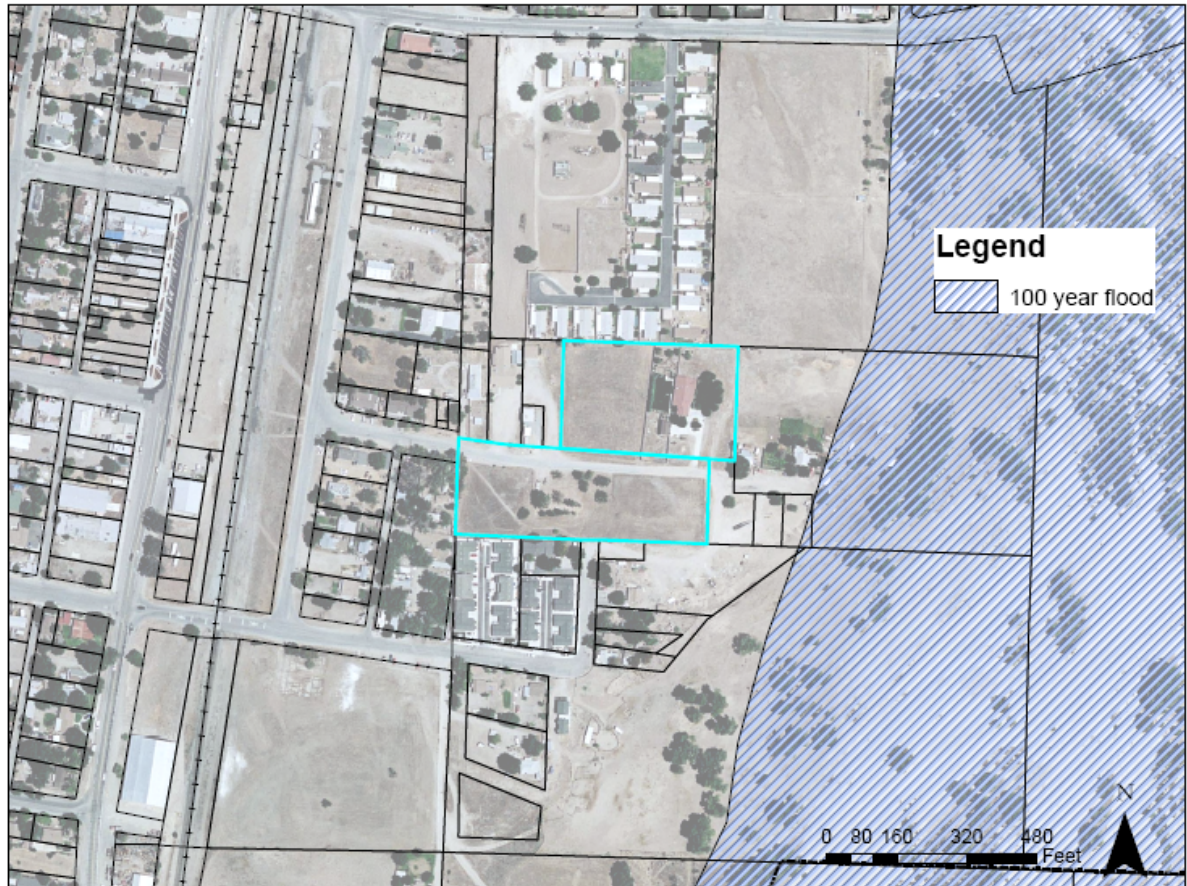


Figure 3.12 Site Proximity to FEMA 100 Year Flood Plain.

Current Conditions

The Site incorporates two parcels of land; northern parcel (APN: 021-241-028) and a southern parcel (APN: 021-401-001).

The northern parcel is approximately 2.32 acres and incorporates developed and vacant land. The developed land consists of approximately 1.25 acres of the parcel and the vacant land consists of approximately 1.07 acres of the

parcel. The developed area currently has a residential single family dwelling unit on the parcel, along with a permanent barn/storage structure. The tenants of this area of the parcel maintain the upkeep for this area of the property. This developed area resides on the eastern side of the parcel. The undeveloped area is located between the single-family dwelling unit (to the east) and the senior center (to the west). The undeveloped area of the parcel is enclosed by a barbed wire fence. This area of the Site appeared to be at a level grade. The only vegetation exhibited on the vacant northern parcel is wild grasses and weeds. A lot-split would be required for development of the western side of the parcel.

The southern parcel is approximately 2.705 acres and is currently undeveloped. As previously mentioned the northern lot line of the parcel incorporates 12th Street. As previously mentioned this parcel incorporates six immature trees and six mature trees. These trees are located in the middle of the parcel. The southern parcel of the Site appeared to be at level grade. Currently, a permit has been submitted for review for this parcel. Permit Number SUB2005-00054, Tract Map with Conditional Use Permit, was submitted in 2005 and expires on 9/12/2011. It is to the Consultant’s and Client’s best knowledge that this permit will not be acted upon and will expire on the date previously mentioned.



Figure 3.13 Site Analysis.

Circulation and Access to Transportation

San Miguel runs on a grid street network that is made up of a system of streets and alleyways. As exhibited, the vehicular movement in San Miguel runs efficiently on the current network. The only minor issues with parking and accessibility occur with the small one way alleyways. The two major thoroughfares in San Miguel are Mission Street and River Road.

Mission Street is the most travelled road in San Miguel. The street runs the entire length of San Miguel, north to south. Mission Street is the primary road used to access both the mission and downtown area. Mission Street is the best maintained road in San Miguel and all intersections of Mission Street have a "level of service no less than B" (Cal Poly 2010).

River Road is the most frequently used east-west road in San Miguel. The bridge on River Road is the only way vehicles can cross the Salinas River to reach San Lawrence Terrace. The road incorporates one of the two railroad crossings in San Miguel. The road is well maintained and contains the busiest intersection in San Miguel; River Road and Mission Street.

Highway 101 is the most traveled highway in the county and the most popular route by vehicles traveling north-south. San Miguel is the northern most community in San Luis Obispo County and is adjacent to Highway 101. The community of San Miguel shares three off ramps with Highway 101, with the Mission Street exit most frequently used by northbound users and 10th Street exit most frequently used by southbound users.

Since San Miguel is a small community, it is considered a very walkable town. However, San Miguel is not very pedestrian friendly. Most streets in San Miguel (including 12th Street) lack sidewalks as well as curbs and gutters. This may discourage people from walking, especially during the wet season.

The public transportation in San Miguel is very limited. There is only one regional bus (RTA Route 9) that serves San Miguel twice a day. This route includes stops at San Miguel, Paso Robles, Templeton, Atascadero, Santa

Margarita, and San Luis Obispo. The bus stop in San Miguel is located on Mission Street and 14th Street.

The Site is geographically 1,000 feet away from the bus stop. However, due to physical barriers such as the Union Pacific Railroad, structures, and infrastructure, the approximate route to the bus stop is 1,700 ft (Figure 3.14). Concerns with accessing public transportation from the Site include crossing the railroad and the busy intersection Mission Street and River Road. These features along the route may be dangerous for senior citizens.

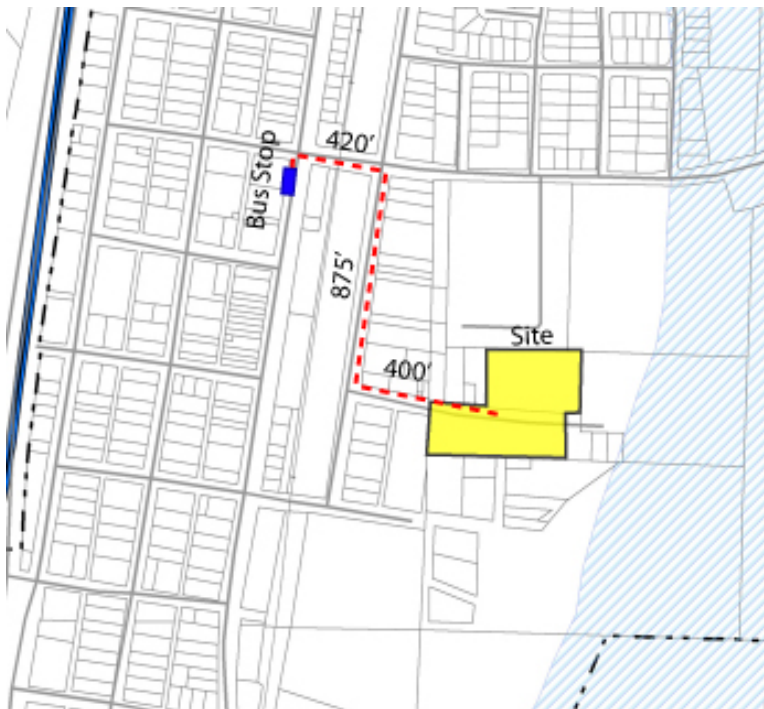


Figure 3.14 Access to Bus Stop.

Noise

The two primary sources of noise in San Miguel are caused from Highway 101 and the railroad. The County of San Luis Obispo noise standards establishes the appropriate noise levels in a community (Appendix 3.2). According to a survey conducted by Cal Poly, the noise level on the Project Site is under 60 decibels (Figure 3.15). This means that the Site is in a relatively quiet area.

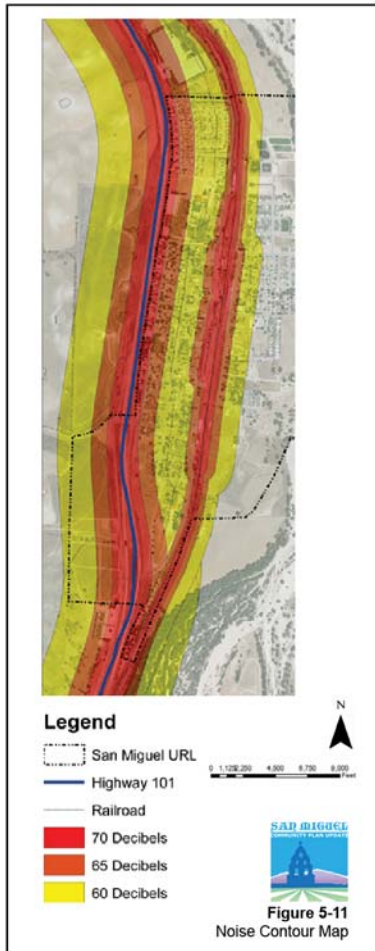


Figure 3.15 Noise Map.
Source: Cal Poly, 2010

Proximity to Services

The San Miguel Community is served by the San Luis Obispo County Sheriff's Department. The sheriff's department serves San Miguel through a 26 officer substation in Templeton. The substation averages about 30 calls per week. If the sheriff's department requires it, the California Highway Patrol does provide additional backup. The community of San Miguel usually has one sheriff patrol car in the area. If there is not a patrol car on duty, the response time for an emergency is approximately 15 minutes from the substation. Non-emergency call response times range between 25 to 50 minutes.

The San Miguel Fire Department provides fire and emergency medical services for the community. The department consists of “17 volunteer fire fighters who respond to 200 calls annually. Sixty percent of these calls are for medical emergencies. The fire station is located on 1150 Mission Street. The average response time is 5 to 8 minutes, but can reach 15 to 20 minutes due to the department’s volunteer staffing” (Cal Poly 2010). The San Miguel Fire Department is approximately 1450 feet from the Site (Figure 3.16).

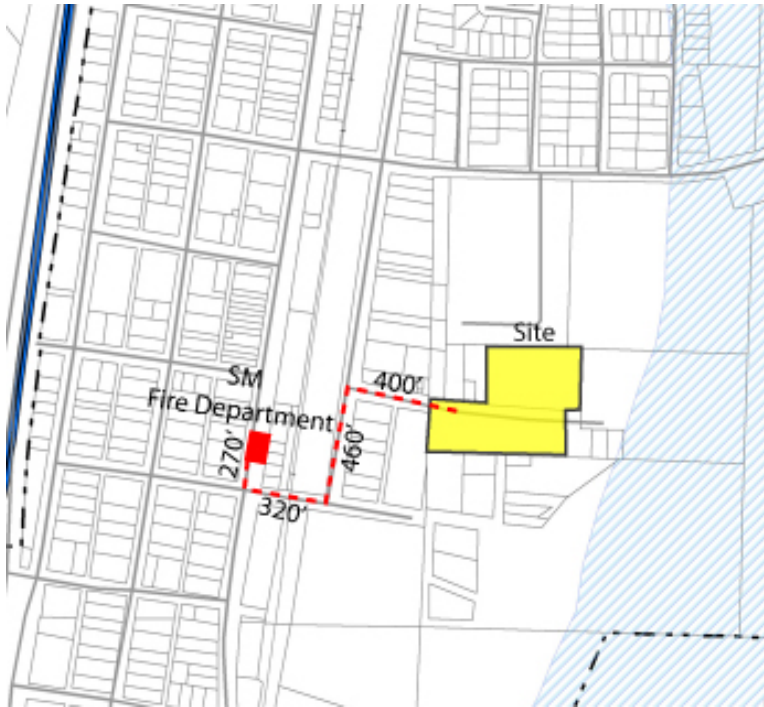


Figure 3.16 San Miguel Fire Department.

There are two parks within close proximity to the Site. The closest park a mini park named Father Reginald Memorial Park and is located adjacent to the mission. This park is approximately 2,220 feet from the Site. A mini park is a “small neighborhood park of approximately one acre or less” (Cal Poly 2010). The other larger park is the San Miguel Community Park at 13th and K Streets. This park is approximately 2,820 feet from the Site (Figure 3.17). A community park is “land with full public access intended to provide recreation opportunities beyond those supplied by neighborhood parks” (Cal Poly 2010).

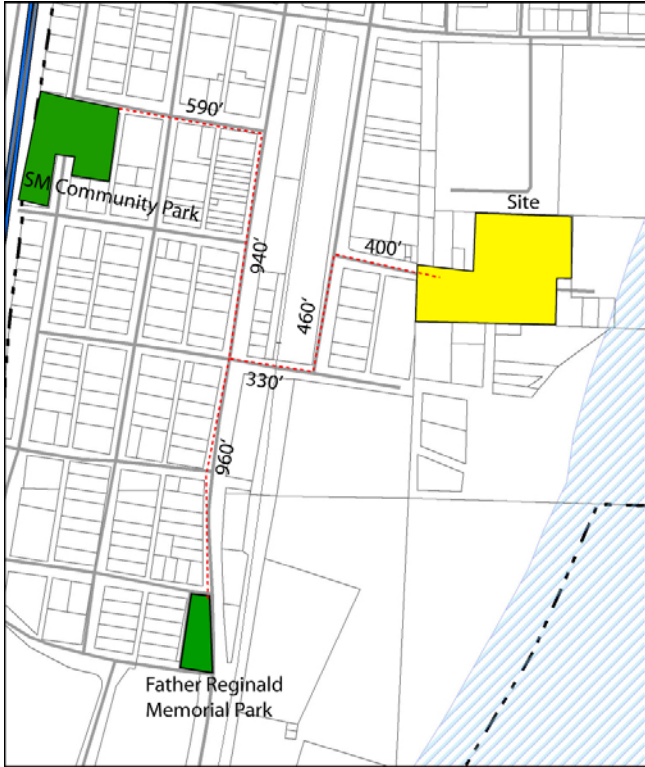


Figure 3.17 Park Map.

Visibility

A project’s visibility to passing traffic is important because it gives a market advantage to the project. A site that is considered to have poor visibility is not visible from major thoroughfares and is not recognized by people from outlying areas. A project site’s visibility can be a factor to the community’s absorption.

The Site location is geographically 1000 feet away from the major thoroughfare, Mission Street. However, due to the two story approved mixed use project on the east side of Mission St., the Union Pacific railroad, and the location of the Site on 12th Street, the Site is considered to have poor visibility to the general public.

Chapter 4 – Land Use Analysis

4.1 General Plan

County Housing Element

The Project's affordable and senior resident attributes discussed in the General Description Chapter directly carries out multiple programs set forth in the County of San Luis Obispo's Housing Element. The first program that is applicable to the Project is Program HE 1.B: Continue and track existing development incentives. This Program encourages development of affordable housing through density bonuses, ordinance exemptions, and fast tracking the permit system (County of San Luis Obispo 2009). Program HE 1.B is considered a high priority program (Appendix 4.1). Program HE 1.C: Reduce and defer fees for affordable housing development would also apply to the Project. This Program incorporates reducing and temporarily deferring impact fees (County of San Luis Obispo 2009). Program HE 1.C is considered of a medium priority program (Appendix 4.1). The Project's senior living aspect fulfills Program HE 1.S: Amend ordinances to facilitate development of senior-friendly communities. This Program would remove most obstacles associated with any ordinances pertaining to the Project. Program HE 1.S is considered a medium priority program (Appendix 4.1). These programs will help support the Project and make development of the Project easier on a county level.

In the County of San Luis Obispo Housing Element, Chapter 5: Housing Needs Assessment, the doctrine states "As the county population grows older, more residents will want to live in neighborhoods that meet their changing needs. They will need safe walkways to transit stops, nearby medical services, and shopping. Some neighborhoods may be designated as 'senior friendly communities' if they meet certain standards" (County of San Luis Obispo 2009). Later in the Housing Needs Assessment Chapter, the doctrine states "The Department of Finance predicts that the countywide senior population (age 65+) will increase by 42% from 2010-2020. The elderly will comprise 21% of the total county population in 2020. This reflects a growing number of retiring baby

boomers as well as affluent, retired individuals who are attracted to the county and are moving in and paying top dollar for available housing units. This trend will adversely affect the existing elderly population who are on fixed income, especially renters” (County of San Luis Obispo 2009). Lastly, the Housing Needs Assessment Chapter states “senior apartment developments and co-housing are also desirable options for some seniors. These housing types provide a strong sense of community and support for residents” (County of San Luis Obispo 2009). These statements made in the County of San Luis Obispo’s Housing Element clearly establish that there need for affordable senior housing in San Luis Obispo County.

4.2 Zoning

Title 22

Title 22 is the County of San Luis Obispo’s Land Use Ordinance. It is used to direct future growth of specific land uses within the County of San Luis Obispo. According to San Luis Obispo County, Title 22 Land Use Ordinance, Residential Multi-Family Uses are allowed to build up to three different unit maximums depending on the intensity of the site (Appendix 4.2). Per Figure 4.1 the Site and the surrounding parcels are currently zoned Residential Multi-Family.

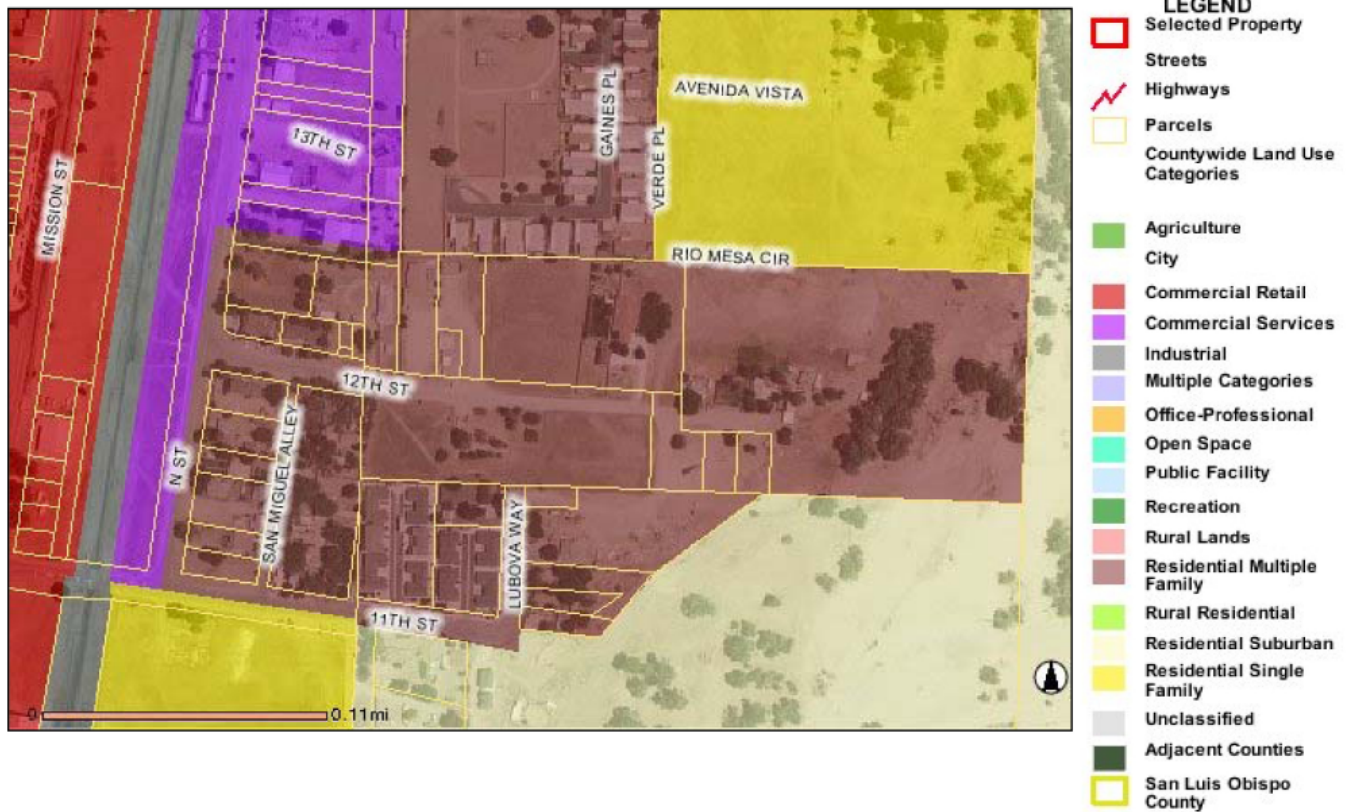


Figure 4.1 Current Zoning of Site.

Source: San Luis Obispo County Planning Department 2011

Since the Site is located on a paved road, within a community with a sewer system, and less than 1,000 ft to the CBD of San Miguel it is categorized as a high intensity residential multi-family site. A high intensity factor allows a maximum of 38 dwelling units per acre, maximum floor area of 65% and minimum open area of 40% (Appendix 4.3). Under the County of San Luis Obispo’s Title 22, the Project would be able to develop the full amount of units proposed in the General Description Chapter.

4.3 Cal Poly 2011 Draft Community Plan

Residential Multi-Family

The Cal Poly 2011 Draft San Miguel Community Plan discusses future expectations and growth guidelines of San Miguel. The Plan references growth patterns residential multi-family (RMF) development should follow. Per Plan, RMF development should encourage housing for a variety of income levels. Maximum density allowed within a RMF zoned area shall be 18 dwelling units / acre. The Plan also refers to accommodating future growth. As previously discussed, the County of San Luis Obispo is expected to receive a 42% increase of people over the age of 65 within the next decade. Lastly, the plan states that senior living development is an allowed use within a RMF zoned area. The attributes of the Project comply with all of the guidelines listed in the RMF section of the Draft Community Plan.

Senior Housing

The Draft Community Plan proposed by Cal Poly 2011, establishes a need for senior housing facilities in the community of San Miguel. Land Use and Housing Policy 4.4 calls for senior housing and facilities south of River Road and East of Gains Place. The goal of the Policy is to locate senior housing and facilities in close proximity to each other to ease accessibility, safety, and other concerns shared by members of the community. Implementation Strategy LUH 4.4A states "secure public financing through the US Department of Housing and Urban Development (HUD) and the State Housing Authority for the development of affordable senior housing units" (Cal Poly 2011). Although the Site is not located East of Gains Place, the Site is within close proximity to services and in a safe area. San Luis Obispo County officials would most likely rule in favor of the Project location and supersede the LUH 4.4 Policy's location of a senior living facility in San Miguel.

Chapter 5 - Political Analysis

Introduction

The political analysis of a region or municipality is crucial for any project, and especially so in California. The local political process in California can be a minefield if the interested party has no experience. Local politicians, organized neighborhood groups, and the project approval process itself can all become potential obstacles to proposed development. By being able to navigate these challenges, the best project will be built that both developer and community will support. In order to face these challenges with the best information, the Consultants have split these issues into three parts; community support, political support, and the political process. These three areas of interest will fully cover any issues that may come up in the process of getting approval of a senior living facility in San Miguel and San Luis Obispo County as a whole.



Figure 5.1 The County of San Luis Obispo Board of Supervisors.

5.1 Community Support

The analysis for community interest in senior housing in San Miguel comes from the community surveys of the CRP 410 and 411 classes that were conducted at the three community workshops held during the fall and winter of 2010/2011. This information is vital because it achieves direct community-member input that would be difficult and time consuming to gather in any other fashion. The community members that the classes heard from included residents both within and outside San Miguel, to business owners and local farmers. From these surveys, a general consensus of support for senior housing was gained, with only slight reservations about the additional number of affordable units San Miguel would attain. Some additional comments were concern over possible locations and the scope of any new project. Our team recognized these concerns and found that the location on 12th Street is ideal for a senior living facility because of the surrounding amenities, including the San Miguel Senior Center and proximity to downtown. The scope is also well within reason as the number of units will provide a variety of options for potential residents while blending in with the surrounding community and making the project successful. A simple handout at any public meeting about the project and its benefits to the community would help stifle any further concerns about the scope and location of this proposed project.



Figure 5.2 San Miguel Community Workshop Conducted by Cal Poly.

5.2 Political Support

With the continued aging of San Luis Obispo County's population, and the retirement of the baby-boomers becoming a reality, it is ever more important to look at building new senior living facilities. The county has recognized this trend by implementing two programs in the general plan; Program HE 1.B and Program HE 1.S. HE 1.B is a program to help projects with affordable units expedite the permitting process so that time and costs can be saved. This not only helps keep the cost of affordable developments down, but also keep the projects on track with tight construction timetables. HE 1.S is a program stating that the county supports the development of new senior living facilities within its boundaries and recognizes that developers are accommodating the need of such projects with new facilities throughout the county.



Figure 5.3 Example of an Affordable Housing Complex.

Because of the importance of this issue, along with backing from the community, senior living projects should be welcomed by the county up and down the Highway 101 corridor. San Miguel presents a unique opportunity for northern San Luis Obispo County because of the county's urging to make San Miguel a community of growth. Offering this project as an alternative to Paso

Robles is exactly the kind of decision that will help the county achieve its goals for growth in established communities like San Miguel in the future. This location is also a great choice for this project because there are currently no options for seniors looking for a dedicated community within San Miguel. The Consultants recognize the other facilities found in Paso Robles and Templeton that will be discussed further in Chapter 7, but having another option for the current and future residents of San Miguel will help make the town more attractive to perspective buyers and enhance the image of this historic mission town.



Figure 5.4 Seal of the County of San Luis Obispo.

5.3 Political Process

The process for getting a project of this nature approved in San Luis Obispo County is much like any other project within the county or even California as a whole. The tentative map and design of the project must be submitted to the planning department for staff review. This initial review may point out any minor changes that need to be made before a more extensive review can be made under the mandate of the California Environmental Quality Act. CEQA is an environmental review process that is necessary for a project of this type.

Under the review, many areas of analysis will be conducted to ensure that certain criteria do not exceed standard thresholds. Either county staff or a consultant will perform an Initial Study with hopeful recommendation by a Negative Declaration if any areas of analysis are found to not exceed standards. If any environmental issues are too great to overcome, mitigations may be proposed and possibly monitored in the future. It is not anticipated from this site, but if any environmental issues cannot be sufficiently mitigated, a full Environmental Impact Report will be commissioned at the expense of the developer. After these steps, staff will then make recommendations to the planning commission whether to approve or deny. The final step of approval is to go before Planning Commission and Board of Supervisors for final approval. This then allows for building permits to be issued and construction to begin. Construction is monitored by the county building department to insure proper methods are being used according to state and county guidelines. The last political step is during the construction phase with the certificate of occupancy being awarded after a final inspection once construction has finished or is nearly complete. Any mitigation monitoring will happen for a predetermined time after the project is occupied.

Chapter 6 – Environmental Analysis

6.1 Introduction

The environmental review process in California can be very complex and even delay projects for significant periods of time. Having the knowledge of the California Environmental Quality Act (CEQA) process and the local environmental surroundings of a project can greatly enhance the chances of a smooth environmental review process. For the proposal of a senior living facility in San Miguel, an Initial Study must be commissioned by the County of San Luis Obispo as required by the CEQA process. This step is required for any project that requires discretion to be used for an approval and requires certain areas of analysis to be studied and how the effects of the project would change these aspects of the project's surroundings. If the impacts are found to not exceed certain thresholds (the level of significance), then the project may move forward in the approval process. However, if conditions are found to exceed established thresholds or to be potentially significant, a full Environmental Impact Report is required per CEQA. These reports can be costly, time consuming, and should be avoided through design and mitigation.

For the Site in San Miguel, the Consultants first researched the Draft San Miguel Community Plan Update produced by the Cal Poly CRP 410 and 411 classes. This information however was intended to be used for all of San Miguel, and was not site-specific. The information provided a base of knowledge for the surroundings of the Site, but more information was needed. Upon further research, an initial study had been prepared a few years previously for the parcel on the south side of 12th Street. A Planned Unit Development of 34 units had been proposed by the land owner but had never been built due to legal issues surrounding the sale of the property. This project's permits are set to expire in September 2011 and currently it does not appear to be set for development. The information provided in the initial study however is still up to

date and relevant for the purposes of the Consultants proposed senior living facility. The initial study found that there were some areas of concern for certain environmental factors, but that they were able to be mitigated to avoid further review. This chapter will focus on these nine areas of concern and break them down into the natural and human environments.

6.2 Natural Environment

Air Quality

The impacts found under this section were due primarily to the disturbance of soil during construction, as well as short and long-term vehicle emissions. Vehicle emissions were caused by the number of trips generated by the proposed project, but it is the conclusion of the Consultants that a senior living facility would generate fewer trips and as such would create less concern for vehicle emissions. Soil disturbance during construction has the potential to create dust, degrade air quality, and is an unavoidable part of the construction process. It was the County's findings through the initial study that these impacts could be mitigated to bring impacts below the threshold of significance. The mitigations are as follows:

Fugitive Dust (PM 10); To minimize impacts, the applicant is required to implement Air Pollution Control District (APCD) fugitive dust mitigation measures including reducing the amount of disturbed area where possible, the use of water trucks or sprinkler systems to water down airborne dust, daily spraying of dirt stock-pile areas, paving of applicable surfaces as soon as possible after grading, and laying of building pads as soon as possible.

Material-Containing Asbestos; Prior to demolition of onsite structures or underground pipes, the applicant has agreed to comply with the requirements listed in the *National Emission Standard for Hazardous Air Pollutants*. These requirements include but are not limited to: 1) APCD notification; 2) completed

asbestos survey conducted by a Certified Asbestos Inspector; and 3) applicable removal and disposal requirements of identified asbestos-containing materials.

Naturally-Occurring Asbestos; Prior to grading or site disturbance, the applicant has agreed to retain a qualified individual to conduct a geologic investigation for naturally-occurring asbestos. If asbestos is present, the applicant would comply with *Asbestos Air Toxin Control Measures for Construction, Grading, Quarrying, and Surface Mining Operations*. These requirements include, but are not limited to implementation of an Asbestos Dust Mitigation Plan and an Asbestos Health and Safety Program.

Developmental Burning; To minimize the effects of vegetative burning on regional air quality, the applicant is required by regulation to avoid burning, or if no alternative is available, obtain a burn permit from the APCD and County Fire/California Department of Forestry, and comply with all conditions required by these agencies.

Equipment Permits; To ensure compliance with State and Local regulations, the applicant has agreed to contact the APCD to obtain all applicable registrations and/or permits for use of portable equipment.

Operational Emissions; To mitigate for operational emissions, the applicant has agreed to comply with APCE requirements regarding use of equipment and installation of wood combustion facilities.

The implementation of these various mitigations would allow these areas of concern to fall below the level of significance.



Figure 6.1: Clean Air in San Luis Obispo County.

Biological Resources

The impacts found under this section were in response to the potential loss of unique or special-status species and related habitat, as well as introducing barriers to movement of resident species which could hinder normal wildlife activities. The impact of the proposed project would potentially effect habitat of the San Joaquin kit fox, the San Joaquin pocket mouse, and the pallid bat. All of these species were either spotted in close approximation to the Site or are within their known habitat range. The impact comes from tree removal that could disturb roosting areas for bats as well as nesting birds during the nesting season. Additionally, the California Department of Fish and Game found that a ratio of 4:1 should be used to offset the loss of kit fox and pocket mouse habitat. The mitigation is as follows:

Habitat Loss; The applicant can mitigate the loss of 8.0 acres (2.0 acres multiplied by a 4:1 ratio) by one of the following ways: Deposit funds to an approved in-lieu fee program; provide for the protection of kit foxes in perpetuity through the acquisition of fee or conservation easement of suitable habitat in the kit fox corridor area; or purchase credits in an approved conservation bank, although there is no bank currently set up in San Luis Obispo County. If none of these three alternatives are available, the applicant may enter into a Mitigation Agreement with the Department of Fish and Game,

including depositing funds into an escrow account which would assure the protection in perpetuity of suitable habitat in the kit fox corridor area and provide for a non-wasting endowment for management. To prevent inadvertent harm to kit fox, the applicant has agreed to retain a biologist for a pre-construction survey, a pre-construction briefing for contractors, and monitoring activities in addition to implementing cautionary construction measures. These measures are also sufficient in relation to the pocket mouse. In addition, pallid bat surveys will be required prior to construction, and nesting bird surveys will be required if construction begins from March 1st to August 31st.

These mitigation measures would mitigate any potential impacts to less than the threshold of significance.



Figure 6.2: San Joaquin kit fox.

Geology and Soils

The areas of concern for this topic relate to the exposure to unstable earth conditions and possible soil erosion from construction activities. The project would result in the disturbance of close to 2.2 acres on the south parcel, and approximately 1.0 acres on the north parcel. The topography of the Site is nearly level to gently sloping. During grading, erosion and down-slope sedimentation have the possibility of occurring. The Site lies outside the 100-year flood plain of the Salinas river which is approximately .25 miles to the east. The Site is also located on river terrace deposits which are known to potentially

liquefy during an earthquake. The mitigation would address these concerns and is as follows:

Unstable Soils; Pursuant to the County Land Use Ordinance, the applicant would be required to submit and implement a drainage plan, and implement the proposed erosion and sedimentation control plan. Based on the proposed area of disturbance, preparation and implementation of a Storm Water Pollution Prevention Plan is required. In addition, pursuant to ordinance requirements, prior to issuance of construction permits, the applicant shall provide a geologic report, completed by a certified engineering geologist that addresses the liquefaction potential and recommends foundation requirements that can be used as mitigation. There is no evidence that measures above will already be required by ordinance or codes are needed.

These mitigations would allow the project to continue without any further review for this area of concern



Figure 6.3: River terrace landscape.

Hazards/Hazardous Materials

Concern for this issue was brought about by the potential impact the project may have on increased fire risk or the potential to expose people or structures to high fire hazard conditions. The proposed project on the Site would be referred to the San Miguel Fire Department for review and any project would be required to comply with local regulations and the Uniform Fire Code, including construction of a turn-around and installation of fire sprinklers within any

residences. The mitigation would be to comply with these local and state regulations which would drop potential impacts below the level of significance.



Figure 6.4: California fire danger.

Water

Water is always an important issue in California, and the initial study found that two areas of concern might have potential environmental impacts. These concerns relate to violating water quality standards and to the discharge into surface waters or potential degradation of any surface water quality. These issues are especially important in San Miguel because the community does not possess a full curb and gutter system to handle runoff from a given site. The Site would receive water from the San Miguel Community Services District and there is preliminary evidence that water is available for use. Storm water runoff would be expected to eventually flow into the Salinas River. To help reduce impacts on these systems, the following mitigation was proposed:

Surface Water Quality; Standard drainage and erosion control measures, in addition to the implementation of a Storm Water Pollution Prevention Plan will be required for the proposed project and will provide sufficient measures to adequately protect surface water quality.

These mitigations which are consistent with previous areas of concern would reduce potential impacts to below the level of significance.

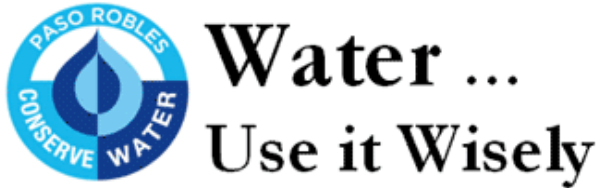


Figure 6.5: Water Conservation message for north county communities.

6.3 Human Environment

Cultural Resources

The disturbance of pre-historic resources is the issue for this section of the initial study. San Miguel has a rich history and many sites around the community have the potential for pre-historic sites from Native Americans to Spanish colonization. A Phase I Archaeological Surface Survey was conducted in 2005 with no cultural materials noted on the Site. However, significant archaeological sites are well documented throughout San Miguel. It is possible that some cultural materials may be found below the surface, and the disturbance of these would push the project over the level of significance allowed. To avoid this, the following mitigation is proposed:

Pre-historic Resources; To mitigate for potential impacts to unknown subsurface archaeological resources, the applicant has agreed to submit a Cultural Resources Mitigation and Monitoring Plan, including procedures for monitoring grading and vegetation removal practices, and protocol for response if significant resources are observed.

Implementation of this plan would mitigate potential cultural resource impacts to less than significant.



Figure 6.6: Archaeological digs may be performed in San Miguel.

Public Services/Utilities

When any project is built, it will have some sort of cumulative impact on public services. The areas of concern for the Site include fire protection, police protection, and schools. Because of the nature of the proposed project, the Consultants do not anticipate any impact on local schools. Because the Site and surrounding development has a cumulative impact on public services and utilities, there are no Site-specific impacts to be identified. To lessen the cumulative impacts, the following mitigation was proposed:

Safety Services; Regarding cumulative effects, public facility (county) fee programs have been adopted to address this impact, and will reduce the cumulative impacts to less than significant levels.

Imposing these fees on the potential development would reduce these cumulative impacts below the level of significance.



Figure 6.7: San Miguel Fire Department.

Recreation

This subject is another area of concern with cumulative impacts. New residents moving into a community will want to use established parks and recreation areas. This demand will need to be met by either using existing facilities or in some cases, require the building of new recreation opportunities. The Site is in a location that will not affect any trail, park or other current recreational opportunity. The senior living facility is also not expected to create much need for additional parks or recreational facilities. However, to reduce the cumulative impacts, the following mitigation was proposed:

Recreational Demand; The proposed project will not create a significant need for additional park or recreational resources. The proposed project was referred to the County Parks Division for review, and no significant impacts were identified. The project would contribute to the cumulative demand for recreational resources, and payment of Quimby fees would be required.

The payment of these fees to help reduce cumulative impacts on county recreation facilities will put the impact below the level of significance.



Figure 6.8: San Miguel Community Park.

Transportation/Circulation

The final area of concern was in regards to transportation and circulation. The specific areas identified for potential impacts were the number of trips generated by the project and if unsafe conditions on public roadways would exist as a result of the project. The consultants expect the same or smaller number of trips than the earlier proposed project of 317 per day due to the use of the Site as a senior living facility. To lessen the impact of potentially dangerous traffic conditions, the following mitigation is proposed:

Traffic Safety; Typical road improvements are being required by the County Public Works Department, including improvements to 12th Street and La Bova Street. Because the project will increase use of the 11th Street railroad crossing, the applicant will be required to work with the Union Pacific Railroad to fund their fair share of any safety improvements (signalized crossing, etc.) as necessary, prior to map recordation. Cumulative impacts would be mitigated by contribution to the County fee program designated to install a traffic signal at this intersection.

These improvements and paying of fees would help reduce impacts to lower than the level of significance.



Figure 6.9: Railroad crossing with signals and arms.

Chapter 7 – Market Analysis

7.1 Market Area Definition

Radius Analysis

A radius analysis establishes an approximate market area from which residents will be drawn to the Project. The radius analysis approach is based on the assumptions that most residents come from within a relative proximate geographic area. The radius analysis provides a simple yet effective way of analyzing demographic data pertaining to market draw to the site. Please note however that the analysis does not factor barriers that effect people movement; such as physical, jurisdictional, and psychological boundaries.

Two radii were analyzed pertaining to the Project's market draw. The areas of analysis include a 3 mile radius and 8 mile radius (Figure 7.1). The 3 mile radius analysis analyzes the area and close border of San Miguel. The 8 mile radius analysis analyzes San Miguel as well as parts of Paso Robles. The 8 mile radius analysis has less of a market draw to the Project due to competition in Paso Robles (discussed later in Chapter).

Radius Analysis Boundary Map

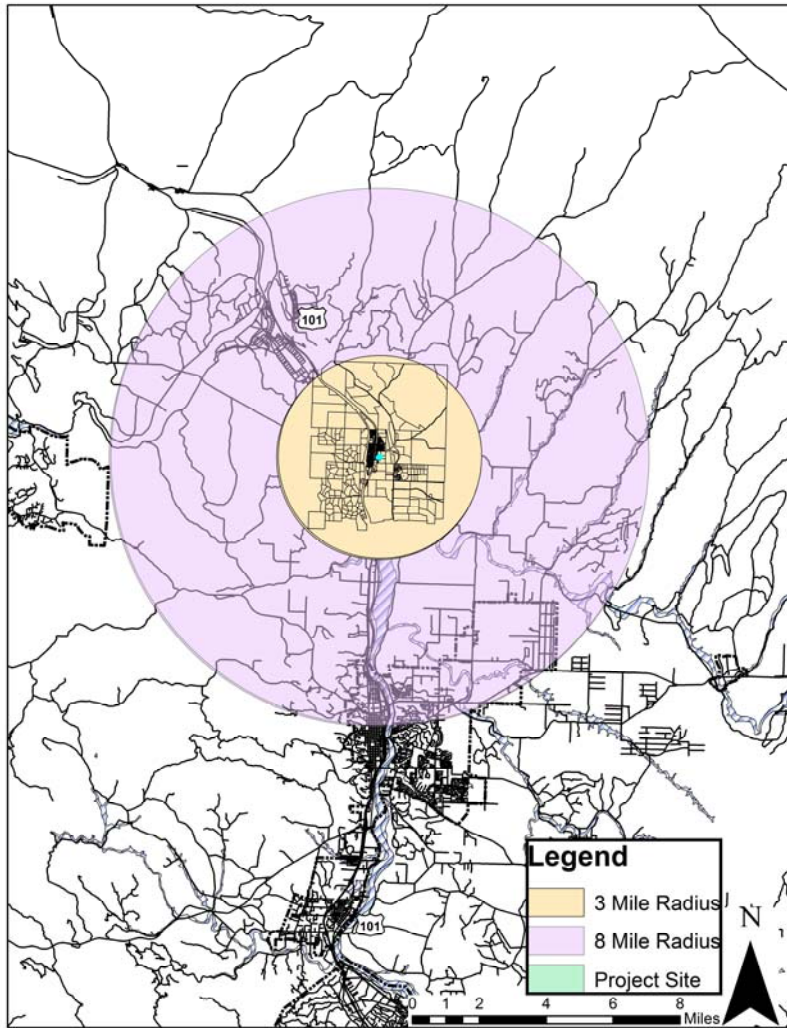


Figure 7.1 Radius Analysis Map.

Currently, no senior living community complex exists within the 3 mile radius of the Site. This increases the attractability to the Project and is the main reason why the market draw will primarily come from within a 3 mile radius. As of 2010, 108 seniors and 481 adult children live within the 3 mile radius to the Site (Figure 7.2). Figure 7.2 establishes that nearly a quarter of the population within the 3 mile radius could have a significant affect on the Project's market draw.

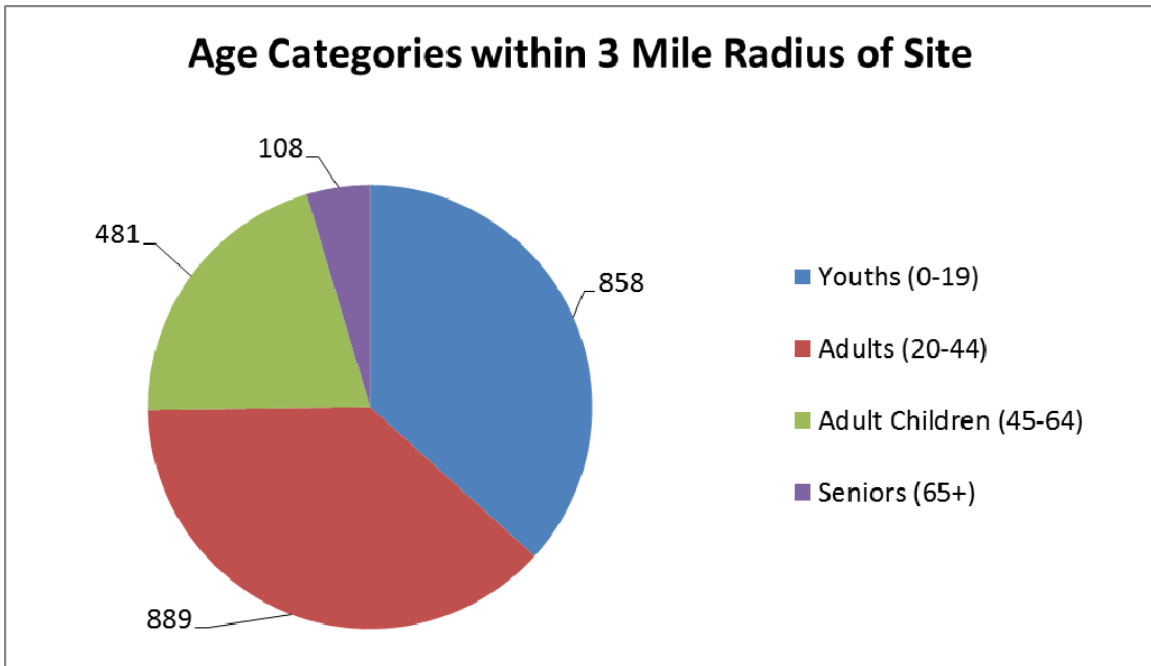


Figure 7.2 Age Categories within 3 Mile Radius of Site.
Source: US Census 2010

This report defines seniors as people who are 65+ years of age and adult children as people who are within 45-65 years of age. It is important to note the amount of adult children in the report for multiple reasons. First, many adult children within the 3 mile radius will be potential future residents of a senior housing community complex. Table 7.1 shows that many residents within <5 distance when moving to a senior community.

Table 7.1 Percentage of Residents Who Relocated, by Distance Moved
Source: Brecht 2002

	AAHSA Study		ALFA Study	
	Independent Living	Assisted Living	Independent Living	Assisted Living
<5 Miles	25%	55%	22%	29%
5-10 Miles	21%	15%	18%	24%
10-15 Miles	11%	8%	16%	17%
15-25 Miles	10%	8%	20%	14%
25+ Miles	35%	14%	24%	16%

Adult children are also important in market analyses because many individuals in this age category find places and help pay for their senior parents in search of

assisted living. Typically adult children will search for the places within 5 miles from their residency (Table 7.2).

Table 7.2 Distance from Facility to Family Members
Source: Brecht 2002

Distance	Independent Living	Assisted Living
<5 Miles	25.2%	28.7%
5-10 Miles	23.3%	27.9%
10-20 Miles	24.0%	21.4%
20-50 Miles	11.9%	10.5%
>50 Miles	15.6%	11.5%

As previously stated, the 8 mile radius analysis has less of a market draw to the Project. However, key attributes of the Project will draw residents from within this radius. In particular, the affordable independent units will draw people the Project.

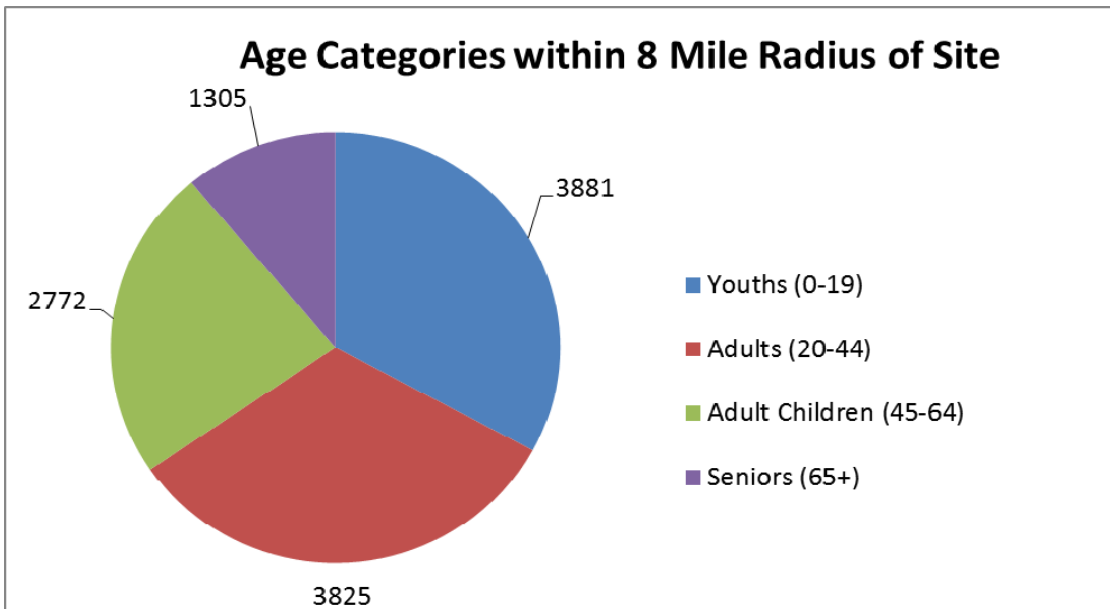


Figure 7.3 Age Categories within 8 Mile Radius of Site.
Source: US Census

Figure 7.3 shows that approximately 1/3 of the population within the 8 mile radius are either in the age categories of seniors or adult children. Please note that 2010 Census Data was not available yet for the City of Paso Robles and the numbers used in Figure 7.3 were estimated by the US Census Bureau.

The 3 mile radius shows that there are 108 seniors and 481 adult children living within the radius. The 8 mile radius shows that there are approximately 4077 seniors and adult children within the radius. The 3 mile radius analysis and 8 mile radius analysis both show evidence that there is a potential market draw to the Project. However, as previously mentioned the radius analysis does not take into account the movement of people. The boundaries of the market area will be further refined throughout this chapter.

County Analysis

It is important to analyze the county demographic trends when analyzing the market of a senior housing community. The County of San Luis Obispo currently has 269,637 residents (US Census 2010). There are 41,022 seniors and 76,369 adult children in San Luis Obispo County (Figure 7.4). This is a significant portion of the population of San Luis Obispo County. These age categories are also expected to grow in the next decade.

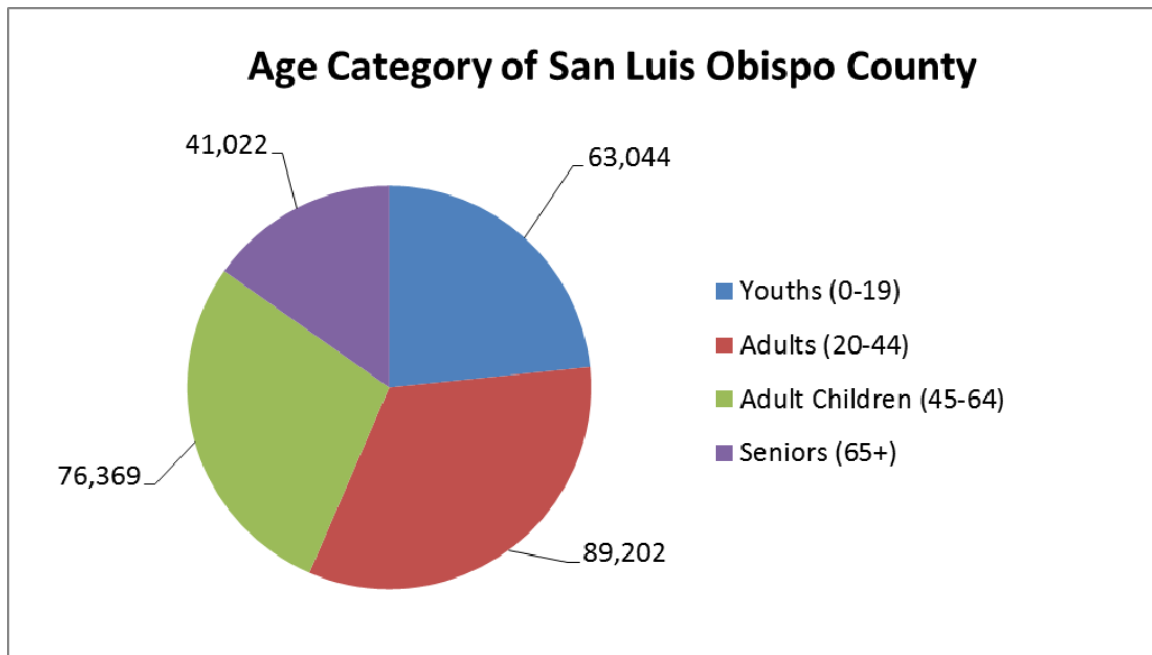


Figure 7.4 Age Category within San Luis Obispo County.
Source: US Census 2010

According to the San Luis Obispo Council of Governments (SLOCOG), San Luis Obispo is projected to experience modest growth. Table 7.3 details the projections made by SLOCOG. Please note that the projections were made in 2009 and that the 2010 US Census was not available or factored into the projections.

Table 7.3 San Luis Obispo County Population Projections
Source: SLOCOG 2009

SLOCOG County Projections					
	2010	2015	2020	2025	2030
San Luis Obispo County	257,382	268,782	279,330	289,422	302,020

According to the “County’s Next 100,000 People” article in the San Luis Obispo Tribune, San Luis Obispo County will see a surge of seniors and adult children within the near future. The majority of these people will be wealthy retirees from the Bay Area, Los Angeles, and Greater Los Angeles Area. The article projected that the new residents will be “empty nesters” and will be looking to buy or rent smaller housing units. Lastly the article projects that the surge of new residents will reside in the unincorporated areas of San Luis Obispo County.

Natural Geographic, Psychological Boundaries and Jurisdictional Boundaries

Geographic and psychological barriers cause San Miguel to be considered fairly isolated from other communities in San Luis Obispo County. San Miguel is surrounded by open space, a national guard base, and a river. These features cause boundaries to the north, west, and east. However, to the south San Miguel a relatively short drive on Highway 101 to the City of Paso Robles. Although the City of Paso Robles is a different jurisdiction than the community of San Miguel, the attractable affordable attributes of the Project could potentially draw a market base from the City of Paso Robles’s jurisdictional boundary.

Influence of the Site on Market Area

Due to the size of the Project, the Project would generate a significant influence on the community of San Miguel. According to Cal Poly 2010, the 2008 housing

stock in San Miguel consists of 588 dwelling units. If the Project were built it would be the largest multi-family complex in San Miguel. The Project would add 61 dwelling units to the community of San Miguel which would create a 10% increase in dwellings in San Miguel. According to the 2010 US Census, The Project could potentially cause San Miguel grow by 2.61% (please note that this number assumes the Project consists only of residents from outside San Miguel’s jurisdiction, 0% vacancy, and all units have a household size of 1).

7.2 Socioeconomic Trends and Characteristics

Population and Household Trends and Projects

The demographics and trends within the immediate market area are extremely important in a market analysis because this market has the greatest influence on the success of the project. According to 2010 US Census, San Miguel is a predominately a younger community (Figure 7.5). Figure 7.5 shows that the majority of the population within San Miguel is 59 years of age or younger. As a result there is a small senior market base in San Miguel. This could be a result of a senior living facility not being located in San Miguel.

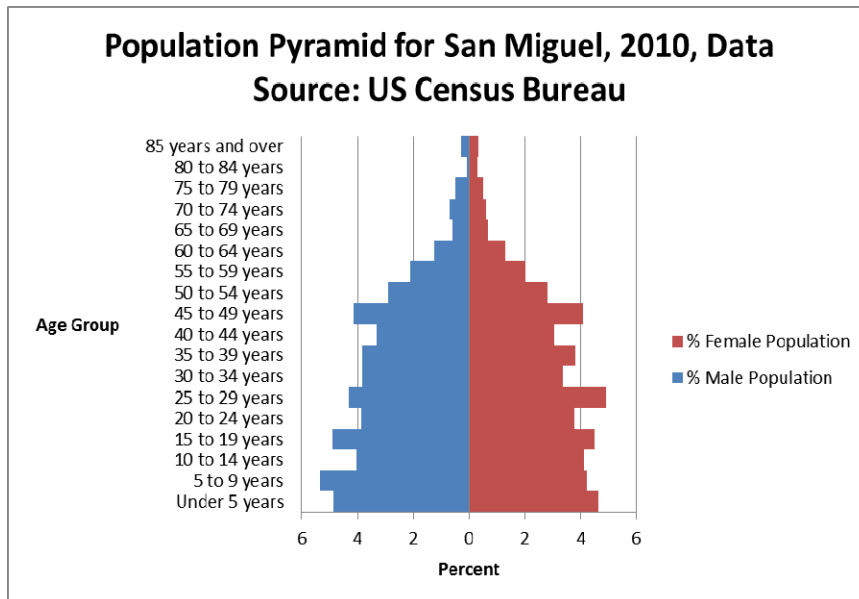


Figure 7.5 Population Pyramid by Age Group in San Miguel.
Source: 2010 US Census

Housing tenure establishes the difference between owner occupied households and renter occupied households. It is important to analyze how the Project will affect the market area. A project should create a surplus of either owner or renter households. Figure 7.6 establishes the housing tenure in the community of San Miguel. Figure 7.6 reveals that there is a surplus in owner occupied households in San Miguel. Since all the units within the Projects are rental units, the Project could capture a market in search for more rental dwelling units.

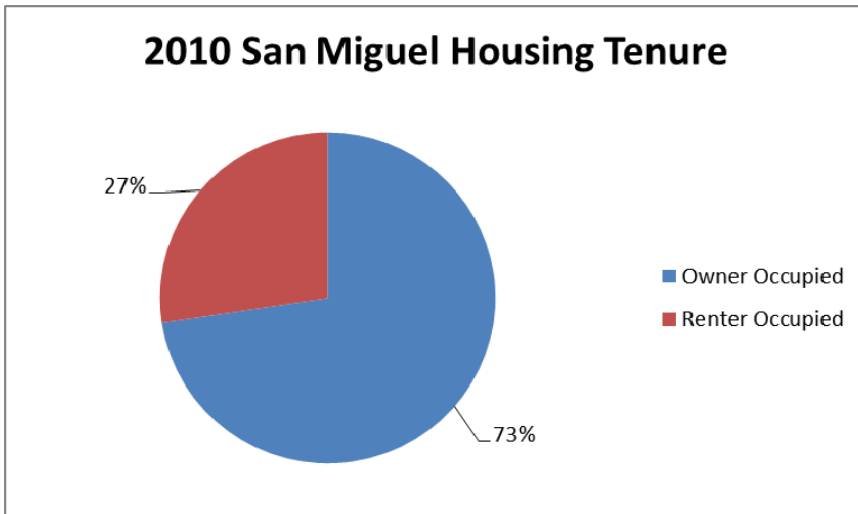


Figure 7.6 San Miguel Housing Tenure.
Source: 2010 US Census

There is total of 293 housing unit projects that are approved and proposed within San Miguel. These projects are currently in the approval process through the County of San Luis Obispo Planning and Building Department. While these projects may be changed prior completion, or may not be built, the projects indicate that there is an interest to develop a large amount of residential projects in San Miguel. There are also "several commercial projects, including 3,000 square feet of office space, retail lots, an auto dealership, a gas station, mini storage, and two mixed-use projects that will include both commercial and residential space. These projects indicate that there is an interest to develop land in San Miguel" (Cal Poly 2010). As previously mentioned in the Site Analysis Chapter, the 34 unit PUD project on the Site will most likely not be built (Figure 7.7).

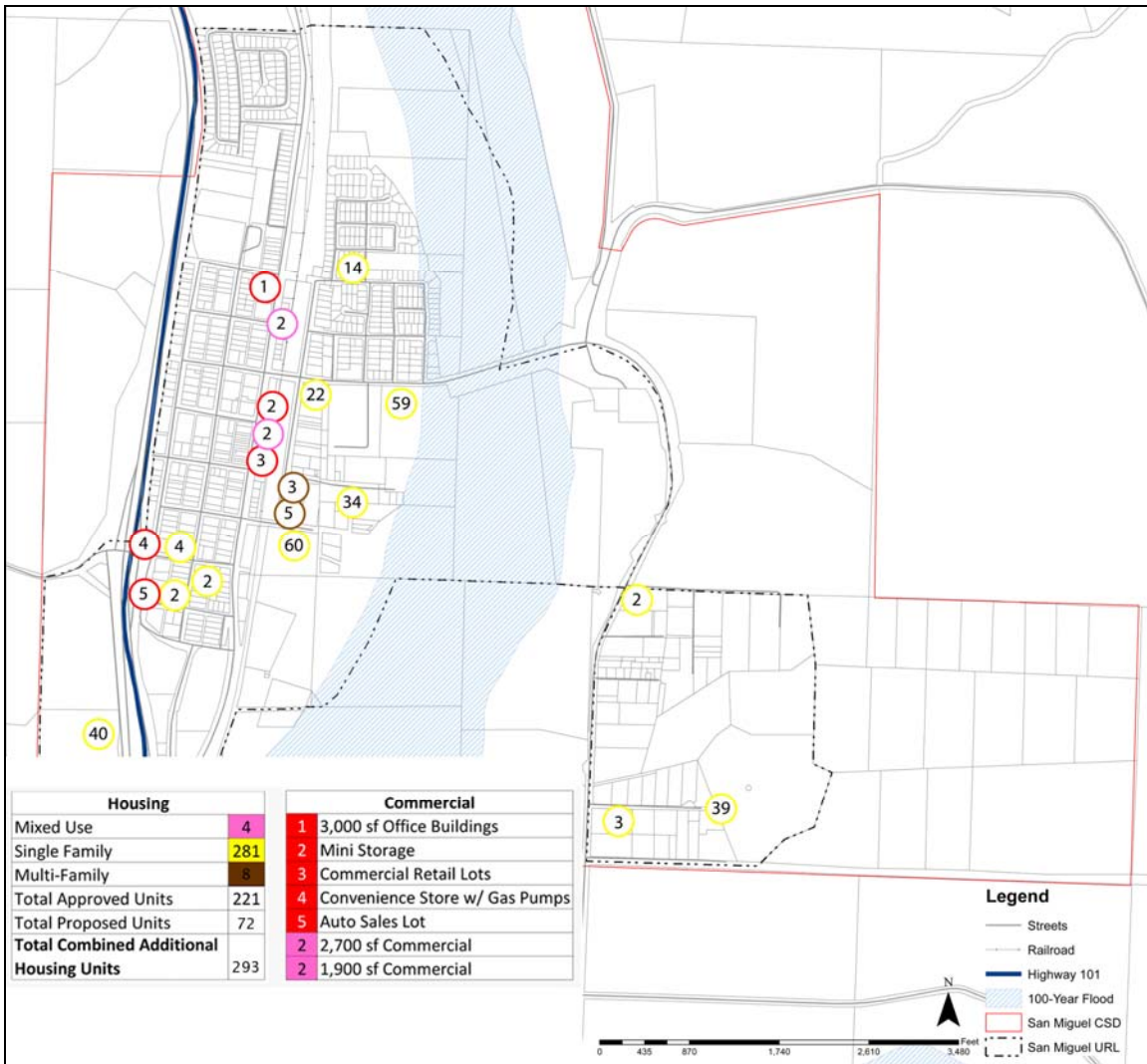


Figure 7.7 Approved and Proposed Projects.
Source: Cal Poly, 2010

Development Trends

According to the San Luis Obispo Council of Governments (SLOCOG), the community of San Miguel is projected to experience modest growth. Table 4.4 details the projections made by SLOCOG. Please note that the projections were made in 2009 and that the 2010 US Census was not available or factored into the projections. 2010 US Census establishes that the community of San Miguel has reached a population of 2,336 people. This exceeds the amount of people projected to live in San Miguel in 2020 made by SLOCOG. This could indicate that the community of San Miguel is growing faster than expected.

Table 7.4 San Miguel Population Projections
 Source: SLOCOG 2009

SLOCOG San Miguel Projections					
	2010	2015	2020	2025	2030
Community of San Miguel	1,838	2,026	2,204	2,391	2,610

7.3 Attitudes, Perception, and Familiarity with Senior Housing in San Miguel

The community opinion of incorporating a senior living facility in San Miguel derived from the Cal Poly CRP 411 Workshop 3. In Workshop 3, Cal Poly proposed to incorporate a senior living facility into the draft San Miguel Community Plan. The senior living facility that was proposed was in the general location of the current Site. According to Cal Poly CRP 411, San Miguel Community Workshop 3, the majority of the San Miguel community members who attended the workshop liked the idea of a senior living facility in San Miguel (Table 7.5). The majority of the public liked the location; however, there were a few community members that recommended the location of the facility should be moved west of Highway 101. A more detailed community perception on a senior living facility in San Miguel is discussed in the Political Analysis Chapter.

Table 7.5 Workshop 3 Questionnaire Results
 Source: Cal Poly 2011

Workshop 3 Questionnaire Results				
Key Feature	Yes	Maybe	No	Comments
3.A. Senior Assisted Living Facility	24	1	3	<ul style="list-style-type: none"> • Will be in high demand in near future • Makes sense • Poor location • Should be West of Highway 101 (2)
3.B. Senior Community Living	22	6	0	<ul style="list-style-type: none"> • Will be in high demand in near future • Good location • Should be West of Highway 101

7.4 Competitor Analysis

Defining the Competition

There are currently 5 senior living facilities in North San Luis Obispo County that would impose competition with the Project. There are more home care units within northern San Luis Obispo County; however, these types of units typically draw from a different market base. This market study perceives the competition as facilities of relatively same size and features of the Project. Table 7.6 defines the top 5 competitors and describes their different attributes.

Table 7.6 Competitor Analysis
Source: Personal Interviews

Competitor Analysis							
Facility Name	Location	Type	Units	Avg Size (SQ FT)	Rates / Mo	Services	Vacancy
1. The Lodges at Adas Vineyard	Paso Robles, CA	Assist.	20	550	\$5,400 - \$5,800	All Inclusive	Waitlist 10 People
2. Oak Park	Paso Robles, CA	Ind.	41	1 BD = 576	\$875; 30% Paid by Tenant	Limited Services	1 Room Open Waitlist 20 People
3. Emeritus at Creston Village	Paso Robles, CA	Assist. + Ind.	130	Studio = 600 1 BD = 800 2 BD = 1000	\$2,500 - \$4,500	All Inclusive	15 Beds Open
4. Templeton Gardens Senior Apartments	Templeton, CA	Ind.	40	1 BD = 540 1 BD = 680	\$885; \$985	1 Meal, Minimum Transportation	5 Open Units
5. Ingleside Assisted Living	Atascadero, CA	Assist.	15	200	Base \$6,500; Increases on Care	All Inclusive	Waitlist 8 - 10 Months

Table 7.7 analyzes the attributes of the Project. The purpose of Table 7.7 is to give a side by side comparison with perceived competition.

Table 7.7 Project Analysis

Project Analysis							
Facility Name	Location	Type	Units	Avg Size (SQ FT)	Rates / Mo	Services	Vacancy
Project	San Miguel, CA	Assist. + Ind.	61	Detach = 1200 Townhome = 1000 Assist = 550	\$850 - \$2,000	Indep. = Limited Services Assist. = All Inclusive	-

Per Tables 7.6 and 7.7, the Project has many attributes that make it more attractive over its competition. The first advantage the Project has over most of its competition is that it is a mixed independent and assisted senior housing facility with more than 50 units. The only other facility in northern San Luis Obispo County that is similar is the Emeritus at Creston Village in Paso Robles. However the Project will include larger independent units than the Emeritus at Creston Village that will be considerably less expensive. Since the independent units will be affordable, the services will be limited and similar to the Oak Park Facility in Paso Robles. The Project’s assisted living units will be market rate units, but will still be less expensive than the competition of other assisted living unit rates. The Project’s advantages allow it to draw from a larger market base within the same market area of its competition.

Geographic Location

Figure 7.8 displays the proximity of the perceived competition to the Project. Figure 7.8 reveals that the three senior housing facilities within the City of Paso Robles are disbursed in the northern, central, and southern areas of the City of Paso Robles. The Lodges at Adas Vineyard is the closest facility to the Project. As noted above, this facility is a 20 unit assisted living facility renting at rates twice as much as the Project. The Templeton Gardens is located in the center of Templeton and Ingleside Assisted Living is located in Southern Atascadero. It is important to note that all facilities are located near Highway 101 and are all within an approximate 30 minute drive of one another.

Senior Facility Competition Map

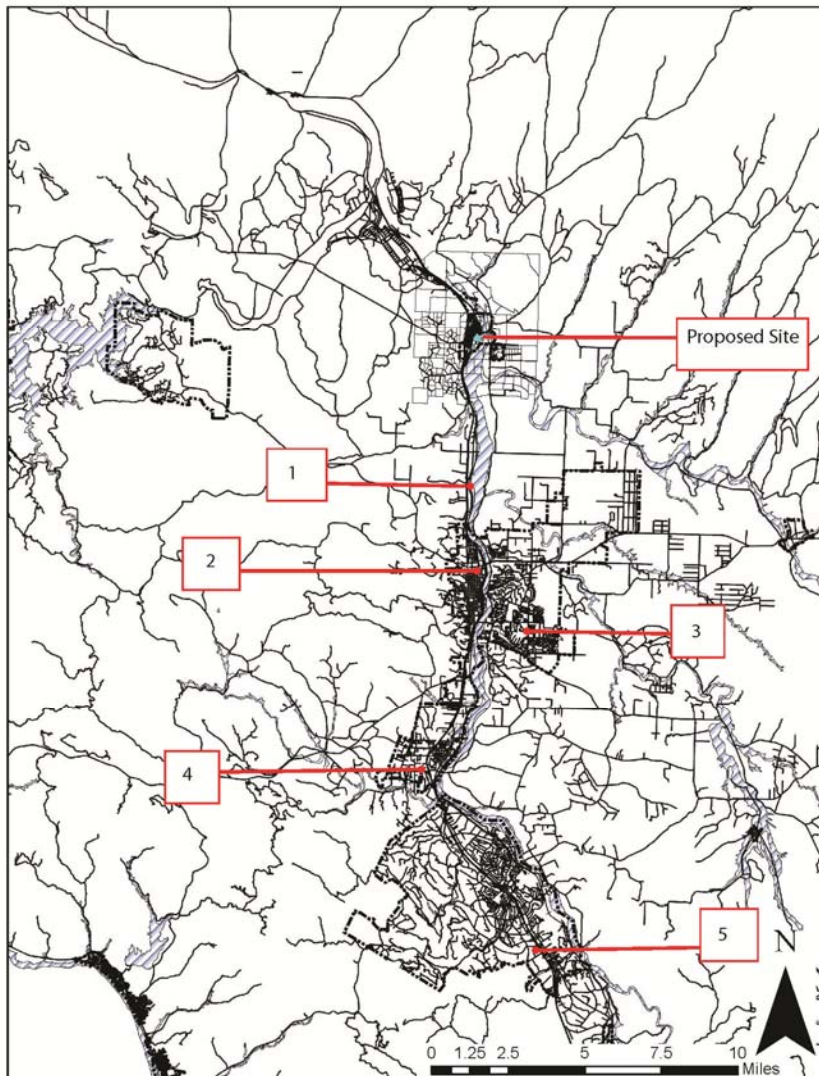


Figure 7.8 Senior Living Facilities in North San Luis Obispo County.

7.5 Quantitative Market Depth Analysis

Market Penetration Analyses

The market penetration analysis analyzes the risk based upon the definitive market area. The market penetration analysis has become the most used way of analyzing risk for lenders. The market penetration percentage indicates level of risk; therefore the lower the percentage the percent the less risk associated with the project. One of the most effective ways to retain the market penetration

rate is through the Fitch Analysis. The Fitch Analysis looks at existing units that are expected to turn over per year, adjusted for the proportion expected to be filled from the market area. The Fitch Analysis also incorporates filling units created by the project running a 95% vacancy rate. Two Fitch Analyses were conducted for the Project. The first Fitch Analysis looks at market penetration rate using a market area definition of San Miguel (Table 7.8). The second Fitch Analysis looks at market penetration rate using a market area definition of San Miguel and Paso Robles (Table 7.9). Please note that both analyses use 2008 population numbers.

Table 7.8 Fitch Analysis for San Miguel Market Base
Source: www.citydata.com

Fitch Analysis	
Total Population Age 65+	157
Income Greater than \$30,000	44.59%
Total Age and Income Qualified Population	70
Living Alone	50%
Total Qualified Independent and Assisted Living Population	35
Project Units	61
Adjustments	
95% Occupancy	57.95
40% Annual Turnover	23.18
80% Market Area Draw	18.544
Market Penetration Rate	52.98%

Table 7.8 has a market penetration rate of approximately 53%. This indicates that there is an extremely high risk associated with only having a market base of only San Miguel. Table 7.8 assumes that there will be no competitive market draw from other senior housing facilities. Lenders are typically willing to lend to projects with a market penetration rates between 1% - 10%. This indicates that the Project may be too big for the market area of San Miguel.

Table 7.9 Fitch Analysis for San Miguel and Paso Robles Market Base
 Source: www.citydata.com

Fitch Analysis for San Miguel and Paso	
Total Population Age 65+	3627
Income Greater than \$30,000	58.42%
Total Age and Income Qualified Population	2119
Living Alone	50%
Total Qualified Independent and Assisted Living Population	1060
Competition	969
Project Units	61
Adjustments	
95% Occupancy	57.95
40% Annual Turnover	23.18
80% Market Area Draw	18.544
Market Penetration Rate	1.91%

Table 7.9 Fitch Analysis is based on the large assumption that the Project can capture effectively both market bases of San Miguel and Paso Robles. The competitive facilities within the City of Paso Robles were incorporated into Table 7.3. Table 7.9 displays that a market base of the community of San Miguel and the City of Paso Robles yields a market penetration rate of approximately 2%. This indicates that there is a low risk associated with having a market base of San Miguel and Paso Robles. Lenders would typically want to support a project with a lower market penetration rate of approximately 2%.

Chapter 8 – Financial Analysis and Feasibility Study

8.1 Financial Analysis

Project Sizing

As mentioned in the Site Analysis Chapter the gross area of undeveloped land on the Site is 3.775 acres. As mentioned in the General Description Chapter, the Project proposes 15 detached independent dwelling units, 15 townhome dwelling units, and an assisted living facility supporting 30 assisted living bedrooms. All sizes for the Project are recorded from the Conceptual Site Plan in the General Information Chapter. All structures are single story. Each detached dwelling unit will be 1,172 Square Feet. Each townhome dwelling unit will be 1,000 Square Feet. The assisted living facility is approximately 22,810 Square Feet. The total size of all of the structures for the Project totals to 56,390 Square Feet. The Project consists of approximately 10,339 Sq Ft of concrete pavement and approximately 54,595 Square Feet of asphalt pavement. Asphalt pavement includes repaving the existing portion of 12th Street on Site, pavement of new roads and parking spaces, and connecting to La Bova Way. The Project has an approximate total 64,934 Square Feet of pavement. Landscaping for the Project consists of approximately 42,688 Square Feet of the Site. Landscaping includes all yards and vegetation on Site.

Project Pricing

The Project pricing is broken down in Table 8.1. As stated in the General Description Chapter, all of the independent units are proposed to be affordable dwelling units. These units will only charge the resident 30% of the resident's monthly income per month. The difference of the 30% monthly income and the rents established in Table 8.1 will be covered by Federal Government Subsidy Section 8. As stated in the General Description Chapter all assisted living rates will be market rate. As noted in Table 8.1 all assisted living rents will be \$2,000 per month. This monthly rate is lower than any of the competitive senior housing facilities in North San Luis Obispo County (see Market Analysis

Chapter). Services for both independent and assisted living are discussed in the next section.

Table 8.1 Monthly Rents by Unit

Monthly Rents by Unit		
Unit Type	Unit Size (Sq Ft)	Monthly Rent
Detached Independent	1,172	\$1,025 *
Townhome Independent	1,000	\$825 *
Assisted Living Bedroom	500	\$2,000

* Tenants only have to pay 30% of monthly income.

Project Services

The services provided for the independent living units will closely resemble the services provided for the Oak Park Independent Senior Living discussed in the Market Analysis Chapter. The services provided for the independent living residents will be minimal due to the low amount of income from the affordable rates. These services will include an emergency pull cord and necklace, informal social gatherings, pick up rent service, and landscaping service. Utilities, house-keeping and transportation will not be covered through the charged monthly rates.

The services provided for the assisted living units will be all inclusive. The market rate monthly charge will cover these services. These services include medical home visits, laundry service, 3 meals, exercise, provided activities, transportation, private bathrooms, furnished bedrooms, and all utilities except cable television.

8.2 Feasibility Study Assumptions

Assumptions establish the figures used to run a financial pro forma. The explanation of all assumptions in the pro forma used for the Project may be found in the following subsections. Please see Appendix 8 for quantitative explanation for each assumption.

Construction Costs

The construction costs are also known as hard costs. The construction costs are usually the largest expense in a development project. The construction costs of all structures used in the pro forma were calculated by RS Means. RS Means is the national accepted method used to calculate construction estimates. RS Means establishes the national average of dollars per Square Foot for a type of project (independent senior living facilities and assisted senior living facilities). RS Means then provides a calculated city index. The city index multiplied by the national average gives an accurate estimate per Sq Ft for construction. Construction costs for pavements and landscaping were calculated using national averages. Contractor's profit (5% of construction estimate) was then added to the construction estimate to establish total construction costs. The total construction costs for the Project are \$7,796,172 (Appendix 8.1).

Land Costs

The land costs for the southern parcel of the Site were established by www.trulia.com. Per www.trulia.com, the southern parcel of the site is asking \$425,000. Since the northern parcel is approximately half of the size of the southern parcel, the northern parcel is estimated to be half the asking price of the southern parcel. The northern parcel is estimated to be \$200,000. The total selling price was estimated to be \$625,000 (Appendix 8.1).

Soft Costs

The soft costs of a project include fees associated with development review and overall development. Soft costs also include design costs. An estimated \$200,000 was associated with development fees. This number was based off the fee expense established by the existing submitted permit for the southern parcel and adjusts for the costs of an initial study and other fees associated with development. The design costs were established by taking 7% of the hard costs. "7% of the hard costs are typical for design costs" (Multari, 2009). The total amount of soft costs for the Project are \$745,732 (Appendix 8.1).

Grant Funding and Incentives

Since the Project incorporates affordable senior housing, the Project can apply for different grants distributed by the County of San Luis Obispo. The largest grant the Project is eligible for is the HOME Grant established by the Home Investment Partnership Act. This grant is awarded to projects that incorporate affordable or workforce housing. This is a grant that can help pay for construction and land costs made by the developer. Another grant that the Project may be eligible for is a Community Development Block Grant (CDBG). CDBG grants are established by the US Housing and Urban Development Agency (HUD) and are distributed by the County of San Luis Obispo. This grant is awarded to projects that typically incorporate affordable housing, revitalization of neighborhoods, and carry out community goals. The attributes of the Project and the findings in the Land Use Chapter make the Project eligible for a CDBG. Lastly, as stated in the County of San Luis Obispo Housing Element discussed in the Land Use Chapter, the county is willing to streamline the permitting system and reduce fee costs for affordable housing projects. It is estimated that these grants will reduce the total development costs by \$1,025,000 (Appendix 8.1).

Total Development Costs (TDC)

The TDC is the sum of the hard costs, land costs, soft costs, with grant deductions. The TDC for the Project is \$8,141,904 (Appendix 8.1). The TDC establishes the loan amount that is needed to build the project.

Operating Expenses

The operating expenses of a project include taxes, maintenance, and service expenditures for the project. The operating expenses for the Project were calculated by taking the average operating expenses to rent ratio from the case studies analyzed in the Case Studies Chapter. The average operating expense from the case studies for independent living was approximately 35% of rental income with limited services. The average operating expense from the case studies for assisted living was approximately 65% of rental income with all inclusive services (Appendix 8.1).

Terms of Loan

The total amount of the loan for the Project is \$8,141,904 established in the TDC section. In the current market conditions, "it is typical that lenders will require a large equity loan usually ranging from 30% to 40% in equity" (Wise, 2011). The pro forma for the Project uses a leverage to equity ratio of 65 to 35. Also in the current market conditions, "it is typical that lenders will require a small amount of interest since the equity required for a loan is larger" (Wise, 2011). The pro forma uses a monthly interest rate of 6% for the Project. The life of the loan is the typical 30 years (Appendix 8.1).

Appreciation Rates

Over time rates for rents, operating expenses, and property value appreciate. Appreciation rates used for the Project were established by Lisa Wise. The appreciation rates "closely reflect the current market conditions" (Wise, 2011) (Appendix 8.1).

Tax Rates

There are three types of tax rates associated with development. There is an income tax rate of the owner, capital gains tax rate of the owner, and a recapture rate on cumulative depreciation. These rates depend on the developer and type of project. Please see Appendix 8.1 for the three different tax rates.

8.3 Feasibility Pro Forma

Pro Forma

Using the assumptions established above the pro forma for the Project yields a positive cash flow for every year starting the year after construction is finished. The pro forma runs up until year ten, in which at the end of year ten it is assumed that the developer will sell the Project. The pro forma analyzes cash flows and returns before and after taxes (Appendix 8.2).

8.4 Feasibility Study Results

Revenues

The internal rate of return (IRR) measures revenues as a percentage base upon the cash flow of a project. If the Project were to sell at year ten the IRR would yield 11.27% before taxes and 9.59% after taxes (Appendix 8.3). An IRR of 9.59% is a moderate return for a developer developing a project of this size and nature.

8.5 Feasibility Study Sensitivity Analysis

A sensitivity analysis analyzes a project with different assumptions or conditions. Two sensitivity analyses were performed for the Project. The first sensitivity analysis looks at the Project without grant funding and the second sensitivity analysis looks at the Project with market rate independent units with more services.

Non-Grant Funding

The sensitivity analysis that did not use grant funding or county fast track incentives yielded a low IRR of 8.48% after taxes. The Project without grant funding would not have a positive cash flow until the time of sale in year 10 (Appendix 8.4). This is not an attractive investment and would not be taken on by a developer.

Market Rate

The sensitivity analysis that did include affordable housing units which in turn did not include grants or incentives yielded a high IRR of 10.83% after taxes. The Project at market rates would have a positive cash flow starting a year after the end of construction (Appendix 8.5). This project would also be an attractive investment and would most likely be taken on by a developer.

Chapter 9 – Report Findings

9.1 General Description Findings

Project Location

Section finds that the most suitable area for a senior housing facility is located on two parcels with undeveloped land off of East 12th Street.

Project Description

Section finds that the Site is most suitable for senior independent and assisting living.

Section finds that the Site is most suitable for 15 independent detached senior housing units, 16 independent townhome senior housing units and a 30 bedroom assisted living facility.

Section finds that all independent units to be affordable.

9.2 Case Study Findings

Case Study 1

Section finds building an affordable senior living facility can be indistinguishable from surrounding market-rate developments and prove successful.

Case Study 2

Section finds a single-family cottage arrangement is possible only with a PUD development style to help reduce parking requirements and improve community life.

Case Study 3

Section finds the level of services provided should be made clear to residents before leasing and Client should not expect to break even until after 70 percent occupancy.

9.3 Site Analysis Findings

Location

Section finds that San Miguel regional context attracts tourism through historical inventory

Section finds that the local context of the Site is unfrequented by vehicular and pedestrian traffic

Surrounding Development

Section finds vacant land, residential land and a senior center located on East 12th Street.

Section finds that residential unit condition on 12th Street ranges from good condition to poor condition to vacant.

Section finds that parcels located at the east end of 12th Street to consist of residential and small agriculture uses and poor condition housing.

Section finds the senior center in operation with varied hours of operation.

Section finds residential parcels surrounding the Site in good condition.

Existing Conditions on Site

Section finds natural environment on Site to be unmaintained wild grass with few trees. No vegetation had significant value.

Section finds Site to have an aesthetically pleasing view shed of the Salinas River and rolling hills to the east.

Section finds San Miguel to have Mediterranean Climate.

Section finds the Site to not lie within the FEMA 100 year flood plain.

Section finds that total Site size is 3.78 acres.

Section finds that southern parcel is linked to a submitted 34 unit PUD permit.

Section finds that permit will not be acted upon.

Section finds Site in close proximity to public transportation.

Section finds Site under the 60 decibel noise range.

Section finds Site in close proximity to San Miguel Fire Department.

Section finds Site in medium proximity to San Miguel public parks.

Section finds Site to have poor visibility to the general public.

9.4 Land Use Analysis Findings

General Plan

Section finds Project to support County of San Luis Obispo Housing Element's Programs HE 1.B, HE 1.C, and HE1.S.

Section finds Project to support and answer problems addressed in County of San Luis Obispo Housing Element's Housing Needs Assessment Chapter.

Zoning

Section finds Project qualifies for high intensity residential multi-family use.

Section finds Project qualifies for a maximum 38 dwelling units per acre.

Cal Poly 2011 Draft Community Plan

Section finds that Project meets the different growth pattern established for Residential Multi-Family Zoning.

Section finds that Site is not located in the designated area for senior living facilities.

Section finds that Site meets attributes of appropriate locations for senior living facilities.

9.5 Political Analysis Findings

Community Support

Section finds broad community support of senior living in San Miguel with minor concerns about location and scope.

Political Support

Section finds support for senior living from the county's goal of sustainable development for established communities and county general plan.

Political Process

Section finds compliance with local and state guidelines for review process and construction will result in the success of a senior living facility in San Miguel.

9.6 Environmental Analysis Findings

Air Quality

Section finds soil disturbance and watering will help keep air quality issues during construction below the level of significance.

Biological Resources

Section finds land banking for habitat loss and sensitive vegetation removal will reduce potential impacts.

Geology and Soils

Section finds implementation of a drainage plan and a geologic report of the soils will help reduce potential impacts.

Hazards/Hazardous Materials

Section finds conforming to the uniform fire code would lower potential impacts.

Water

Section finds standard drainage and erosion control measures would keep surface water quality above the level of significance.

Cultural Resources

Section finds cultural mitigation monitoring during grading and vegetation removal will help reduce potential impacts.

Public Services/Utilities

Section finds paying community service fees upon development will help reduce cumulative impacts.

Recreation

Section finds payment of Quimby fees upon development will help reduce cumulative impacts.

Transportation/Circulation

Section finds working with Union Pacific Railroad and typical road improvements will help reduce cumulative impacts.

9.7 Market Analysis Findings

Market Area Definition

Section finds that areas within 3 mile radius have greatest market draw to Project.

Section finds that areas between a 3 – 8 mile radius to have a lesser market draw to the project.

Section finds that San Luis Obispo County has a proportionate amount of seniors and adult children.

Section finds that San Luis Obispo County will experience moderate growth over the next 20 years.

Section finds that San Luis Obispo is projected to see an increase in the senior population within the next decade.

Section finds that San Miguel is isolated from other communities due to natural and psychological barriers.

Section finds Highway 101 links San Miguel to the City of Paso Robles market area.

Section finds that Project would significantly increase the housing stock in San Miguel.

Socioeconomic Trends and Characteristics

Section finds that the majority of San Miguel residents are under the age of 59 years old.

Section finds that there is a surplus of owner occupied households in San Miguel.

Section finds that there are 293 residential projects approved or proposed in San Miguel.

Section finds that the San Miguel population is growing faster than the SLOCOG projections.

Attitudes, Perception, and Familiarity with Senior Housing in San Miguel

Section finds that the majority of San Miguel Residents who attended Cal Poly 2011 Workshop 3 liked the idea and location of the Project.

Competitor Analysis

Section finds 5 competitors of the Project within North San Luis Obispo County.

Section finds the Project to be more attractive than competition.

Section finds the locations of the competition in North San Luis Obispo.

Quantitative Market Depth Analysis

Section finds a market area for only San Miguel yields a 53% market penetration rate.

Section finds a market area for San Miguel and the City of Paso Robles yields a 2% market penetration rate.

9.8 Financial Analysis and Feasibility Findings

Financial Analysis

Section finds in quantitative detail Project size, pricing, and services. No significant findings were established within section.

Feasibility Assumptions

Section finds in quantitative detail of assumptions for Project pro forma. No significant findings were established within section.

Feasibility Pro Forma

Section finds that under Project assumptions, the cash flow of the yields a positive stream of income starting one year after construction both before and after taxes.

Feasibility Study Results

Section finds that under assumptions, the Project yields an IRR of 9.5% after taxes.

Feasibility Study Sensitivity Analysis

Section finds that under non-grant assumptions, the Project yields an IRR of 8.48% after taxes.

Section finds that under market rate units and non-grant assumptions, the Project yields an IRR of 10.83% after taxes.

Chapter 10 – Conclusion

10.1 Conclusion

The findings made through the different analyses revealed many desirable attributes supporting development of the Project. Most findings within the Site Analysis Chapter, Land Use Analysis Chapter, Political Analysis Chapter, Environmental Analysis Chapter and Financial Analysis Chapter encourage development. However, there were significant findings in the Market Analysis Chapter that did not support the development of the Project. Specifically, the risks associated with only having a market base of San Miguel. The market penetration analysis and yielded a 53%, which is too risky to take on for most lenders to support. The market penetration rate can decrease from two scenarios; first, decreasing the amount of units in the Project, and second, increasing the elderly population in San Miguel. As current conditions stand, the San Miguel market is not there to support a senior housing development of this size.

A market penetration rate of 2% was established by defining a market area of both San Miguel and the City of Paso Robles. However, these assumptions are associated with risks that are not defined in the market penetration analysis. This market penetration rate scenario is made off of the big assumption that the Project can effectively capture the City Paso Robles market. Since the City of Paso Robles offers closer and more services for an elderly population many residents may not want to move to San Miguel. Therefore, the market in the City of Paso Robles may not be effectively drawn to the Project.

Therefore, as the hired Consultants, we recommend not developing the project immediately. The Consultants recommend either phasing the Project to reflect the growth rate of the San Miguel population or to wait until the San Miguel senior population reaches the threshold to support the Project.

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Appendix

Appendix – 1

No appendix reference.

Appendix – 2

Appendix 2.1:

Case Study #1 - Mountain View Senior Apartments Ontario, CA

PROJECT TYPE

With 86 one- and two-bedroom apartments arranged around a swimming pool and community center, the Mountain View Senior Apartments offer affordable housing for individuals over 55 earning between 30 and 50 percent of the Riverside County, California, median income. One of the goals of developer Simpson Housing Solutions, LLC (SHS), was to create housing that is indistinguishable from market-rate products. To build the apartments, SHS received funds from many sources, including the city of Ontario, the state of California, and the U.S. Department of Housing and Urban Development (HUD).

SPECIAL FEATURES

- Units reserved for individuals over 55 earning between 30 and 50 percent of the Riverside County median income
- Design of apartments intended to be indistinguishable from that of market-rate products
- All residences equipped with door levers instead of knobs, raised electrical outlets, lower light switches, grab bars in the bathroom, lower cabinet heights, and emergency pull cords
- First-floor units designed to be accessible for residents with disabilities

GENERAL DESCRIPTION

Mountain View Senior Apartments is an 86-unit affordable housing project for seniors in Ontario, California. It was built in partnership with the Foundation for Affordable Housing, II, Inc., and is intended to provide low- to moderate-priced housing for persons 55 and older. Financed with help from the city and federal governments, the project consists of a series of Craftsman-style bungalow courts reminiscent of regional styles.

Based in Denver, Simpson Housing Solutions, LLC (SHS), develops multifamily residences across the United States. Its philosophy is to provide high-quality affordable housing that is indistinguishable from market-rate products. Since its inception, the company has developed 22,000 affordable rental units nationwide, 8,000 of which were developed for seniors.

SITE AND DEVELOPMENT PROCESS/BACKGROUND

The area around the Mountain View Senior Apartments site is characterized by a variety of land uses, in a section of Ontario where development originally occurred primarily between the 1950s and 1970s. A lack of development since then, and the deteriorating condition of many of the properties there, have made this area a target for redevelopment. The site is located along Mountain Avenue, a major north/south arterial street, that provides access to Interstate 10 to the north and California Highway 60 to the south.

Close to the Mountain View Senior Apartments, Mountain Avenue is characterized primarily by commercial uses, with a used car dealership, retail strip centers, freestanding fast-food and sit-down restaurants, multitenant retail/office complexes, and a cemetery along its length.

A Del Taco fast-food restaurant and a large vacant parcel are situated to the north of the apartments and to south is an aging but fully occupied strip mall. Tenants in the strip mall include a liquor store, a "dollar store," a bar, a Laundromat, a doughnut shop, and a freestanding family-style restaurant. Across Mountain Avenue to the west is a neighborhood of single-family homes, with a sound wall built between the neighborhood and Mountain Avenue.

In 1989, the city of Ontario purchased the site for \$1.7 million with the intention of redeveloping it for commercial use. Before that it was home to a car dealership, an auto repair shop, and a doughnut shop. But the site remained vacant until 2001, because there was very little interest from the development community to redevelop it with commercial uses in mind.

After examining all of the possible land uses and identifying community needs, the city decided that the site should be converted to residential uses. To find the best developer for this housing project, the city issued a

request for proposals (RFP) from experienced developers of seniors' housing. Through detailed negotiations and several interviews, the city selected Simpson Housing Solutions, entering into an affordable housing agreement in June 2001.

The change from commercial to residential use required the city to replat and rezone the site. Originally, the site consisted of six parcels that were replatted into one. Participating in the site planning and architectural review process were a neighborhood housing board, a revitalization group for the city, and the city of Ontario, represented by its planning department and city council.

The concept was generally well received, although the term "affordable" was a source of some concern. This was mitigated through numerous public meetings to gain city and neighborhood input for the design and layout of the project. Simpson Housing Solutions chartered a bus to take municipal officials and residents on a tour of other projects the company had developed to see the quality they could expect in Ontario, and dispel the concern that an affordable housing project would negatively affect the neighborhood.

It has been SHS's experience that tenant households in affordable housing projects for seniors average 1.2 persons in size, and thus 75 percent of units at Mountain View Senior Apartments were designed as one-bedroom units, with two-bedroom units making up the remainder. SHS has also found that most of its renters are women (about 80 percent), and that 80 percent of those women are widows. SHS also predicted that tenants would generally move from within a five-mile (eight-kilometer) radius of the project and have an annual income of \$10,000 to \$15,000, and that 85 percent of them would come from a previous rental situation. The average age of tenants across all SHS projects for seniors is 72 years, which generally rises to 75 years as the project matures and residents age in place.

Simpson Housing Solutions hired Eliant (formerly National Survey Systems) to perform a market feasibility analysis of the project. The study analyzed the potential market of those age 55 and over within a five-mile (eight-kilometer) radius around the site, looking particularly at income and household tenure (renter versus ownership status). The analysis revealed a substantial potential market for the project in the Ontario area.

Units are leased to households earning 30 to 60 percent of area median income. The aforementioned study showed that comparable market-rate rents in the immediate surrounding area were at or near the top rent that would be charged for units at Mountain View. This was vital information, because if comparable area rents were lower, the project might not have leased up as fast as it did. Thus, conducting a third-party market study is necessary to the success of a project, even one that includes affordable housing, which is often perceived to have infinite demand.

FINANCING

Financing for the Mountain View project came from a variety of sources. SHS received \$6.49 million in tax credit equity from the state of California. Loans totaling \$2.66 million came from Red Mortgage Capital, the city of Ontario, and SHS itself. In addition, \$487,000 of U.S. Department of Housing and Urban Development (HUD) HOME funds were issued through the Ontario Redevelopment Association.

The city of Ontario retained ownership of the site, and SHS entered into a 55-year lease valued at \$1.7 million, which was the determined market value. The ground lease includes "soft" annual lease payments to be paid from residual cash flow after operating expenses and debt service.

Permanent long-term financing of \$1.96 million was provided by Red Mortgage Capital, at 80 percent loan to value, with a 1.2 debt coverage ratio, at 7.73 percent interest. Construction financing assumed two forms, both by Bank of America. A \$2.05 million loan was "forward funded" at a fixed rate of 6.85 percent, and a \$4.75 million construction loan was provided at the prime rate plus 0.5 percent per annum.

Very little marketing was used to advertise Mountain View Senior Apartments. Knowledge of the project among prospective tenants was largely by word-of-mouth.

The basic management philosophy is to involve residents in the Mountain View community, and to arrange for services to be provided by outside contractors. Services include dial-a-ride service for transportation to local destinations, on-site health consultations by doctors or others in the medical profession, linen service, and maid service. Local politicians occasionally visit for a "fireside chat." Moreover, an outside health care provider is the first responder in the event that a tenant uses the emergency pull cord. Mountain View Senior Apartments employs one full-time resident manager and one full-time maintenance person.

Potential tenants are income qualified at 50 percent of their income. While younger households with families

are typically qualified for affordable housing based on 30 percent of their income, seniors are qualified at 50 percent of income, based on the assumption that they need less of their monthly income for other needs such as children or education. Of the 86 units at Mountain View, ten are reserved for households earning 30 percent of the Riverside County median income, ten are for households at 40 percent of the median, 46 are for households at 50 percent of the median, and 20 are for households at 60 percent of the median. As a result, rents range from \$233 to \$616 per month.

Mountain View Senior Apartments had a waiting list of 750 households and was entirely preleased at the time of opening in April 2003. It has been fully occupied since.

EXPERIENCE GAINED

SHS has attempted to create a safe, secure, inviting place with a strong focus on common spaces and activities. The management team’s ongoing tasks are the creation of lifestyle-enhancing amenities and the continuation of programs and activities for residents. For example, bingo has proven especially popular among Mountain View residents.

It is vital to undertake a high-quality market research study to determine the depth of the target market, and best determine marketing efforts.

Many programs and sources of funding are available to developers of affordable housing, and it is crucial to conduct adequate research to determine what best suits the proposed project. The layers of financing that went into the project were complex, and were a challenge for the developer to assemble.

Considering consumers' response to the project, the developers stated that they would have built more units at Mountain View. With 750 households on the waiting list at the time of opening, and additional land available to the north of the site, SHS could have developed 120 units total. A second phase is planned for the vacant parcel to the north, but project costs and different financing sources will make it more expensive to develop, and thus timing is uncertain.

The design and architecture of the project make it indistinguishable from market-rate product—an important feature in affordable housing projects.

PROJECT DATA				
LAND USE INFORMATION				
Site area (acres/hectares): 2.9/1.17				
Percentage complete: 100				
Gross density (units per acre/hectare): 30/74.13				
Off-street parking spaces: 82				
LAND USE PLAN				
Use	Area (Acres/Hectares)		Percentage of Site	
Buildings	0.73/0.30		25	
Streets/surface parking	0.60/0.24		21	
Landscaping/open space	1.41/0.57		49	
Private open space	0.16/0.06		5	
Total	2.90/1.17		100	
RESIDENTIAL INFORMATION				
Unit Type	Number of Units	Area (Square Feet/	Percentage Leased	Rental Prices

		Square Meters)		
One-Bedroom/One-Bathroom	70	530/49.24	100	\$233-\$520
Two-Bedroom/Two-Bathroom	16	70765.68	100	\$271-\$616

DEVELOPMENT COST INFORMATION

Total Development Cost: \$9,154,274

Site Improvement Costs: \$1,371,109

Site preparation and infrastructure costs: \$382,293

Fees/general conditions: \$533,782

Permanent financing costs: \$455,034

Construction Costs: \$6,040,263

Soft Costs: \$1,742,902

Architecture: \$266,106

Engineering: \$131,004

Developer fees: \$959,110

Marketing/lease-up/fees: \$386,682

Appendix 2.2:

Case Study # 2 - Shaw Village Austin, Texas

Project Type

A vest-pocket cluster of six small cottages providing an affordable housing opportunity for elderly individuals. Five of the six cottages are 440 square feet in size and contain a bedroom, a bathroom, a living room, and a kitchen with a dining area. The sixth cottage, a 550-square-foot two-bedroom unit, houses an on-site resident manager.

SPECIAL FEATURES

- Elderly housing
- Low-income affordable
- Infill development site
- Contextual design

OWNER/SPONSOR

Blackland Community Development Corporation

DEVELOPER/NEIGHBORHOOD ORGANIZER

Henneberger, Paup & Associates

GENERAL DESCRIPTION

Robert Shaw ECHO Village is a cluster of six white frame cottages with green roofs, located on an infill site in the Blackland neighborhood of Austin, Texas. Five of the cottages are 440-square-foot, one-bedroom units for elderly individuals; the sixth cottage is a 550-square-foot, two bedroom unit for a resident manager. The vest-pocket arrangement offers tenants the privacy, dignity, and independence of living in their own separate homes and the friendliness and security of being in close proximity to watchful neighbors.

The project was designed and built for the Blackland Community Development Corporation (BCDC), which has undertaken a number of projects in the neighborhood including affordable single-family rental housing and transitional housing for the homeless. Funding for Shaw Village was provided completely by a Community Development Block Grant (CDBG) from the U.S. Department of Housing and Urban Development.

The design is based on the Elder Cottage Housing Opportunity (ECHO) model, originally introduced in Australia as the "granny flat"—a small temporary cottage for an elderly relative that is installed in the back or side yard of an existing single family home. The ECHO model provides decent, affordable housing in settings that are familiar and amenable, enabling elderly residents to maintain a level of independence and privacy. The model also has been adapted to provide housing for people with physical disabilities.

Issues generally associated with the development of ECHO housing include unit and lot size, siting, design for removability, parking, access, and compatibility with surrounding uses. Because it is a hybrid of traditional single- and multifamily housing arrangements, ECHO housing often requires a variance from local zoning ordinances; also, some municipalities have enacted special age and relationship requirements for ECHO housing residents.

THE SITE

Shaw Village is sited on an 18,850-square-foot lot, leased from the city, that occupies the northwest quarter of a city block. A neighborhood center on the southwest quarter of the block offers various social services, including senior meals and activities programs. The University of Texas owns vacant lots on the eastern half of the block; BCDC, in conjunction with the university, recently relocated seven small bungalows to these lots to provide transitional housing for the homeless. The surrounding area is composed primarily of small established single-family houses.

The project is in the heart of the 38-block Blackland neighborhood, which takes its name from the rich black soil that drew Swedish immigrants to the area around the turn of the century to raise cotton. The neighborhood is in East Austin, several blocks east of the campus of the University of Texas and downtown Austin. The area was subdivided for residential development during the 1920s and 1930s. Many families originally came to Blackland from freedman's enclaves in West Austin to be near schools and other public services when city segregation policies closed those outside East Austin to minorities in 1928.

In the late 1960s, the neighborhood was the site of the first urban renewal project in Austin. Six blocks were cleared for construction of the University of Texas baseball stadium and a publications center. A land use plan released by the university at the same time indicated that the university intended to encroach further on the neighborhood by eminent domain. The land use plan and actual bulldozing of property left residents feeling powerless to retain their homes.

Continued university property acquisition in the Blackland neighborhood became a campaign issue during the 1982 city council election. As a result, the council awarded Community Development Block Grant monies to the neighborhood to replace housing lost through university acquisitions.

APPROVALS AND CONSTRUCTION

Original single-family zoning would have permitted two duplex structures, containing a total of four units, on the site. A waiver of a five-acre minimum acreage requirement allowed the project to be reviewed as a Planned Unit Development. As a PUD, the innovative site plan and increased number of units were approved. Planners obtained a variance to reduce the two-vehicles-per-unit parking ratio.

Obtaining the necessary approvals from the city took eight months. With intervention by an interested city council member, city staff were assigned to guide the project through the approvals process. Approvals were obtained in October 1986, construction began the following month, and the project was completed eight months later. BCDC's simultaneous undertaking of the design and construction of a two-family dwelling a block away resulted in economies of scale.

MANAGEMENT

Shaw Village and seven other units in the neighborhood are managed by a young neighborhood resident who lives rent-free in the two-bedroom cottage as compensation for services. It was important to board members for the manager to come from the local area so he or she would understand the needs and perspectives of the tenants. In addition to maintaining the properties, the manager assists tenants with transportation and other cooperative services.

The initial selection of residents was on a first-come, first-served basis. Residents had to be over the age of 60 and low income, have a good landlord reference and a positive history of rent payment and home maintenance, be self-sufficient, and pass a credit check. All residents have roots in the community; many have extended families in the neighborhood.

Shaw Village operates on a break-even basis. The monthly rent for each of the five one-bedroom cottages is currently \$100, excluding utilities, which average about \$35 per month.

EXPERIENCE GAINED

- Residents quickly formed a community within the neighborhood. They look after one another, take meals to other residents who are not feeling well, share from their gardens, and meet around the gazebo to play games. On a semi-regular basis, residents from around the neighborhood gather in the village courtyard for neighborhood meetings and potluck dinners.
- A radiant heating system that was to be installed in the ceiling did not meet the current building code although it had been recommended for the next code update. A less energy-efficient single package system, similar to heating/ air conditioning units used in motel rooms, was substituted.
- Tankless hot water heaters, common throughout Europe, were installed in each unit because they were energy- and space efficient. They have been replaced by conventional hot water heaters because the pilot mechanisms proved to be sensitive to the high limestone content of local water and numerous service calls were necessary to keep the units operating.

PROJECT DATA

LAND USE INFORMATION

Site Area: 18,850 square feet
Total Dwelling Units: 6
Gross Density: 13.9 units per acre
Gross Building Area: 2,750 square feet
Total Parking Spaces Provided On-Site: 6
Parking Index: 1 space per unit

RESIDENTIAL UNIT INFORMATION

<i>Unit Type</i>	<i>Size(Square Feet)</i>	<i>Number Built</i>	<i>Monthly Rent</i>
One Bedroom	440	5	\$100
Two Bedroom	550	1	\$250

1990 ESTIMATED ANNUAL OPERATING EXPENSES¹

Insurance	\$120
Services/Maintenance/Janitorial	600
Common Electricity	430

Water	1,130 ²
Management	1,800 ³
Total	\$4,080

DEVELOPMENT COST INFORMATION

*Land Value:*⁴ \$25,000

Site Improvement Costs:

Excavation/Underground Electric	\$9,000
Landscaping	3,466
Fees/General Conditions	1,306
Total	\$13,772

Construction Costs:

Superstructure ⁵	\$108,294
Heating, Ventilation, and Air Conditioning	2,100
Fees/General Conditions	2,724
Finishes/Window Blinds	3,582
Total	\$116,700

Soft Costs:

Architecture/Engineering	\$8,400
Project Management/Leasing/Marketing	27,816
Legal/Accounting	600
Total	\$36,816

Total Development Cost: \$167,288

Construction Cost per Gross Square Foot: \$42.44

Notes:

¹Project is exempt from property taxes; legal assistance is provided by Legal Aid.

²Gas and electricity for rental units are individually metered and are billed directly to tenants.

³Two-bedroom unit is provided to manager as compensation for the management of 12 units in neighborhood; \$1,800 is portion of rent allocated for management of project.

⁴The site is owned by the city and leased to BCDC for 60 years.

⁵Turn-key; includes electrical, plumbing, and parking.

DEVELOPMENT SCHEDULE

Planning Started: November 1985

Approvals Obtained: October 1986

Site Leased from City: November 1986

Construction Started: November 1986

Construction Completed: July 1987

Appendix 2.3:

Case Study #3 - Sunshine Villa

Santa Cruz, CA

Project Types

A 106-room, assisted-living facility situated in the historic Beach Hill neighborhood of Santa Cruz. The project houses up to 163 elderly residents with an average age of 84 years. Services include all meals and minimum levels of assistance with bathing, dressing, medication reminders, and other daily chores. The project provides an alternative to high-care nursing homes.

SPECIAL FEATURES

- Assisted-living housing for the elderly
- Historic building renovation combined with new construction
- Infill location

CODEVELOPERS/OWNERS

Morrison Homes

GENERAL DESCRIPTION

On a hillside overlooking the Pacific Ocean in the coastal town of Santa Cruz is Sunshine Villa, a 106-room, assisted-living facility designed and built to serve senior citizens. At full occupancy, the project will house up to 163 residents who will be provided, as needed, with assistance in carrying out their daily routines. Services provided at Sunshine Villa fall somewhere between those of a congregate-care facility (where no or few services are offered) and those of a traditional nursing home.

The project was developed by a joint venture initiated by Sunshine Villa Associates and eventually headed by Morrison Homes of Pleasant Hill, California. Sunshine Villa is Morrison Homes' first venture into the housing market for the elderly and has proven successful, though a learning experience. The mainstay of Morrison Homes' business consists of single-family, for-sale housing in the San Francisco Bay area, Sacramento, and the San Joaquin Valley of northern California.

Sunshine Villa is managed for the joint venture by Retirement Community Specialists, a provider of living services for seniors based in Scottsdale, Arizona.

SITE/HISTORY

Beach Hill, the project's neighborhood, was once one of Santa Cruz's most fashionable addresses. The large Victorian houses that dotted the hillside provided summer retreats for the wealthy, such as President Theodore Roosevelt, well into the 20th century. Sunshine Villa is built on a portion of the one-block estate of food merchant James P. Smith and incorporates the restored main house, originally constructed in 1863. The contemporary project takes its name from the Smith family's tag for their summer home.

Over the years, Sunshine Villa declined from an estate to a private residence to a hotel and, finally, to a derelict structure used frequently by drug abusers. All but 1.27 acres of the original estate had been sold off for new single-family houses, apartments, and motels. The city of Santa Cruz, however, insisted that the original structure be preserved, consistent with its policy toward the other Victorian houses on Beach Hill.

Because a viable economic use for the small, irregularly shaped site could not be found under the historic preservation requirements, the building and land remained vacant and for sale for more than ten years. In 1987, Sunshine Villa Associates began planning studies to test the financial and design feasibility of developing the site for housing for the elderly. The solution involved relocating the original house, removing a rear portion of the building, and infilling much of the remaining parcel with three to four stories of new construction.

OPERATIONS AND SERVICES

The average age of residents is 84, with women accounting for 80 percent of the resident population. Virtually all residents are single, although three married couples currently live in the facility. Residents are offered a range of accommodations depending on their ages and lifestyles: single- and double-occupancy studios, companion suites (two studios sharing a bath), or one-bedroom and two-bedroom units. Room sizes vary from about 300 to 600 square feet.

Some level of care and assistance is provided to about 75 percent of the residents; about 25 percent experience some level of dementia, as in the early stages of Alzheimer's disease. Services provided at Sunshine Villa, which include reminders to take prescription medications and assistance with bathing and dressing, are carried out mostly by four personal-care assistants on staff daily. A registered nurse is also in daily attendance. Light housekeeping services and three meals per day are provided, as in-room cooking is not allowed.

The total staff is composed of 70 employees (about 55 full-time equivalents). Besides assistance providers and administrative staff, employees include an activities director, housekeepers, and food preparation and service staff. Amenities and events offered to residents include scheduled shopping trips, transportation to medical appointments, exercise classes, arts and crafts, and bingo parties.

As a condition of project approval, Sunshine Villa was required to commit to reserving 15 percent of its capacity for residents whose income is limited to social security insurance (SSI) benefits. The current maximum payment these residents can make is \$670 per month. To help offset the payment differential, the management tries to select SSI recipients who need only very limited living assistance.

MARKETING

Early market studies indicated that Santa Cruz had a strong existing demand—and a growing potential—for housing for the elderly. Demographics show there are 15,000 heads of households aged 75 or older in the market area; many of these people are reaching an age at which they can no longer care for their houses or apartments, yet most do not need or desire the high level of care and services provided by traditional nursing homes. Sunshine Villa was conceived as an alternative, interim housing option for elderly citizens who are able and willing to maintain some level of independence.

Sunshine Villa opened for occupancy in February 1991. Within two months, occupancy levels reached 30 percent; within 24 months, they grew to 75 percent. The developer estimates that the project breaks even at about 70 percent occupancy. During the first full year of stabilized rent (96 percent occupancy), the project is expected to generate about \$1.2 million in net operating income.

Turnover rates have remained fairly high—about 35 percent per year. High rates have been due in small part to deaths but, more significantly, to residents' moving home after recovering from an injury or illness, or to residents' requiring a higher level of care than is now being offered. To reduce turnover rates and increase occupancy levels, the project owners are planning to raise the level of care now being offered. This move would require additional medical services on site but would open the project to a larger sector of the elderly, including those who are physically unable to care for themselves or who are reaching the advanced stages of dementia seen in Alzheimer's disease.

During the first two years of operation, referrals have proven the most effective form of marketing. The executive director of the facility maintains a grass-roots marketing program that reaches out to community groups, such as Rotary clubs, church groups, specialized clubs, and the local chapter of the AARP. Events are also sponsored at Sunshine Villa to introduce elderly citizens of Santa Cruz to the project, even though they may not be considering a move to such a facility for some years.

EXPERIENCE GAINED

- Unlike conventional residential products, for which demand is driven by consumer choices, assisted-living projects are need-driven. Most persons in the potential market are reluctant to admit their need for help with daily living and will delay their decision to move in for as long as possible. Thus, it is difficult to measure the real demand for assisted-living facilities by using conventional market studies.
- Based on surveys taken at Sunshine Villa, residents care far more about security and personal relationships than they do about the appearance of the physical plant. Developers should be careful not to overdesign their facilities or spend money on frills that residents do not value highly.
- Residential developers entering the assisted-living market should recall that a project of this nature is much more an operating business than it is a conventional housing venture.
- Building design must provide for flexibility of use because the housing market for senior citizens is constantly evolving. Developers should avoid sites on which deed restrictions or special use permits too narrowly limit the use of the facility or the level of care to be provided.

PROJECT DATA

LAND USE INFORMATION

Site Area: 1.27 acres
Total Dwelling Units Planned and Completed: 106
Total Building Square Footage: 73,957¹
Building Site Coverage: 37.8 percent
Gross Density: 83.5 units per acre
Number of Persons Housed: 163
Persons Housed per Acre: 128.4
Off-Street Parking Spaces: 34

RESIDENTIAL UNIT INFORMATION

<i>Unit Type</i>	<i>Average Square Feet</i>	<i>Number of Units</i>	<i>Typical Monthly Rent²</i>
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A Studio	296	42	\$1,900
AA Studio	568	5	\$2,000 ³
B Companion Suite	578	14	\$2,600-\$2,900 ⁴
C One-Bedroom with Living Room	493	13	\$2,800
D Studio	311	11	\$1,900
E One-Bedroom	486	6	\$2,800
F Studio	350	4	\$1,900
G Two-Bedroom	427	3	\$2,800
H Studio (historic)	242	8	\$1,000-\$1,900

DEVELOPMENT COST INFORMATION

Site Acquisition Cost \$1,238,454

Site Improvement Costs

Superstructure (new construction)	\$4,296,944
Renovation costs	432,977
General conditions	407,480
Off-site improvements	55,925
On-site improvements	347,462
Furniture, fixtures, and equipment	357,000 ⁵
Contractor fees/insurance	246,925
Total	\$6,144,713

Soft Costs

Architecture/engineering	\$189,560
Pre-marketing	150,618
Operational start-up costs	828,548 ⁶
Total	\$1,168,726

Total Development Cost: \$8,551,893

Total Development Cost per Unit: \$80,678

Total Development Cost per Gross Square Foot: \$115

**ANNUAL OPERATING EXPENSES
(Stabilized at 96% Occupancy)**

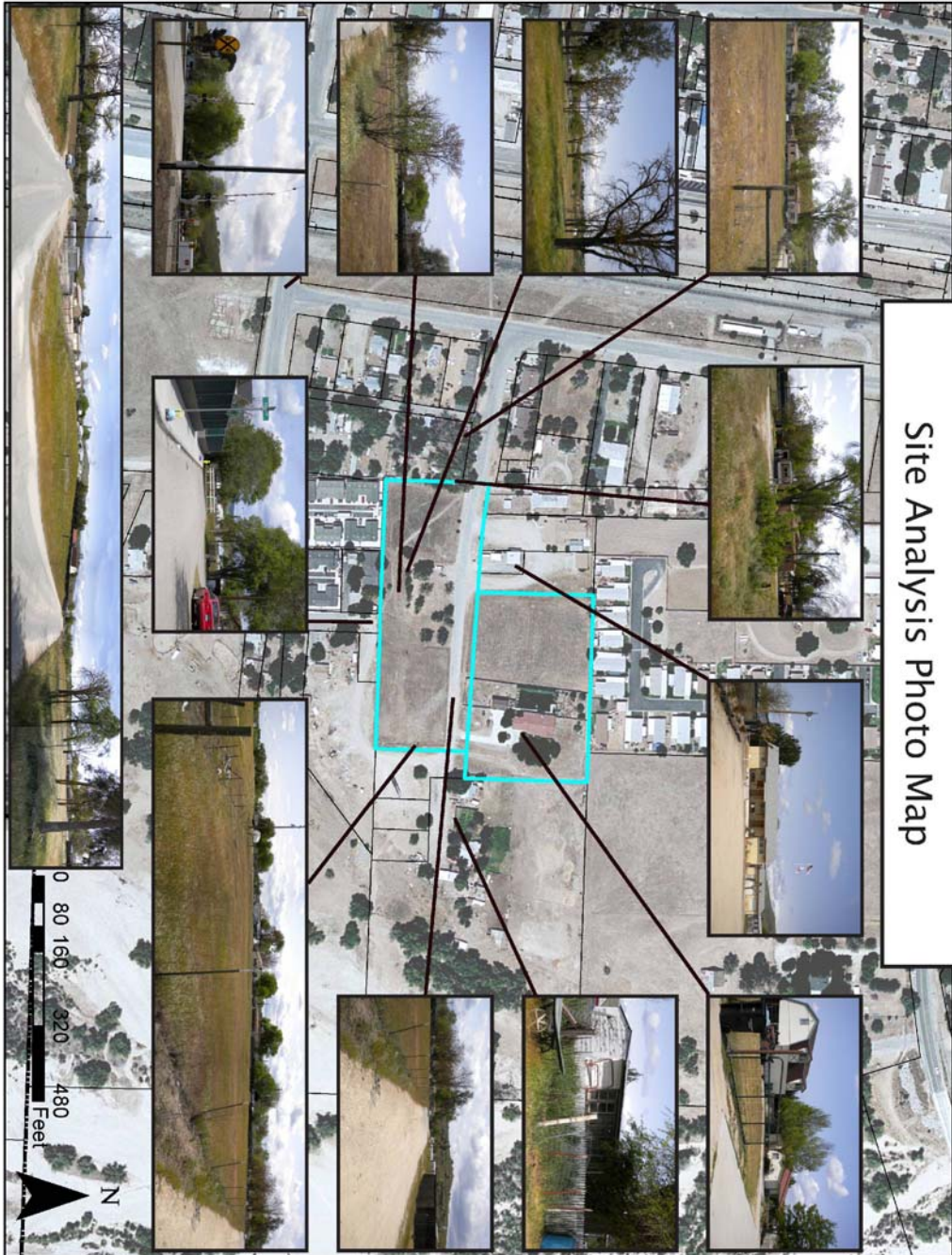
Taxes	\$ 70,776
Insurance	51,204
Management fees	173,828
Personal-related costs	340,357

Utilities	113,220
Marketing	63,060
General and administrative costs	169,800
Health services	424,200
Dietary services	456,258
Housekeeping	64,500
Activities	36,000
Transportation	21,600
Maintenance	<u>61,260</u>
Total	\$2,046,063

*Estimated Annual Net Operating Income (NOI)
at Stabilized Occupancy (96 percent): \$1,190,496*

Appendix - 3

Appendix 3.1:



Appendix 3.2:

Table 5-3: Land Use and Acceptable Noise Levels						
LAND USE	EXTERIOR NOISE EXPOSURE					
	LDN or CNEL, dB					
	55	60	65	70	75	80
Residential (except temp. dwellings & Res acc. uses), Pub Assembly & Entertainment (except meeting halls)	ACCEPTABLE		CONDITIONALLY ACCEPTABLE		UNACCEPTABLE	

ACCEPTABLE

CONDITIONALLY ACCEPTABLE

UNACCEPTABLE

Source: County of San Luis Obispo General Plan

Appendix - 4

Appendix 4.1:

Table 4.3: Program Implementation Summary Chart

Program	Program Type	Responsible Department or Agency	Priority*	Timeframe to Start	Possible Funding
HE 1.A	Designate more land	PB	High	2009	Dept Budget
HE 1.B	Continue incentives	PB, PW	High	Ongoing /2010	Budgets of affected Depts
HE 1.C	Reduce & defer fees	PB	Med	Ongoing	Dept Budget
HE 1.D	Secondary dwellings	PB	Med	2011	Dept Budget
HE 1.E	Farm support	PB, CG	Med	2012	Dept Budget
HE 1.F	Density Bonus	PB	High	2010	Dept Budget
HE 1.G	Revise development standards	PB, PW	High	2010	Dept Budget or CDBG
HE 1.H	Direct financial assistance	PB	High	Ongoing	HOME or CDBG Grants
HE 1.I	Housing Trust Fund	HTF	Med	Ongoing	TOT, Inclusionary Fees, state/fed. funds
HE 1.J	Mixed use incentives	PB	Low	2013	Dept Budget
HE 1.K	Attached housing	PB	Med	2012	Dept Budget
HE 1.L	Minimum densities	PB	Med	2011	Dept Budget
HE 1.M	Education	PB, CG	High	Ongoing	Dept Budget
HE 1.N	Efficient use of residential land	PB	Med	2011	Dept Budget
HE 1.O	Los Osos Sewer	PW	High	Ongoing (End 2012)	Los Osos Residents
HE 1.P	Inclusionary	PB	High	Ongoing	Dept Budget
HE 1.Q	Fair Housing	PB	High	Ongoing	Dept Budget
HE 1.R	Reasonable Accom.	PB	High	2010	Dept Budget
HE 1.S	Senior Communities	PB	Med	2012	Dept Budget
HE 2.A	Rehabilitate units	PB, NP	Med	Ongoing	HOME and CDBG grants
HE 2.B	MH Land Use Cat.	PB	High	2009	Dept Budget
HE 2.C	MH Closure Implem	PB	High	Ongoing	Dept Budget
HE 2.D	Condo Conv Implem	PB	High	Ongoing	Dept Budget
HE 3.A	Homeless shelter & housing	PB	High	2009	Dept Budget
HE 3.B	Group homes	PB	High	2009	Dept Budget
HE 3.C	Eviction/foreclosure	PB	High	2010	Dept Budget

Note: PB = Planning and Building, PW = Public Works, NP = Non-Profits, CG = Community Groups
 * Priority: High- Start 2009-2010; Medium- Start 2011-2012; Low- Start 2013-2014

Appendix 4.2:

B. Multi-family dwellings. The number of multiple family dwellings allowed on a single lot or adjoining lots is based upon the "intensity factor" of the site. The intensity factor will be either low, medium or high, based upon the type of street serving the site, the sewer service provided, and the distance of the site from the central business district. The intensity factor determines the maximum number of units allowed, the maximum floor area for all units in the project and minimum areas for landscaping and pedestrian use. A multi-family project must satisfy the floor area and open area standards of this Section, as well as all applicable requirements for parking, setbacks and height. (Multi-Family dwellings in the Recreation Category are subject to Section 22.30.500 (Residential Uses in the Recreation Land Use Category).)

- 1. Determining intensity factor.** The intensity factor is the lowest obtained from any of the following criteria:

Criteria		Intensity Factor		
		Low	Medium	High
Type of road access	Unpaved road	✓		
	Paved local street		✓	
	Paved collector or arterial (1)			✓
Sewer service	On-site septic	✓		
	Community sewer			✓
Distance from CBD(2)	More than 1 mile	✓		
	1 mile or less		✓	
	Less than 1,000 ft			✓

Notes:

- (1) Site access may be from a cross street where the site abuts a collector or arterial.
- (2) Straight-line distance from central business district (CBD).

Appendix 4.3:

2. **Determining allowable density.** The allowable density, maximum floor area and minimum open area for a multiple-family project shall be shown in the following table (all area figures are expressed as percentages of the total usable site area). A minimum of 6,000 square feet of site area is required to establish more than one dwelling unit, in compliance with Section 22.10.110.C (Minimum Site Area - Multi-Family Dwellings):

Intensity Factor	Maximum number of units per acre	Maximum floor area (1)	Minimum open area (2)
Low	15	35%	55%
Medium	26	48%	45%
High	38	65%	40%

Notes:

- (1) The gross floor area of all residential structures, including upper stories, but not garages and carports.
- (2) Includes required setbacks, and all areas of the site except buildings and parking spaces.


[Amended 1981, Ord. 2063; 1982, Ord. 2091; 1985, Ord. 2211, 2217; 1992, Ord. 2553; 1999, Ord. 2880] [22.04.080, 082, 084]

Appendix - 5

There are no appendix references in this chapter.

Appendix - 6

Appendix 6.1:



COUNTY OF SAN LUIS OBISPO
INITIAL STUDY SUMMARY - ENVIRONMENTAL CHECKLIST
(ver 2.1) Initial Form

Field Code Changed

Project Title & No. Second Press Partners Tract Map and Conditional Use Permit
SUB2005-00054 ED 05-426

ENVIRONMENTAL FACTORS POTENTIALLY AFFECTED: The proposed project could have a "Potentially Significant Impact" for at least one of the environmental factors checked below. Please refer to the attached pages for discussion on mitigation measures or project revisions to either reduce these impacts to less than significant levels or require further study.

<input checked="" type="checkbox"/> Aesthetics	<input checked="" type="checkbox"/> Geology and Soils	<input checked="" type="checkbox"/> Recreation
<input type="checkbox"/> Agricultural Resources	<input checked="" type="checkbox"/> Hazards/Hazardous Materials	<input checked="" type="checkbox"/> Transportation/Circulation
<input checked="" type="checkbox"/> Air Quality	<input type="checkbox"/> Noise	<input type="checkbox"/> Wastewater
<input checked="" type="checkbox"/> Biological Resources	<input type="checkbox"/> Population/Housing	<input checked="" type="checkbox"/> Water
<input checked="" type="checkbox"/> Cultural Resources	<input checked="" type="checkbox"/> Public Services/Utilities	<input type="checkbox"/> Land Use

DETERMINATION: (To be completed by the Lead Agency)

On the basis of this initial evaluation, the Environmental Coordinator finds that:

- The proposed project COULD NOT have a significant effect on the environment, and a NEGATIVE DECLARATION will be prepared.
- Although the proposed project could have a significant effect on the environment, there will not be a significant effect in this case because revisions in the project have been made by or agreed to by the project proponent. A MITIGATED NEGATIVE DECLARATION will be prepared.
- The proposed project MAY have a significant effect on the environment, and an ENVIRONMENTAL IMPACT REPORT is required.
- The proposed project MAY have a "potentially significant impact" or "potentially significant unless mitigated" impact on the environment, but at least one effect 1) has been adequately analyzed in an earlier document pursuant to applicable legal standards, and 2) has been addressed by mitigation measures based on the earlier analysis as described on attached sheets. An ENVIRONMENTAL IMPACT REPORT is required, but it must analyze only the effects that remain to be addressed.
- Although the proposed project could have a significant effect on the environment, because all potentially significant effects (a) have been analyzed adequately in an earlier EIR or NEGATIVE DECLARATION pursuant to applicable standards, and (b) have been avoided or mitigated pursuant to that earlier EIR or NEGATIVE DECLARATION, including revisions or mitigation measures that are imposed upon the proposed project, nothing further is required.

Prepared by (Print)	Signature	Date
	Ellen Carroll, Environmental Coordinator	
Reviewed by (Print)	Signature (for)	Date

County of San Luis Obispo, Initial Study for Second Press Partners Tract Map and CUP Page 1

Appendix - 7

There are no appendix references in this chapter.

Appendix - 8

Appendix 8.1:

San Miguel Senior Housing Facility

Assisted Living Construction Costs	
Total Sq Ft	22810
City Cost Index	1.018
\$ / Sq Ft	135
Construction Cost	\$ 3,134,778
Independent Housing Construction Costs	
Total Detached Units Sq Ft	17580
Total Townhome Units Sq Ft	17680
Total Sq Ft	35260
City Cost Index	1.018
\$ / Sq Ft	\$114
Construction Cost	\$ 4,091,994
Other Construction Costs	
Parking Lot	
Total Sq Ft	41927
\$ / Sq Ft	\$3
Construction Cost	\$125,781
Sidewalk + Landscaping	
Total Sq Ft	10,339
\$ / Sq Ft	\$7
Construction Cost	\$72,373
Contractor Profit	5%
Total Construction Estimate	\$7,796,172

Total Development Costs	
Hard Costs	\$7,798,172
CDBG	-\$100,000
Fees	\$200,000
County Fast track	-\$100,000
Design	\$545,732
Land	\$825,000
HOME GRANT	-\$825,000
Total (TDC)	\$8,141,904

Independent Living	
Detached Units	15
Rent per Month First Year	\$1,025
Vacancy	5%
Operating Expenses per Unit per Year	\$4,305.0
Townhome Units	18
Townhome Unit Rent per Unit	\$825
Vacancy	5%
Operating Expenses per Unit per Year	\$3,465.0
Assisted Living	
Number of Units	30
Rent per Month First Year	\$2,000
Vacancy	5%
Operating Expenses per Unit per Year	\$15,600

Total Development Costs	\$8,141,904
Loan to Value Ratio	65%
Interest APR/CP	6.00%
Term in Years	30

Appreciation of Rents	4%
Appreciation of Operating Expenses	5%
Appreciation of Property Value	4%
Selling Costs as a Percents	6%

Tax Info	
Income Tax Rate of the Owner:	28%
Capital Gains Tax Rate of the Owner:	20%
Recapture Rate on Cumulative	25%
Depreciation:	

TAX CALCULATIONS OF OPERATIONS:

DEDUCTIONS AVAILABLE										
Operating Expenses	\$688,015	\$817,416	\$648,287	\$680,701	\$714,738	\$750,473	\$787,996	\$827,398	\$868,768	\$912,204
Interest Payments	\$315,786	\$311,768	\$307,802	\$302,994	\$298,187	\$293,095	\$287,888	\$281,948	\$275,854	\$269,394
Depreciation Expenses	\$273,342	\$273,342	\$273,342	\$273,342	\$273,342	\$273,342	\$273,342	\$273,342	\$273,342	\$273,342
EFFECTIVE GROSS INCOME	\$1,008,765	\$1,050,145	\$1,082,151	\$1,135,837	\$1,181,271	\$1,228,521	\$1,277,892	\$1,328,789	\$1,381,919	\$1,437,199
Deduction Claims										
Operating Expenses	\$588,015	\$817,416	\$648,287	\$680,701	\$714,738	\$750,473	\$787,996	\$827,398	\$868,768	\$912,204
Income Remaining	\$421,740	\$432,729	\$443,864	\$455,136	\$466,535	\$478,048	\$489,896	\$501,573	\$513,153	\$524,992
Current Interest Claim										
Surplus Current Interest	\$316,788	\$311,758	\$307,502	\$302,994	\$298,187	\$293,095	\$287,898	\$281,948	\$276,854	\$269,394
Income Remaining	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Bank Interest BOY										
Draw of Banked Interest	\$106,974	\$120,971	\$136,362	\$152,152	\$168,347	\$184,954	\$201,978	\$219,425	\$237,300	\$256,608
Income Remaining	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Balance Banked Int BOY										
Income Remaining	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Current Deprec. Claim										
Surplus Current Deprec.	\$106,974	\$120,971	\$136,362	\$152,152	\$168,347	\$184,954	\$201,978	\$219,425	\$237,300	\$256,608
Income Remaining	\$187,388	\$152,370	\$136,980	\$121,190	\$104,995	\$88,388	\$71,394	\$53,817	\$38,042	\$17,734
Banked Deprec. BOY										
Draw Banked Deprec.	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Income Remaining	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Balance Banked Deprec. EO										
Income Remaining	\$187,388	\$319,739	\$458,719	\$577,909	\$682,904	\$771,292	\$842,658	\$898,573	\$932,615	\$960,349
Tax on Remaining Income	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
AFTER TAX CASHFLOW:										
AFTER TAX RETURN ON EQUITY:	-\$2,849,898	\$40,984	\$51,874	\$63,108	\$74,391	\$86,779	\$97,293	\$108,910	\$120,817	\$132,398
	1.44%	1.82%	2.21%	2.81%	3.01%	3.41%	3.82%	4.23%	4.65%	5.05%

Appendix 8.3:

Capital Gain													\$3,188,983
Tax on Capital Gain													\$837,397
Cumulative Depreciation													\$1,783,071
Recapture of Cumulative Depr.													\$445,768
After Tax Cashflow on Reversion													\$5,816,875
Total After Tax Cash Flow													\$6,961,111
After Tax Internal Rate of Return													9.59%

Appendix 8.4:

Capital Gain										\$3,588,188
Tax on Capital Gain										\$717,640
Cumulative Depreciation										\$1,412,424
Recapture of Cumul. Depr.										\$363,108
After Tax Cashflow on Reversion										\$6,097,963
Total After Tax Cash Flow										\$6,794,255
After Tax Internal Rate of Return										8.45%

Appendix 8.5:

Capital Gain												\$3,588,198
Tax on Capital Gain												\$717,640
Cumulative Depreciation												\$2,826,258
Recapture of Cumulative Depr.												\$958,314
After Tax Cashflow on Reversion												\$6,394,744
Total After Tax Cash Flow												\$6,813,533
After Tax Internal Rate of Return												10.83%

Senior Housing Due Diligence Report

Staff Time (hours)

Martinez	Hanebutt
----------	----------

billing rates > 65 65

Responsibilities	Hours	Cost		
Task 1: Client Meetings				
Weekly Client Update Meetings	6.63	430.95	3.3	3.3
Task 1: Research				
Published Research	30	\$1,950	15	15
Case Studies	12	\$780	0	12
Task 2: Site Analysis				
Site Visit	8	\$520	4	4
Documentation	8	\$520	6	2
Site Analysis	10	\$650	10	0
Task 3: Areas of Analysis				
Market Analysis	25	\$1,625	25	
Land Use Analysis	10	\$650	10	
Political Analysis	20	\$1,300		20
Environmental Analysis	25	\$1,625		25
Financial Analysis	20	\$1,300	20	
Task 4: Progress Presentation				
Preparation	8	\$520	4	4
Presentation	1	\$65	0.5	0.5
Task 5: Report				
Compile Areas of Analysis	4	\$260	4	
Present Findings	10	\$650	5	5
Edit Report	16	\$1,040		16
Task 6: Final Presentation				
Preparation	10	\$650	5	5
Presentation	2	\$98	0.8	0.8
Total hours & Labor	225.13	\$14,633	113	113

San Miguel Senior Housing Report Schedule	<i>Week 1</i>	<i>Week 2</i>	<i>Week 3</i>	<i>Week 4</i>	<i>Week 5</i>	<i>Week 6</i>	<i>Week 7</i>	<i>Week 8</i>	<i>Week 9</i>	<i>Week 10</i>
Task 1: Client Meeting										
• Weekly Client Update Meetings										
Task 2: Research										
• Published Research										
• Case Studies										
Task 3: Site Analysis										
• Site Visit										
• Documentation										
• Site Analysis										
Task 4: Areas of Analysis										
• Market Analysis										
• Land Use Analysis										
• Political Analysis										
• Environmental Analysis										
• Financial Analysis										
Task 5: Progress Presentation										
• Preparation										
• Presentation										
Task 6: Report										
• Compile Areas of Analysis										
• Present Findings										
• Edit Report										
Task 7: Final Presentation										
• Preparation										
• Presentation										

Weekly Meeting Minutes / Notes
Week 3: April 13, 2011
Project: San Miguel Senior Housing Due Diligence Report
Client: John Knight
Consultants: Anastacio Martinez and Mike Hanebutt

The Consultants presented the progress made on the Project to the Client at the Week 3 Meeting. According to schedule and budget, the Consultants presented research data and preliminary site analysis information. The Consultants presented material published by the Urban Land Institute which will help aid project research, a preliminary outline of the final report, and preliminary data from the site analysis. The Consultants established that Urban Land Institute's, *Analyzing Senior Housing Markets*, will help guide the project and ensure adequacy of the final product. Three case studies, published by the Urban Land Institute, were presented to the Client that related to the Project and will be used for research. The Client made minor adjustments to the preliminary outline which will be further discussed in detail. The Client's only remarks to the preliminary site analysis were to make sure the final product is formatted correctly. The Consultants displayed that they were on schedule and budget with the timeframe and expenses disclosed in the Scope.

During Week 3 Meeting, the Client helped establish what he wanted to see in the political analysis of the final product. Per Client, the political analysis should incorporate three sections within the chapter; community support, political process, and political support. The community support section should include opinions of the community for the specific project and location. The political process section should include what obstacles the project must go through in order to be constructed. The political support section should include opinions made by key political figures pertaining to the project.

During Week 3 Meeting, the Client made comments on what the final product should include and how the final product should be structured. The Client suggested that the Consultants should start making appendices to be used in the final product. These appendices include County APN information, case studies and interviews. The Client also suggested getting in touch with the managers of the Manse on Marsh Senior Housing Facility. The Consultants established that the Team was in the process of contacting Don Lapidus, a due diligence consultant, and Lisa Wise, an economic consultant.

Per Week 3 Meeting, the Client asked that the Consultants prepare a detailed project description for Week 4 Meeting.

Weekly Meeting Minutes / Notes
Week 4: April 20, 2011
Project: San Miguel Senior Housing Due Diligence Report
Client: John Knight
Consultants: Anastacio Martinez and Mike Hanebutt

The Consultants presented the progress made on the project to the Client at the Week 4 Meeting. According to schedule and budget the Consultants presented research data relating to site-specific information. The Consultants presented material such as current land use and APN numbers for the two parcels in question for the project. The Consultants also showed the Client the changes to exclude the smaller parcels on the west side of the San Miguel Senior Center, and Client agreed. The Consultants also showed the preliminary version of what the political analysis chapter will look like and the contents within. The Client also suggested further talks with the county on what is appropriate for San Miguel

During Week 4 Meeting, the Client also suggested the continued effort to make contact with some of the various senior living facilities in San Luis Obispo County. Some specific examples included the Manse on Marsh and Garden Creek in San Luis Obispo, and Windom and Oak Park in Arroyo Grande. These were presented as great opportunities by the Client to visit some quality projects close to the Consultants. The Client suggested a drop-in tour to help speed the process of hearing from the facilities. The consultants had made email contact to the Manse on Marsh facility, but no response had been heard by the time of the week 4 meeting.

The final item discussed was the possible addition of a conceptual site plan. The Consultants had previously discussed this option and were open to the idea if time allowed. The Client made it clear that the report would definitely benefit from this addition and that it would help work the numbers for the proposed project.

Per Week 4 Meeting, the Client asked that the Consultants to continue with work according to schedule and show those results for Week 5 Meeting.

Weekly Meeting Minutes

Week 5: April 27, 2011

Project: San Miguel Senior Housing Due Diligence Report

Client: John Knight

Consultants: Anastacio Martinez and Mike Hanebutt

The Consultants held a phone meeting with the Client at 6:00PM on April 27, 2011. The meeting opened with a brief overview of the meeting agenda. The Consultants and Client discussed the following:

Formatting the Weekly Minutes:

- Client noted that Meeting Minutes were narrative
- Client suggested Minutes should be in bullet point format. Bullet point format is easier to read and easier to write
- Next week deliverables should be listed at the end of the Minutes
- Client will send out example format

Progress on Site Analysis:

- Consultant went over what is completed in Site Analysis (75% complete)
- Client gave advice on how to conduct a conceptual diagram.

Progress on Market Analysis:

- Client suggested Consultants need to know units, height, FAR, parking spaces, etc of project
- Client suggested Consultants look at similar size projects to get an idea of numbers listed above
- Consultants reviewed Senior Housing Competitors with Client and reviewed what will be discussed in future interviews with these competitors.

Progress on Political Analysis:

- Client wanted Consultant to email the political analysis (in bullet point format)

Approaching Feasibility Analysis:

- Client discussed what can be included in a feasibility study.
- Client suggested to consultant to figure out how much depth the analysis will get into
- Client suggested to consult with Lisa Wise about depth of pro forma

Approaching Environmental Analysis:

- Client suggested to consultant to figure out how much depth the analysis will get into
- Client suggested to get environmental records from the county office to aid analysis
- Client noted that receiving records may take up to a week to process

Deliverables:

- Site Analysis: 100% Complete
- Political Analysis: 100% Complete
- Political Analysis Bullets

- Start Feasibility and Environmental Analysis

Meeting concluded at 6:20PM

CRP 463 Final Presentation Agenda

6:00 to 6:10 - Intro. & Welcome


6:10 to 6:30 - Sen. Housing Due Dil (Mike & Anastacio)
 6:30 to 6:50 - Historic District Ordinance (Wendy)
 6:50 to 7:10 - Trail System (Travis N. & Brittany)
 7:10 to 7:50 - Hist. Trail Sign Program (Kevin B.)

7:50 to 8:00 - 10 Minute Break

8:00 to 8:20 - Alleyway Project (Jon & Omar)
 8:20 to 8:40 - Historic Trail (Kevin V. & Brynae)
 8:40 to 9:00 - 10th St. On Ramp Feasibility (James & Victoria)
 9:00 to 9:20 - High School Feasibility Study (Joan)
 9:20 to 9:40 - San Miguel Downtown Code (Marcus & Jarred)

9:40 to 10:00 - Instructor Evaluations

10:00 to ... Woodstocks!



SAN MIGUEL SENIOR HOUSING DUE DILIGENCE REPORT

CAL POLY - CRP 463
SPRING 2011

ANASTACIO MARTINEZ
MIKE HANE BUTT

AGENDA

PROJECT INTRODUCTION
 CASE STUDIES
 SITE ANALYSIS
 LAND USE ANALYSIS
 ENVIRONMENTAL ANALYSIS
 POLITICAL ANALYSIS
 MARKET ANALYSIS
 FEASIBILITY ANALYSIS

PROJECT INTRODUCTION

PROJECT INTRODUCTION

CASE STUDIES
 SITE ANALYSIS
 LAND USE ANALYSIS
 ENVIRONMENTAL ANALYSIS
 POLITICAL ANALYSIS
 MARKET ANALYSIS
 FEASIBILITY ANALYSIS

DUE DILIGENCE = SHOULD/N'T THE DEVELOPER BUILD?

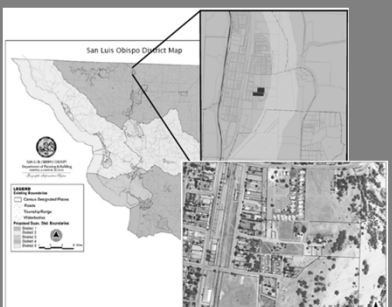
PROJECT CHARACTERISTICS

- SENIOR HOUSING FACILITY
- 30 ASSISTED LIVING BEDS
- 15 DETACHED INDEPENDENT UNITS
- 16 TOWNHOME INDEPENDENT UNITS

PROJECT INTRODUCTION LOCATION

PROJECT INTRODUCTION

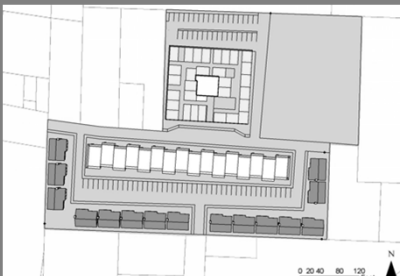
CASE STUDIES
 SITE ANALYSIS
 LAND USE ANALYSIS
 ENVIRONMENTAL ANALYSIS
 POLITICAL ANALYSIS
 MARKET ANALYSIS
 FEASIBILITY ANALYSIS



PROJECT INTRODUCTION CONCEPTUAL SITE PLAN

PROJECT INTRODUCTION

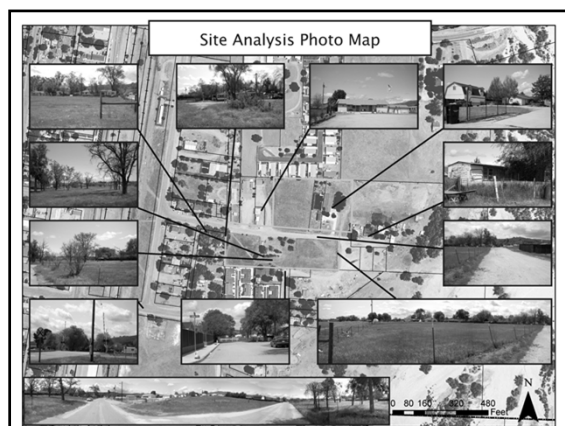
CASE STUDIES
 SITE ANALYSIS
 LAND USE ANALYSIS
 ENVIRONMENTAL ANALYSIS
 POLITICAL ANALYSIS
 MARKET ANALYSIS
 FEASIBILITY ANALYSIS



PROJECT INTRODUCTION	CASE STUDIES
CASE STUDIES	
SITE ANALYSIS	
LAND USE ANALYSIS	
ENVIRONMENTAL ANALYSIS	
POLITICAL ANALYSIS	
MARKET ANALYSIS	
FEASIBILITY ANALYSIS	
<ul style="list-style-type: none"> ▪ CASE STUDY #1 – MOUNTAIN VIEW SENIOR APARTMENTS <ul style="list-style-type: none"> ▪ ONTARIO, CA ▪ INDEPENDENT AFFORDABLE HOUSING ▪ CASE STUDY #2 – SHAW VILLAGE <ul style="list-style-type: none"> ▪ AUSTIN, TEXAS ▪ INDEPENDENT AFFORDABLE INFILL HOUSING ▪ CASE STUDY #3 – SUNSHINE VILLA <ul style="list-style-type: none"> ▪ SANTA CRUZ, CA ▪ ASSISTED HOUSING 	


PROJECT INTRODUCTION	SITE ANALYSIS
CASE STUDIES	
SITE ANALYSIS	
LAND USE ANALYSIS	
ENVIRONMENTAL ANALYSIS	
POLITICAL ANALYSIS	
MARKET ANALYSIS	
FEASIBILITY ANALYSIS	
<ul style="list-style-type: none"> ▪ SURROUNDING DEVELOPMENT ▪ RESIDENTIAL USES <ul style="list-style-type: none"> ▪ 12TH ST. – 4 UNITS GOOD CONDITION; 3 UNITS POOR CONDITION ▪ SURROUNDING MULTI-FAMILY GOOD CONDITON ▪ SENIOR CENTER <ul style="list-style-type: none"> ▪ OPERATING 	


PROJECT INTRODUCTION	SITE ANALYSIS
CASE STUDIES	
SITE ANALYSIS	
LAND USE ANALYSIS	
ENVIRONMENTAL ANALYSIS	
POLITICAL ANALYSIS	
MARKET ANALYSIS	
FEASIBILITY ANALYSIS	
<ul style="list-style-type: none"> ▪ CURRENT CONDITIONS <ul style="list-style-type: none"> ▪ NORTHERN PARCEL <ul style="list-style-type: none"> ▪ 1.25 ACRES DEVELOPED ▪ 1.07 ACRES UNDEVELOPED ▪ SOUTHERN PARCEL <ul style="list-style-type: none"> ▪ 2.705 ACRES UNDEVELOPED ▪ SUBMITTED PERMIT EXPIRES 9/12/2011 	




PROJECT INTRODUCTION	LAND USE ANALYSIS
CASE STUDIES	
SITE ANALYSIS	
LAND USE ANALYSIS	
ENVIRONMENTAL ANALYSIS	
POLITICAL ANALYSIS	
MARKET ANALYSIS	
FEASIBILITY ANALYSIS	
<ul style="list-style-type: none"> ▪ GENERAL PLAN <ul style="list-style-type: none"> ▪ PROGRAM HE 1.B ▪ PROGRAM HE 1.S ▪ CURRENTLY ZONED RMF <ul style="list-style-type: none"> ▪ 22.10.130 HIGH INTENSITY ▪ PROPOSED CAL POLY DRAFT COMMUNITY PLAN <ul style="list-style-type: none"> ▪ PROPOSED RESIDENTIAL DEVELOPMENT 	

PROJECT INTRODUCTION	ENVIRONMENTAL ANALYSIS
CASE STUDIES	
SITE ANALYSIS	
LAND USE ANALYSIS	
ENVIRONMENTAL ANALYSIS	
POLITICAL ANALYSIS	
MARKET ANALYSIS	
FEASIBILITY ANALYSIS	
<ul style="list-style-type: none"> ▪ INFORMATION FROM PREVIOUSLY FINISHED INITIAL STUDY OF SITE ▪ SOME AREAS OF ANALYSIS FOUND TO HAVE IMPACTS ▪ ALL POTENTIAL IMPACTS ARE ABLE TO BE MITIGATED 	

PROJECT INTRODUCTION CASE STUDIES SITE ANALYSIS LAND USE ANALYSIS ENVIRONMENTAL ANALYSIS POLITICAL ANALYSIS MARKET ANALYSIS FEASIBILITY ANALYSIS	<h2>ENVIRONMENTAL ANALYSIS</h2>
	<ul style="list-style-type: none"> ■ NATURAL IMPACTS <ul style="list-style-type: none"> ▪ AIR QUALITY ▪ BIOLOGICAL RESOURCES ▪ GEOLOGY AND SOILS ▪ NATURAL HAZARDS ▪ WATER
	

PROJECT INTRODUCTION CASE STUDIES SITE ANALYSIS LAND USE ANALYSIS ENVIRONMENTAL ANALYSIS POLITICAL ANALYSIS MARKET ANALYSIS FEASIBILITY ANALYSIS	<h2>ENVIRONMENTAL ANALYSIS</h2>
	<ul style="list-style-type: none"> ■ HUMAN IMPACTS <ul style="list-style-type: none"> ▪ CULTURAL RESOURCES ▪ PUBLIC SERVICES/UTILITIES ▪ RECREATION ▪ TRANSPORTATION/CIRCULATION
	

PROJECT INTRODUCTION CASE STUDIES SITE ANALYSIS LAND USE ANALYSIS ENVIRONMENTAL ANALYSIS POLITICAL ANALYSIS MARKET ANALYSIS FEASIBILITY ANALYSIS	<h2>POLITICAL ANALYSIS</h2>
	<ul style="list-style-type: none"> ■ POLITICAL SUPPORT FROM THREE SIDES <ul style="list-style-type: none"> ▪ PUBLIC SUPPORT ▪ ELECTED OFFICIALS ▪ APPROVAL PROCESS
	


PROJECT INTRODUCTION CASE STUDIES SITE ANALYSIS LAND USE ANALYSIS ENVIRONMENTAL ANALYSIS POLITICAL ANALYSIS MARKET ANALYSIS FEASIBILITY ANALYSIS	<h2>POLITICAL ANALYSIS</h2>
	<ul style="list-style-type: none"> ■ PUBLIC SUPPORT <ul style="list-style-type: none"> ▪ INFORMATION FROM COMMUNITY MEETINGS ▪ GENERALLY APPROVE OR DISAPPROVE (IDEA) ▪ LOCATION AND SCOPE

PROJECT INTRODUCTION CASE STUDIES SITE ANALYSIS LAND USE ANALYSIS ENVIRONMENTAL ANALYSIS POLITICAL ANALYSIS MARKET ANALYSIS FEASIBILITY ANALYSIS	<h2>POLITICAL ANALYSIS</h2>
	<ul style="list-style-type: none"> ■ ELECTED OFFICIALS <ul style="list-style-type: none"> ▪ GENERAL SUPPORT FOR SENIOR LIVING ▪ FULFILLING COUNTY PLANS FOR GROWTH OF SAN MIGUEL ■ APPROVAL PROCESS <ul style="list-style-type: none"> ▪ CONFORMING TO BUILDING CODES ▪ ENVIRONMENTAL REVIEW PROCESS ▪ OCCUPANCY OF BUILDINGS

PROJECT INTRODUCTION CASE STUDIES SITE ANALYSIS LAND USE ANALYSIS ENVIRONMENTAL ANALYSIS POLITICAL ANALYSIS MARKET ANALYSIS FEASIBILITY ANALYSIS	<h2>MARKET ANALYSIS</h2>
	<ul style="list-style-type: none"> ■ MARKET AREA DEFINITION <ul style="list-style-type: none"> ▪ IMMEDIATE INFLUENCE IN SAN MIGUEL ▪ OUTER INFLUENCE IN PASO ROBLES ■ SOCIOECONOMIC TRENDS / CHARACTERISTICS <ul style="list-style-type: none"> ▪ AGING POPULATION ■ COMPETITOR ANALYSIS <ul style="list-style-type: none"> ▪ 5 MAJOR COMPETITORS IN SAN LUIS OBSIPO COUNTY

PROJECT INTRODUCTION CASE STUDIES SITE ANALYSIS LAND USE ANALYSIS ENVIRONMENTAL ANALYSIS POLITICAL ANALYSIS MARKET ANALYSIS FEASIBILITY ANALYSIS	<h2>MARKET ANALYSIS</h2> <ul style="list-style-type: none"> ▪ FITCH ANALYSIS <ul style="list-style-type: none"> ▪ ANALYZES RISK OF MARKET <p>MARKET PENETRATION RATE IN SAN MIGUEL 53%</p> <p>MARKET PENETRATION RATE IN SAN MIGUEL AND PASO ROBLES 2%</p>
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PROJECT INTRODUCTION CASE STUDIES SITE ANALYSIS LAND USE ANALYSIS ENVIRONMENTAL ANALYSIS POLITICAL ANALYSIS MARKET ANALYSIS FEASIBILITY ANALYSIS	<h2>FEASIBILITY ANALYSIS</h2> <ul style="list-style-type: none"> ▪ ASSUMPTIONS <ul style="list-style-type: none"> ▪ HARD COSTS: RS MEANS ▪ TDC: \$9.1 MILLION ▪ OPERATING EXPENSES: CASE STUDIES ▪ RATES: AFFORDABLE UNITS (\$1025, \$825); MARKET RATE (\$2,000) ▪ 5 % VACANCY ▪ 65% / 35% LOAN AT 6% ▪ \$1,025,000 GRANTS
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PROJECT INTRODUCTION CASE STUDIES SITE ANALYSIS LAND USE ANALYSIS ENVIRONMENTAL ANALYSIS POLITICAL ANALYSIS MARKET ANALYSIS FEASIBILITY ANALYSIS	<h2>FEASIBILITY ANALYSIS</h2> <ul style="list-style-type: none"> ▪ PROJECT PERFORMANCE <ul style="list-style-type: none"> ▪ IRR BEFORE TAXES = 11.3% ▪ IRR AFTER TAXES = 9.6% 
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PROJECT INTRODUCTION CASE STUDIES SITE ANALYSIS LAND USE ANALYSIS ENVIRONMENTAL ANALYSIS POLITICAL ANALYSIS MARKET ANALYSIS FEASIBILITY ANALYSIS	<h2>FEASIBILITY ANALYSIS</h2> <ul style="list-style-type: none"> ▪ SENSITIVITY ANALYSIS <ul style="list-style-type: none"> ▪ NON-GRANT FUNDING <ul style="list-style-type: none"> ▪ IRR BEFORE TAXES = 10.0% ▪ IRR AFTER TAXES = 8.5% ▪ MARKET RATE <ul style="list-style-type: none"> ▪ IRR BEFORE TAXES = 12.4% ▪ IRR AFTER TAXES = 10.6%
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INVESTORS????



...POSSIBLY YOU!!!