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October 29, 2014

Mr. Steve McHarris
 Planning & Neighborhood Services Director
 City of Milpitas
 455 E. Calaveras Blvd.
 Milpitas, CA 95035-5411

Re: South Main Senior Lifestyles LLC, Vesting Minor Tentative Map No. TP14-0001, Site Development Permit No. SD14-0006, Density Bonus No. DB14-0001-Park-In-Lieu Fees

Dear Mr. McHarris,

We appreciate the extent and professionalism of the staff presentation of our phase I project at the City Planning Commission 10/22/14 public hearing. Due to the comprehensiveness of the staff's report, our prepared presentation (which was longer and more detailed) was unnecessary. Thus, this enabled us to focus on responding to questions from the commissioners that arose as a result of their review of the project Resolution and Shaunn's presentation. All in all, it was a very productive and informative effort. We also appreciate the effort of the staff to mitigate the park and rec fee as presented in the Resolution which has the effect of reducing it from \$2.555 million to \$1.325 million. This reduction was based on the park and rec fee paid by the De Vries senior apartment project located on North Main Street across from the City's main library. However, we believe the nature of projected occupancies in SMSL's phase I project, i.e., congregate care and assisted living residents with likely average ages of approximately 87 years with limited mobility, versus De Vries senior independent living occupancies, warrants further consideration by the City.

The following are some thoughts on the justification for this request:

- Basis for Fee Calculation Versus Private Open Space Provided in the SMSL Phase I Project.
We understand the City standard for the provision of park space in a residential project is 3.5 acres per 1000 residents. We understand that the City standard for senior occupancies is an average of 1.39 residents per unit (per the De Vries Project). On this basis a projection of 277 residents on our phase I project was projected. Thus, this level of occupancy for SMSL resulted in a park requirement of .97 acres. Due to the age and mobility issues of SMSL's residents the SMSL project design incorporates .79 acres of private open space in the form of unit patios and courtyards located within the structure to provide accessible open space for the residents. The open space is designed with flexibility allowing a variety of outdoor activities to occur. Additionally, we provide extensive indoor common areas and amenities, including an indoor pool for recreational and therapeutic use. As explained in detail in Attachment 1, in light of the age and limited mobility of the project's residents, the project's extensive interior common areas and amenities and the activities and programs to be provided on-site, this level of private open space is more than sufficient to meet resident needs and there will be no demand placed on City parks by the project.
- Heritage Estates Senior Retirement Community, East Stanley Blvd, Livermore, California.
Over the more than 10 years some of the SMSL's members have been involved in the ownership and operation of the Heritage Estates senior project in Livermore we've learned a great deal about the effect of its design features on the long term occupancy of residents in that project. It is a 246,000 sf two and three story, Type V construction, rental, mixed income, age restricted (62 years), 250-unit senior housing project. There are approximately 74,000 sf of common areas serving the residents including two commercial kitchens and related dining rooms. It provides 60 assisted living, handicapped accessible units in the two story element of the project and 190 congregate care units in the three story element of it, only 10% of which are handicapped accessible. It provides 161 at grade parking spaces and has 87 FTE employment. The average age of residents

at original occupancy between 2004-2006 was 81 years. Over time it has increased to the point where it is currently 87 years. We have experienced average annual turnover of units in the project of 28% per year. This is due to several factors, death being one of them as well as resident need for higher levels of care, i.e., Alzheimer/dementia, skilled nursing, etc. However, higher level of care also includes congregate residents needing accessible occupancies, but not assisted living services. The occupancy currently (August, 2014) is 1.13 occupants per occupied unit; and averaged 1.11 occupants/occupied unit during calendar year 2013. All one bedrooms only have one occupant/unit while only approximately 50% of the 2 bedroom units have double occupancies. Additionally, Type V construction limits assisted living occupancies to the first two floors of the habitable structure. This has been also an important turnover factor due to the limited number of handicap accessible units provided in the congregate portion of the Heritage facility. This type of turnover is particularly onerous for the resident and their families because it requires physical relocation, sometimes to facilities out of the local area.

- South Main Senior Lifestyle, Phase I, Unique Project Design, Age in Place Occupies.
The Heritage Estates project, while very successful, reflects a typical rental senior housing industry approach to the design and construction of these facilities. SMSL's experience and research into industry trends and social demographic trends indicates that a different approach to the design, construction, and operation of senior facilities to minimize resident turnover and facilitate their ability to age in place is warranted. For this reason the SMSL project structure is a Type 1B design over a Type 1 subterranean garage structure. It is a rental, mixed income age restricted (62 years) senior housing project. The project is a 221,087 sf four story habitable structure over a 68,355 sf subterranean garage providing 144 parking spaces. There are 199 residential units ranging from studios (15), one bedroom (106), to two bedroom (78). The habitable area includes 150,388 sf for residential units and 69,799 sf for common areas, 100% of all units will be designed and constructed for handicapped occupancies and will also be licensed with the State for assisted living occupancies. The Type 1B design coupled with each unit's accessibility for the habitable areas enables limited mobility assisted living residents to reside on all four

floors of the project. This unique approach results in construction costs that are at least 75% higher than those associated with the Heritage Estates project and would not be feasible without the City's assistance with SMSL's acquisition of the land.

The demographic projections for the aging of the United States population over the next twenty to twenty-five years are dramatic. This is no less the case in the Bay Area region. In its Projections 2011 ABAG reported that as of 2010 there are roughly 900,000 of the Bay Area regions' 7,400,000 residents aged 75 years or older. The report projects that by 2030 the Bay Area population will be 9,200,000 residents and 2,300,000 of them will be 75 years or older. Trade areas for rental senior housing projects typically provide the majority of senior project residents within ten miles of a project location. There are 1,346,000 people currently living within 10 miles of the SMSL project location with demographics very similar to those associated with our Livermore project but population density almost three times that of Livermore. The SMSL project proponents believe that the unique characteristics of its proposed project will provide extensive long term community benefits to the residents of the City of Milpitas, but the cost of providing a project with such benefits is high. SMSL would appreciate the City's reconsideration and reevaluation of the park and rec fees calculation owing to the fact that the frail elderly residents of the project will not use the City parks.

In summary, we request the City of Milpitas to re-evaluate the "Park-In-Lieu" Fee. We believe that the comparison to the De Vries Senior Housing Development, while a reasonable comparison to our Phase 2 project, is not a good comparison for SMSL's Phase One project for these reasons:

1.s De Vrie Senior Housing Development is "independent" senior (i.e. age restricted but have an independent life style). SMSL is assisted congregate with an average age of 87. Many of our residents (in Phase One) are not mobile and hardly any will be using the public park system except on rare occasions. Full services are provided as previously described and the facility is designed so that its residents may age in place. We invite

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the city staff to visit Heritage Estates so they might have the opportunity to observe the residents' mobility and lifestyle.

- 2. De Vries Senior Housing Development has (or was calculated to have) 1.39 occupants/per occupied unit. SMSL (using Heritage Estates as our model) will have 1.11 occupant/occupied unit for a total occupancy of 210 (not 277) at stabilized occupancy of 95%, resulting in a requirement of .74 acres of required park. SMSL is providing .79 acres of public and private open space. In Livermore for the Heritage Estates Phase One (i.e. assisted congregate phase), the City of Livermore concluded that no park fee was appropriate due to the occupants' mobility and lifestyle, and that the residents were simply not going to be using the parks.***

The De Vries Senior Housing Development is a more reasonable comparison to our Phase 2 project, which will be an "age restricted independent senior" housing project.

On the basis of the information provided in this correspondence, please consider this correspondence South Main Senior Lifestyle LLC's request for the City of Milpitas' waiver of the project's park and rec fee. Thank you for your consideration. We look forward to the opportunity to discuss our project further at ~~11/11~~ **11/14** City Council meeting.

Yours Truly,
Joseph W. Callahan Jr.
Managing Member

Cc: Tom Williams
Shaunn Mendrin
SMSL Members

ATTACHMENT 1

**SOUTH MAIN SENIOR LIFESTYLES, LLC (SMSL)
PHASE 1: 199 UNIT CONGREGATE CARE AND ASSISTED LIVING COMMUNITY
CITY OF MILPITAS PARK-IN-LIEU FEE
October 29, 2014**

Park Usage by SMSL's Phase 1 Residents Will be Rare

The residents of SMSL's Phase 1 congregate care and assisted living (CC/AL) community will not use the public park system in the City of Milpitas to any appreciable degree. A profile of the anticipated characteristics of these residents and the services that the CC/AL community will provide to them explains why.

The residents of SMSL's CC/AL community will be elderly and frail, with limited mobility. At Heritage Estates, the 250-unit CC/AL community developed and owned by some of the principals of SMSL, the average age of the residents is 87 and approximately 25% of the residents receive assistance with the activities of daily living (medication management, help with grooming, dressing, bathing, mobility and other personal care). Few residents drive. Most residents have limited mobility (relying on canes, walkers, wheel chairs or scooters) and many suffer from impaired hearing and/or eyesight. Residents of SMSL's CC/AL community are likely to be at least as old and even more frail than those of Heritage Estates for a couple of reasons:

- Owing to its design, only 60 (24%) of Heritage Estates' 250 units are, and can be, licensed by the State of California to provide assisted living services. In anticipation of the aging of the Milpitas market area's population, 100% of the units at SMSL's CC/AL community will be licensed by the State to provide assisted living services and be accessible to the disabled. Therefore, the percentage of SMSL's residents who are very frail will be significantly greater than that at Heritage Estates.
- The average age of the residents of SMSL's CC/AL community is likely to be even higher than that of Heritage Estates because of the smaller percentage of affordable units in the former. The average age of Heritage Estates' residents includes the very low and low income households who reside in the 103 affordable units (which account for approximately 40% of the units). Because affordable CC/AL units are in very short supply, seniors who meet the income and minimum age requirements move in when they are younger and less frail than market rate residents to secure an affordable unit.

Owing to their age and limited mobility, residents of SMSL's CC/AL community are not likely to venture on their own to parks or other destinations beyond the community. When family and friends come to visit, they will either visit with the resident on-site or take the resident out to a restaurant or event of special interest to the resident.

SMSL's CC/AL community will provide a full range of on-site recreational activities and entertainment for its residents. The community will include approximately 15,000 square feet

of interior common areas and 11,775 square feet of courtyards that will be used for programmed events and activities. Each day will feature an array of activities in which the residents may participate. Examples include Wii, fitness classes (in the fitness facility and indoor pool), assisted walks around the indoor and outdoor common areas, outdoor barbeques, gardening, bingo, pool, board and card games, movies, lectures/seminars, arts/crafts/cooking classes, performances by musicians and other entertainers, and other activities and programs of interest to the residents.

SMSL's CC/AL community will arrange excursions to destinations of interest to its residents.

Examples of such outings include visits to the Monterey Bay Aquarium, San Francisco Opera, concerts, major sports events (professional football, baseball, hockey, etc.), local farmer's markets, local theaters and other entertainment venues, restaurants, shopping centers and the like. In Heritage Estates' 10 years of operations to date, its residents have not requested visits to any City of Livermore parks (or any other parks – county, state or federal).

A CC/AL Community Differs Significantly from Age-Restricted Senior Apartments

Age-restricted senior apartments target senior citizens who are able to live independently and wish to live with others of similar age and lifestyle rather than with families with young children, young professionals or other demographics. Almost all residents of senior apartments still drive. Many work, at offices or from home. The units are similar to typical apartment units. Common area amenities usually include a community room, lobby area and outdoor courtyards for resident gatherings. No organized programmed activities, meals, housekeeping, transportation or assisted living services are provided for the residents.

As such, the residents of senior apartments are generally younger and more physically fit and active than residents of a congregate care/assisted living community. Accordingly, two-person households are more common in senior apartments than in CC/AL communities so the average number of occupants per unit is greater in senior apartments than in a CC/AL community. For example, the average number of occupants per unit at the DeVries Senior Apartments in Milpitas is 1.39 residents. At Heritage Estates, the current (August, 2014) average number of residents/occupied unit is 1.13, and averaged 1.12 for January through August 2014 and averaged 1.11 for the calendar year 2013. At a stabilized occupancy of 95% and 1.11 residents per occupied unit, SMSL's CC/AL community would house a total of 210 residents (199 units x .95 occupancy x 1.11 residents per occupied unit).