

BOARD OF DIRECTORS

LONG TERM PLANNING COMMITTEE

Wednesday, July 6, 2016

District Office at 1819 Trowsdale

5:00-6:30 PM

MINUTES

- 1. Call to Order: Chair Cappel** called the meeting to order at 17:05
Present: Chair Cappel, Vice-Chair Emmott, Dan Quigg (arrived at 17:35), Sarki Sarkisian, Mark Johnson, Nirmala Bandrapalli and staff Cheryl Fama, Paul Wright
Absent: Wade Aubry, MD, David Cropper, Ricardo Ortiz, Michael Brownrigg
Guest presenters: Lynn Sedway, Joel Roos, Pinto
- 2. Approval of Minutes from April 6 & June 1, 2016**
Mr. Johnson offered a correction to the June 1st minutes. He requested his comment "none of the tenants would ever use it" be stricken and the other comments be revised to read something to the effect that a café on that site is a difficult business model for a standalone facility on such expensive land and maybe it could be incorporated into one of the buildings.

It was moved and seconded to approve the April 6 minutes as written and the June 1 minutes as corrected. Motion passed 6/0.
- 3. PWC: Market Survey findings - Lynn Sedway, Consulting**
Chair Cappel commented on the productive interview session he, Director Navarro, Ms. Sedway and CEO Fama had just prior to the meeting at which office demand and senior housing trends were explored. He then introduced **Ms. Sedway**. She thanked the directors for giving them interview time over that past month. She noted Mr. Musbach, EPS, was unable to join today due to illness. She reported the pre-RFQ/RFP work going on over the past month has focused on updating the market studies on senior housing and professional office space. Findings will inform the financial analysis, which together will be critical to preparing and processing the RFQ/RFP's.

POB Findings: Most of the current area professional offices related to medical industries are Class C type, and very outdated. Market assessment includes a survey of medical rents on the Peninsula as the goal is to make the space efficient and affordable, but also profitable.

Senior Independent Housing: Straight rentals can be successful in today's rental market. The entrance-fee model is also worthy of consideration. This is when the senior deposits a large amount upfront for spacious facilities and a range of support services. The fee is held by the owner and then returns 80-90% to the senior should they sell their space or to their heirs if the owner passes away. One drawback is potential delay in construction because the developer cannot break ground until reservations are at or above 60%. This model is in demand and has the advantage to the senior or family that most of entrance fee is returned, and it has the advantage of ongoing income to the PHCD and the developer.



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Vice-Chair Emmott wanted clarification of the 90% return. **Mr. Johnson** explained that it's 90% of the value at the time of the sale. **Ms. Sedway** said it depends on how the deal is structured, it could be 90% of the appreciated value or 90% of the initial deposit. The PWC as planned can serve as a virtual CCRC, providing independent living, assisted and memory care at The Trousdale, skilled nursing and Rehab at the Peninsula Sub Acute on Trousdale, and the hospital. This is an advantage over a standalone independent living facility. **Vice-Chair Emmott** asked about temporary care noting if just an attendant is needed short term in an apartment setting, that's different from skilled nursing and would be an important feature. It's most common to need temporary assistance. **Ms. Sedway** agreed and noted that if more care is needed, they would be transferred to one of the facilities noted earlier or possibly a SNF further out from this location. She reported that no one is building new SNF's in the areas because the cost is running \$500K per bed.

Chair Cappel said that's a very important point, as skilled nursing facilities as they are today are a thing of the past, so what's going to fill the gaps for respite care? A facility with short term or temporary care is the answer.

Mr. Johnson asked what is the projected monthly cost per resident for the buy-in model. **Ms. Sedway** gave examples from San Francisco and the Peninsula. The monthly fees, including food and housekeeping, are running from \$6,000 - \$10,000 per month. **Mr. Johnson** responded in his recent experience it's around \$6,000-\$8,000 for the first occupant and then \$2,000-\$3,000 for another occupant, for a unit about 1200 square feet. **Ms. Sedway** noted units can range from 800-1200 square feet – or larger.

Chair Cappel commented on the evolution of this model since it started in said the mid-80's.

Mr. Sarkisian said some people are deciding to stay in their current residences and pay for full time licensed care, which may be \$65,000 per year.

Mr. Johnson agreed if they can afford it, and some facilities have medical requirements to qualify.

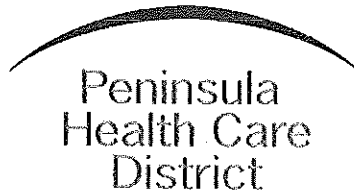
Chair Cappel said the other problem is that cost of care in the home will actually rise from \$65,000 to \$250,000 per year, because of regulations, rates and other regulatory and market pressures. So, some people have to decide how long they can afford to stay in their house.

Ms. Sedway wrapped up her comments with three cautions:

- 10% of the entrance fee in the buy-in model would be split with the developer.
- Staying in the home with around the clock services may not fully address the critical need for socialization to avoid isolation, which has been proven to be a major contributor to quality of life and without it, years of life lost.
- Seniors tend to want to move in the day before something happens, so they can qualify before it's too late.

CEO Fama added the buy-in model has a lot of financial implications that must be studied, but emphasized that PHCD is evaluating this model because of its holistic approach for seniors – independence with easily available socialization services, access to healthcare and doctors, and more supportive care when needed. That is the vision for the PWC and this model may fit well. **Mr. Johnson** said that it makes sense and we also have to differentiate your product completely from the other models.

Chair Cappel said most people's concerns are 'is something going to happen to me where I become a burden'. If we can market true security with all the medical facilities in the area in addition to the facility that is built, we will have an advantage over the other models.



Ms. Bandrapalli asked about other risks to the entrance fee model was besides needing a 60% reservation rate. **Ms. Sedway** replied - timing into the market. If you're building in a down economic market, seniors won't be ready to commit and construction gets delayed.

4. Peninsula Wellness Community: - Peer Review:

Mr. Roos reported on recent peer review meetings he and **Mr. Pinto** held with developers of Senior covering housing trends and facility ideas. Comments offered included:

- Go for taller buildings with more density
- Consider affinity buildings which cluster residential units for people with the similar interests – similar to academic buildings (E.g. Art, History, Music, etc.)
- Shorten distances for seniors to walk to dining facilities
- Keep in mind older residents may prefer a smaller unit with smaller down payments
- Use the empty parking lot to reduce amount of underground parking

Ms. Galligan said that with the increasing use of services like Uber, she doesn't think that parking will be as much of an issue. **Chair Cappel** responded that in his experiences visiting other facilities, he was surprised at the lack of parking spaces being used.

Chair Cappel asked **Mr. Pinto** to review the zoning allowances on the PWC site.

- Area where old hospital sat can go 10 stories or almost 170 feet.
- 5 stories along Marco Polo
- 6 stories along Trousdale

To the question, what is the ideal number of units - **Ms. Sedway** replied 180-200 is the current figure. **Mr. Roos** added, depending on your price point which will decide the size of the units.

5. PWC-Alternatives to Placement of Buildings:

Mr. Pinto reviewed the current plan and then presented alternatives that took advantage of the change in one of the helicopter flights paths which included moving housing along Trousdale, moving the POB to the southeast corner and taking it up to 6-7 floors, moving the hub space between senior housing and POB, and clustering all senior housing at the north half.

Issues identified or commented on include:

- Many seniors may not want to walk outside when it's cool, windy, or inclement
- It would be a mistake to put dining in a separate building.
- If the building is too small to support mass dining that will be a problem. a separate building without a dining facility for this age group.
- If the housing units do not have enough units for a dining facility, there has to be a place for centralized dining.
- Is there a way to connect 2 buildings? **Mr. Pinto** replied – Yes, but the fire marshal wouldn't allow it, which resulted in separate buildings. Also, the buildings had to be smaller because the fire department is requiring a 10-foot additional drive isle in addition to the 60 foot Hetch-Hetchy wide way.
- How many units could there be in 2, tall housing buildings. **Mr. Pinto** replied depending on the size of the units, about 180-200 units per building.



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6. Project updates:

[The detailed monthly reports from the Board's June meeting were sent out in meeting materials.]

a. The Trowsdale assisted living/memory care

Mr. Sarkisian pointed out the 2 new stop signs put in by the City of Burlingame at Ogden and Trowsdale, but he's never seen anyone cross that street, and wanted to know who requested those? CEO Fama replied that she does not know who or what specifically triggered the change at this time; however, it's been perceived as an unsafe intersection by the city for a while.

Mr. Sarkisian complimented the District on the letters sent to the neighbors with updates on the projects, but cautioned there can be a down side to too much communication by bringing out harsh criticism from some who might not otherwise be aware of the project.

Chair Cappel commented that it's better to inform the public, but that it can have risks, but the District has done a good job with communication.

Vice-Chair Emmott said it's probably good to inform mostly the neighbors who live closer to the project as they will be the ones impacted.

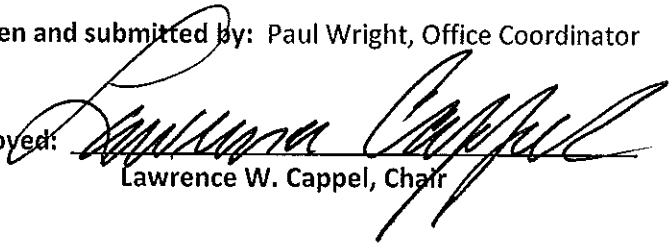
Ms. Bandrapalli commented that it's very important to keep neighbors informed, then most will support the project.

Mr. Pinto noted if a neighbor isn't aware, they can easily stop a project by simply filing a lawsuit, which is a very low fee to file, and it gets hung up in the courts. So the more transparent the better, as judges also look to check that.

7. Adjournment: The meeting was adjourned at 18:30 hours.

Written and submitted by: Paul Wright, Office Coordinator

Approved:



Lawrence W. Cappel, Chair

Next Meeting: August 3, 2016