

Heritage Master Plan Initial Assessment

Board of Directors Meeting
August 25, 2021

Frank Rockwood, Rockwood Pacific
Marisa Sigala, Rockwood Pacific

Proposed Agenda

- Introductions
- Vision + Objectives
- Prior Analysis
- Working Assumptions
- Scenarios
- Schedule
- Risks
- Assessment + Discussion
- Current Decision Milestone



Introductions



Francesco Rockwood
Development Executive



Marisa Sigala
Project Manager



Susan Rockwood
Administrator

Proposed Master Plan Objectives

- Honor Mission
- Achieve Financially Sustainable Operations
- Honor Commitment to Current Residents and Staff
- Maintain Market Relevance
- Serve as Good Stewards of Resources to Enable Future Charitable Activities
- Improve and Retain Opportunity for Future Affiliation

Prior Analysis

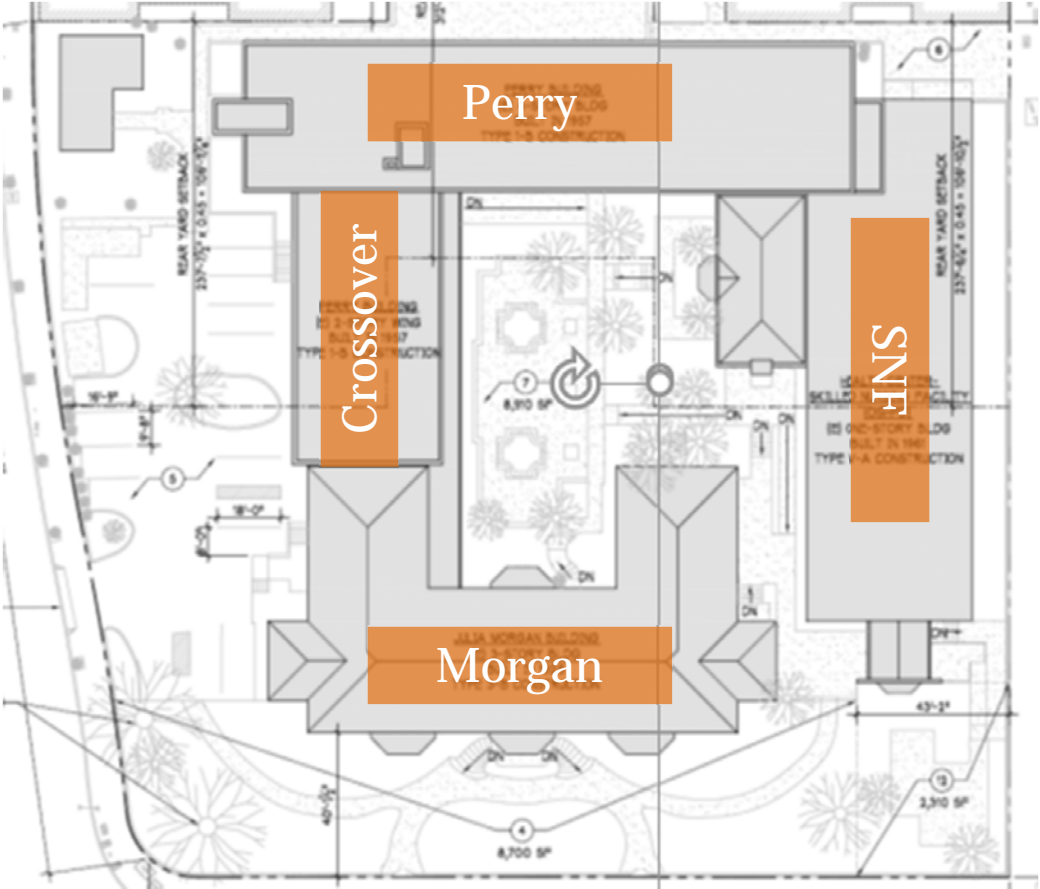
- ✓ Historic (Page & Turnbull:2015; City Response:2017)
- ✓ Title (First American: 2021)
- ✓ Geotech (Rockridge: 2016)
- ✓ Actuarial Analysis (A.V. Powell: 2020)
- ✓ Appraisal (SLVS: 2020)
- ✓ Mather Proposed Program and Valuation (Mather: 2020)
- ✓ Market Survey (Mather: 2020)
- ✓ Aging in Place Projections (Ken Donnelly: 2021)

Land Use Analysis

(Farella Braun + Martel: 2020)

	Density Bonus	PUD
Code Citation	San Francisco Density Bonus (Sec. 207(c)(3)) (State version of density bonus less attractive)	San Francisco Planned Unit Development (Sec. 304)
Maximum Apartments	170	112
Maximum Square Footage	Not applicable	2.5 FAR / 170,000 SqFt
Maximum Building Height	Unlikely to exceed 40-feet	Strictly 40-feet
Set-Backs	Problematic rear-year set-back provision	Negotiable
Local Affordable Provision	Likely Applicable	May Not Be Applicable

Existing - Campus Plan



Working Assumptions

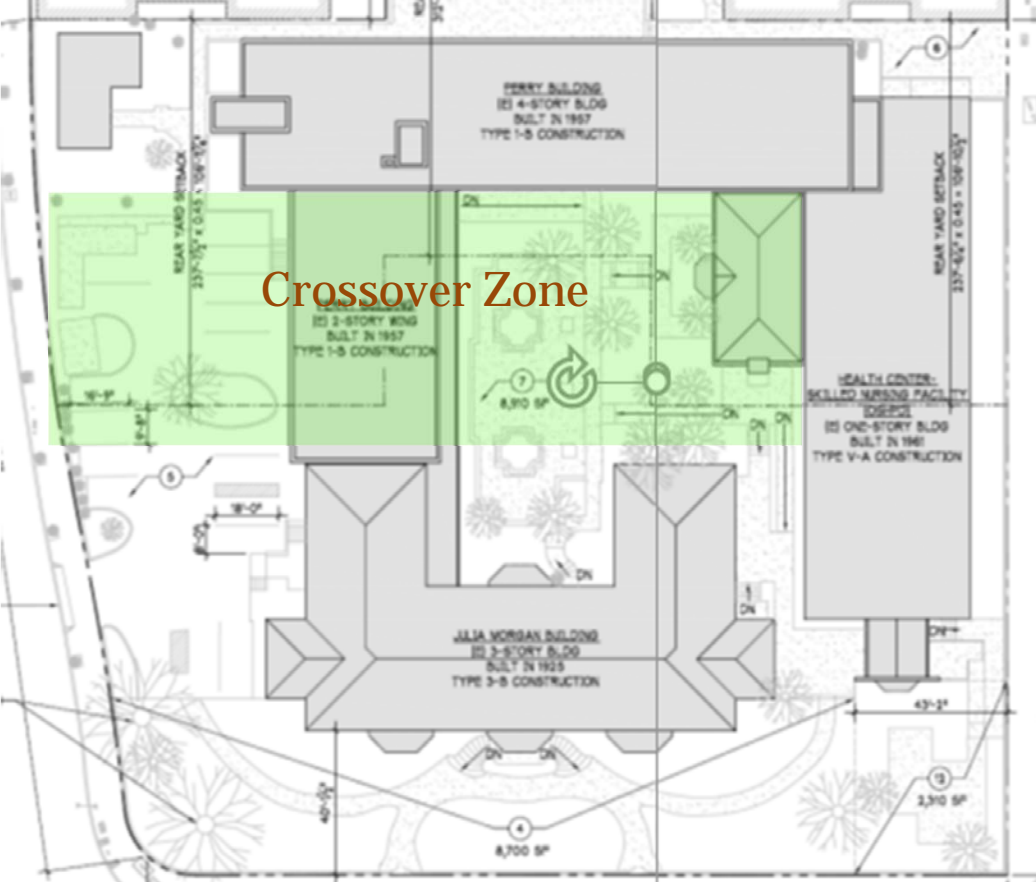
- A. Wind down and eliminate on-campus SNF offering
- B. Demolition of SNF building
- C. Retain but renovate Morgan
- D. Retain Francisco and Octavia flats
- E. Retain eastern courtyard
- F. Retain cottage
- G. Utilize PUD land use approval approach (40' height limit)
- H. Add 6 to 8 bed memory care offering

Scenarios

	SNF Only	SNF + Crossover	All But Morgan + Flats
Description	Replace SNF New 4-story over parking New kitchen and dining room No units on 1st floor	Same as SNF Only plus ... Add density to Crossover Zone	Demo all structures except ... Morgan and the flats
Key Assumptions	Full basement Loss factor at 10% above 1st New units at 1,200 square feet	Lot coverage at 35% (x 4 stories) Half basement in Crossover Zone Loss factor at 15% for Crossover Zone New units at 1,200 square feet	Lot coverage at ~65% (x 4 stories) Half basement in new buildings Loss factor at 20% above grade New units at 1,200 square feet

Loss Factor – Portion of applicable area related to non-rental uses.
 Lot coverage – Ratio of building footprint to applicable development pad.

Existing - Campus Plan



Assuming
Lot Coverage at 35%

Scenarios – Rough Approximations

	Existing	SNF Only	SNF + Crossover	All But Morgan + Flats
SNF Beds	32	None	None	None
Legacy IL/AL Apartments	86	80	74	31
New Apartments	0	31	38	72
Total Apartments	118	111	112	103
Total Revenue SqFt	35,835	66,000	81,000	106,000
Avg. SqFt per Apt.	417	595	723	1,029
Avg. SqFt per Apt. (excl. Flats)	341	553	694	1,033

[1] Apartment counts and Total Revenue SqFt include flats

[2] Combine six Perry apartments to stay within PUD unit cap

[3] SHA State of Housing 2020 average CCRC apartment size is 848 square feet

Scenarios – **Very** Rough Approximations

Current Dollars
 Figures exclude SNF
 Figures rounded

	SNF Only	SNF + Crossover	All But Morgan + Flats
New Construction - Gross Square Feet	50,000	77,000	124,000
Renovation - Gross Square Feet	69,000	60,000	25,000
Total Cost per SqFt - New Construction	\$700	\$700	\$700
Total Cost per SqFt - Renovation	\$200	\$200	\$200
Total Development Cost (TDC)	50,000,000	70,000,000	90,000,000
Area Subject to New Entry Fee	30,000	47,000	88,000
Average Entry Fee (per SqFt)	\$600	\$600	\$600
Total New Initial Entry Fees	20,000,000	30,000,000	50,000,000
Net Capital Cost [TDC - Entry Fee] (NCC)	30,000,000	40,000,000	40,000,000

Scenarios – Rough Approximations

Current Dollars
 Figures exclude SNF
 Figures rounded

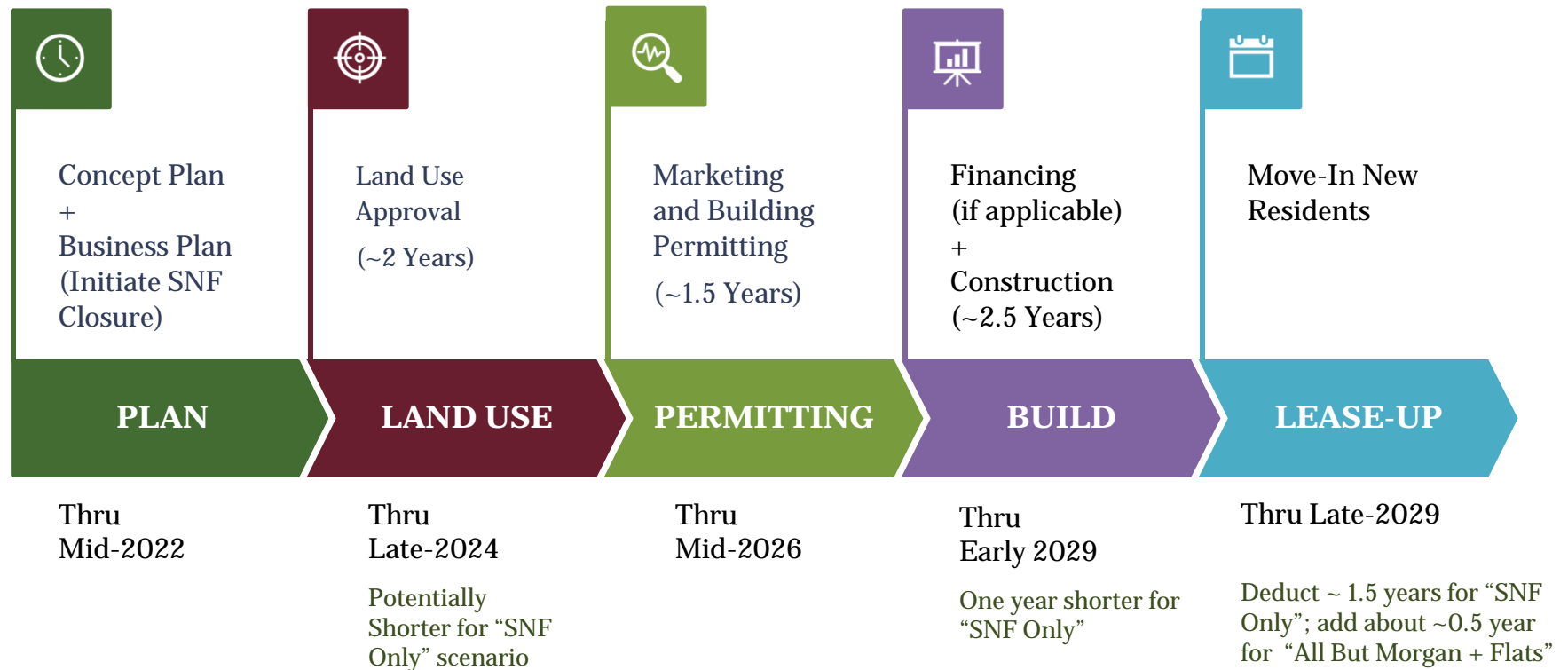
	SNF Only	SNF + Crossover	All But Morgan + Flats
Rentable Square Feet Added	30,000	47,000	88,000
Rentable Square Feet Removed	none	none	18,000
New Monthly Base Resident Fee (per SqFt)	\$11	\$11	\$11
Rentable Square Feet Renovated	26,000	23,000	8,000
Δ in Monthly Base / Renovated Units (per SqFt)	\$2	\$2	\$2
Net Increase in Monthly Resident Fees	380,000	560,000	790,000
Net Increase in Annual Resident Fees	4,560,000	6,720,000	9,480,000

Scenarios – *Very* Rough Approximations

Current Dollars
 Figures exclude SNF
 Figures rounded

	SNF Only	SNF + Crossover	All But Morgan + Flats
Total Development Cost (TDC)	50,000,000	70,000,000	90,000,000
Net Capital Cost [TDC - Entry Fee] (NCC)	30,000,000	40,000,000	40,000,000
Net Increase in Annual Resident Fees	4,560,000	6,720,000	9,480,000
Net Recurring Entry Fee (Legacy Units)	2,000,000	1,900,000	1,000,000
Existing Monthly Base Revenue	3,600,000	3,400,000	1,800,000
Total Recurring Base Revenue	10,160,000	12,020,000	12,280,000
<i>Net Δ in Annual Recurring Revenue</i>	<i>4,560,000</i>	<i>6,420,000</i>	<i>6,680,000</i>
Δ in Annual Recurring Revenue / TDC	9.1%	9.2%	7.4%
Δ in Annual Recurring Revenue / NCC	15.2%	16.1%	16.7%

Timeline – Rough Approximation



Risks

Risk Varies by Phase

- Feasibility
- Land Use
- Construction
- Market + Business Model

Risk Considerations

- Dollars at Risk
- Risk Transfer
- Risk Management (Milestones)

Assessment + Discussion

❖ **SNF Only**

- Lowest impact to residents
- Almost doubles non-SNF rentable square feet
- Retains options for future expansion

❖ **SNF + Crossover**

- Some impact to residents (phased project)
- Opportunity to significantly upgrade overall experience
- Greater improvement in financial strength than SNF Only

❖ **All But Morgan + Flats**

- Highest impact to residents
- Highest cost and risk

Current Decision Milestone



Proposed Next Step

Concept Plan + Business Plan

- Assemble and Engage Project Team (architect, civil, landscape, land use counsel, GC, ..)
- Complete Analysis / Information Assembly of Current Conditions
- Develop Concept Plan and Phasing for Most Promising Approach
- Develop Multi-Year Business Plan
 - In conjunction with marketing team, develop pricing and revenue projections
 - In conjunction with executive team, model cost of SNF closure
 - In conjunction with executive team, develop comprehensive operating plan
 - In conjunction with GC, refine and develop hard cost estimate + phasing
 - Assess and determine land use approval requirements
 - Assess debt financing alternatives
- Present Comprehensive Development Proposal / BOD Decision Milestone



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Frank co-founded Rockwood Pacific in 2013 and is responsible for overseeing development advisory and program management client engagements. Frank combines his passion for building better communities with decades of real estate strategy, finance and development experience.

Frank has served as engagement manager on behalf of Rockwood Pacific supporting clients in: (a) master planning and project programming, (b) development management, (c) formulating and implementing project capitalization plans, (d) project feasibility and valuations including valuation of partnership interests, (e) identifying joint venture partners and structuring joint venture agreements, and (f) screening, negotiating and facilitating sales transactions. The type of clients supported include: (a) mission-oriented non-profits, (b) religious orders, (c) public and non-profit hospital systems, (d) institutional investment firms, (e) multi-family developer/operators, (f) private property owners, (g) municipalities, and (h) state and federal government agencies.

Frank has served as a development executive with Sunrise Senior Living, Transamerica Senior Living, Disney Development Company, and the City and County of Denver. Notable organizations in which Frank is providing or has provided real estate development advisory services include Covia Communities, Elder Care Alliance, Sisters of Mercy, Archdiocese of Monterey, Catholic Daughters of America, the State of Hawaii, NASA, the University of West Georgia, Brooks Rehab, Jacksonville Economic Development Corporation, Atria Senior Living, Gables Residential, and the St. Joe Company.

Frank has served as a finance executive with Transamerica Corporation (spearheading their affordable housing investment program) and with Ziegler, a specialty investment bank. In partnership with Accenture, Frank and his wife launched Vectiv, a firm supporting real estate decisions and processes. One particularly notable client was Apple Computer, which used the service to implement the roll-out of Apple Stores.

Frank has authored or co-authored several studies for the American Seniors Housing Association (ASHA) and has made presentations at numerous industry association conferences including: LeadingAge, LeadingAge California, LeadingAge Washington, LeadingAge Oregon, the Urban Land Institute (ULI), Ziegler, California Assisted Living Federation and the University of California at Berkeley.

Frank graduated cum laude from Harvard College with an A.B. in Applied Mathematics (Harvard Scholar) and from Berkeley-Haas with a Master of Business Administration (Appraisal Institute Scholar).



Marisa Sigala
Project Manager
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Marisa Sigala has been with Rockwood Pacific since 2019 and is responsible for project management and owner's representation in development and construction projects. Marisa combines her background in architecture and city planning with her extensive project management experience in all development project phases.

Marisa has served as a project manager with Lance Kashian, Superior Court of California, Fresno County and Transamerica Senior Living. She has provided project management services for Covia Communities, Innovative Development and Living Solutions of California and Sunrise Assisted Living.

Marisa co-founded the non-profit that built Magnolia Crossing, a mixed income assisted living community in Clovis, California. She also project managed the development and construction of the community.

Marisa graduated from the University of California, Berkeley with a Bachelor of Arts in Architecture and a minor in City and Regional Planning and a Master of City and Regional Planning.



Susan Rockwood
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Susan Rockwood co-founded Rockwood Pacific in 2013 and is responsible for supporting administrative functions of the firm.

She also provides support in managing administrative matters related to client engagements including scheduling meetings, project accounting, and management of project information.

Susan began her professional career in investment banking with Kidder Peabody and, subsequently, worked in accounting/finance at Chevron and BancAmerica Securities.

In 1999, Susan co-founded Vectiv and was initially responsible for all company administrative matters. In part due to demands of raising their small children, she subsequently transitioned into a general accounting and analytical support role. After Vectiv and prior to the launch of Rockwood Pacific, Susan dedicated much of her time and energy to raising the couple's two daughters.

Susan graduated from the University of California at Davis with a B.A. in Managerial Economics and from Berkeley-Haas with a Master of Business Administration.