Senior Assisted Living Project Negotiations with Torrey Pines Development
Potential Questions & Answers
January 6, 2020

Torrey Pines Development submitted a proposal for 80 units (88 beds) of assisted living and memory care with a wide range of proposed senior services and amenities. The proposal includes land lease and purchase terms and a grant request of $2 million. Below are likely questions about the proposal and process.

CBJ Goals and Objectives

1. How does the project proposal meet community goals and objectives?
   a. The Juneau Senior Housing and Services Market Demand Study recommends public/private partnership to generate assisted living/memory care beds in the short and long-term;
   b. The CBJ Housing Action Plan identifies that “dramatic actions” are likely necessary and recommends spending of up to $50K per unit for housing development in Juneau to counter a “stuck” market. The Torrey Pines Development proposal is for $2 million for 80 units. The addition of 80 units of housing assists with overall housing supply concerns by creating more housing opportunities in Juneau.
   c. The Juneau Economic Development Plan recommends initiatives to “build the senior economy” that includes development of a range of housing options and supportive services like assisted living and memory care in the Torrey Pines proposal.
      i. The estimated total cost of the project is $32M during the construction and pre-opening phase that will provide local investment and job opportunities. The post-opening budget notes a total daily employee target of 47 upon full lease-up.
      ii. Construction activities would also be positive for the economy.
      iii. SB 100 passed by the Legislature and signed by the Governor in 2017 authorizes municipalities to allow tax abatement for economic development purposes. This project meets the tax abatement Ordinance adopted by CBJ in 2019.

General Project Risks

1. What are the risks to Torrey Pines Development in the project proposal?
   Torrey Pines Development faces many risks including:
   - Construction costs exceed estimates;
   - Economic contraction delays lease up schedule;
   - Lease up schedule is too optimistic;
   - Global markets cause escalation in construction material pricing;
   - Disruption in financial markets worsen marketability of units; and more.

2. What are the outcome risks to the CBJ in the project proposal?
   - Developer is selected does not proceed with construction:

    - Housing and assisted living goals won't be met;
    - Land lays vacant;
- Project proceeds and then goes into some form of bankruptcy in middle of construction or after completion. CBJ may be in a weak position to re-negotiate, may not recoup purchase price of land.

<u>Land Lease and Purchase Agreement Ordinance</u>

Torrey Pines Development proposes to purchase the property with a deferred payment schedule.

1. What happens if the developer doesn't purchase the land?
    - Housing and assisted living goals wouldn't be met;
    - CBJ would be in a contract to sell the land and would receive payments or would have to renegotiate or pursue default;
    - The present value of the stream of purchase payments slightly exceeds the purchase price (assuming a discount rate similar to CBJ's investment returns).

2. What would the CBJ do with the stream of payments?
    - In accordance with Title 53, the lease payments would automatically go into the Lands Fund, unless the Assembly decided otherwise (by Ordinance). Deposit into the Juneau Affordable Housing Fund is a likely option.

<u>Grant and Appropriation Ordinance</u>

Torrey Pines Development requests a $2 million grant to assist with overall construction costs, to help attract equity capital, and to ensure that rental rates for seniors remain low for potential residents. The grant would assist the overall viability of the project.

1. How do we insure that the grant funds result in a complete project?
    - Grant fund disbursements would be made along with a schedule of values as the facility is constructed;
    - CBJ would require reports, records, or audits supporting design, engineering, and construction costs. CBJ would require an annual report, if necessary, and upon a completion a final report noting expenditures that utilized CBJ funds.

2. What happens if the developer doesn't fill Medicaid beds as proposed? How will that process work?

    Torrey Pines Development has proposed that 8 beds be allocated to Medicaid clients unless no Medicaid clients are interested. The Developer has agreed to keep a waiting list.

In the event that Medicaid beds are not filled as proposed, the Developer has indicated that the CBJ tax abatement benefit be held as the guarantee. (*Ord No. 2019-23 An Ordinance Providing for a Property Tax Abatement Program to Incentivize the Development of Assisted Living for Senior Citizens.)* The tax abatement period is for a period of twelve consecutive years from receipt of a certificate of occupancy.

3. How do we know that $2M is an appropriate amount of Government support?

    - Without the grant, it is estimated that in order to meet financial projections, room rental rates would be 20-25% higher. If this happened, the rates would be too high for most prospective tenants and development of the project would not proceed.
    - CBJ Plans: Juneau Senior Housing and Services Market demand Study, Housing Action Plan, and Juneau Economic Development Plan indicate a need to invest resources in public/private partnerships -- up to $50K per unit for housing development in Juneau. This project proposal is for $2 million for 80 units. ($25k/unit)
    - Leveraging: In affordable housing terms, municipal funds leveraged for additional outside investment is a key indicator. In this case $2 million in CBJ funds are being leveraged for roughly $32 million in investment. (85% in outside investment)
    - After multiple years and numerous project attempts by multiple developers, this level of investment has been repeatedly indicated as necessary to incentivize a project.

4. What would happen if the CBJ proposed less support for the Torrey Pines Development senior housing assisted living project proposal?

    - It is an option for the CBJ to enter into further negotiations.
    - Less CBJ support provided would mean additional costs will be passed onto residents through rent. Increasing rents further adds to the risk of filling beds and for long-term project sustainability.
    - The facility could be built to a lesser standard resulting in some or all of the following: smaller rooms, cheaper construction, smaller common areas, higher maintenance or operating costs. These changes would affect the lease up rate and/or the desirability of development.
    - The project would likely be delayed, missing an upcoming construction season, and potentially would not go forward.
    - Further delay will only see construction costs/needed investment rise.
    - Based on the sealed competitive bid process and the proposals by multiple developers over the last 6 years it is unlikely that CBJ would see new/better/different proposals from other developers.