

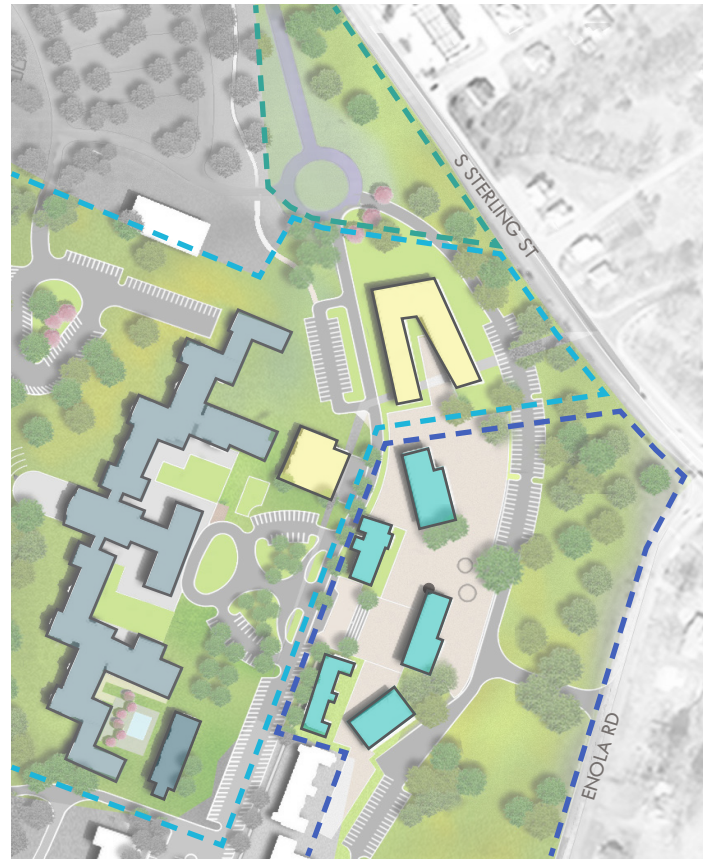


#### VISION STATEMENT

An active adult community anchors the District's northeastern corner alongside the Western North Carolina Discovery Center and a successful restaurant. Residents enjoy the historic architecture of the campus and the surrounding community, as well as the natural beauty of the site's flourishing old-growth trees and Blue Ridge Mountain vistas. The Avery Commons offers on-site amenities connected by a walkable greenway, as well as close proximity to local arts and cultural opportunities, extensive recreational assets, and support services that allow residents to age in place.

#### VALUE PROPOSITION

The property draws active seniors who seek to live in a stimulating yet small-town setting. Morganton's extensive senior-friendly leisure activities and specialized healthcare infrastructure will entice retirees from across western North Carolina and Charlotte. Local and regional growth in the 75 years+ household demographic coupled with an undersupply of age-restricted housing with amenities tailored to the active segment of this renter population create a opening in the market for a quality development.



PROJECT SCOPE

- AVERY COMMONS
- MUSEUM CAMPUS
- BROUGHTON TERRACE
- SILO RIDGE
- HOTEL COLONY
- BURKEMONT AVENUE HOTEL

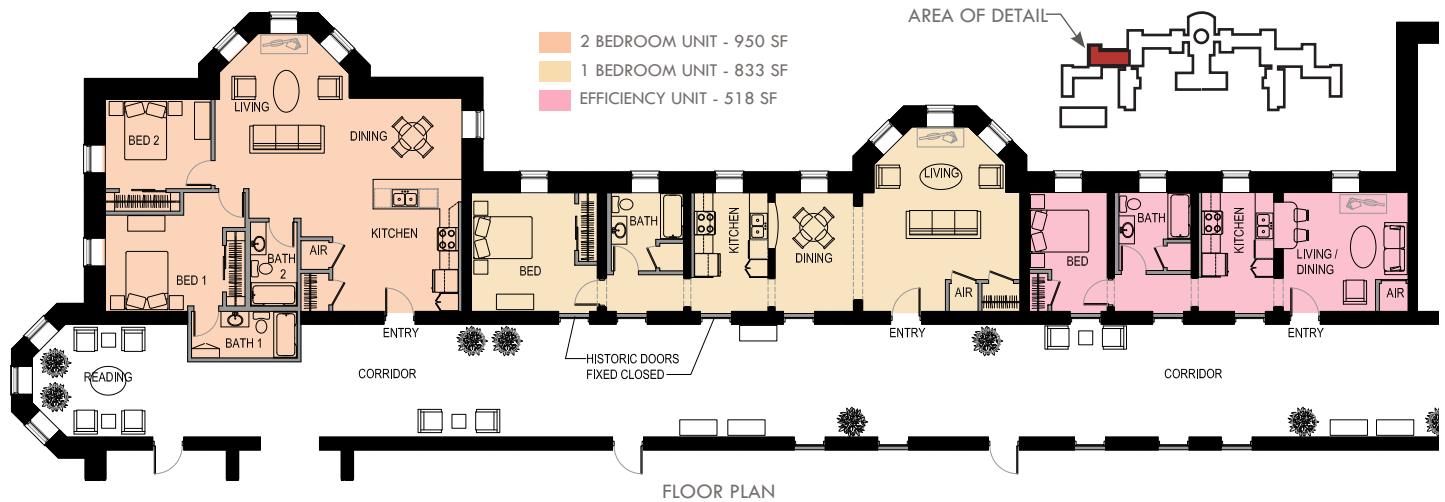


OVERALL SITE PLAN

PROGRAM	
ACTIVE ADULT LIVING	144 UNITS
COMMERCIAL	40,992 SF
MUSEUM (DISCOVERY CENTER)	51,000 SF

## A NEW VISION

### ACTIVE ADULT LIVING



### PROJECT DESCRIPTION

Avery Commons apartments offer a blend of refined historic finishes and warm modern materials. Rooms are bright and airy with tall historic plaster ceilings, bathed in natural light from tall arch-topped window openings sculpted into historic masonry and plaster walls. Floors are a blend of historic caramel pebble terrazzo and modern warm accent carpeting. Kitchens and baths feature clean modern fixtures, appliances, and cabinetry, solid surface counter tops, with tile and glass bath surrounds. Public spaces and corridors are generous in width and ceiling height, with fine plaster walls and terrazzo floors. Sunny reading nooks and sitting areas in the building's projections are regularly spaced along the corridors, naturally lit with large window openings. A bevy of in-building community amenities are available to residents, all within a 2-3 minute walk within the historic building, including:

- library,
- movie theater,
- laundromat,
- woodworking shop,
- art studio and classrooms,
- full-service dining room,
- pub and coffee shop,
- billiard room,
- fitness center,
- salon / barber shop, and
- outdoor pool.

The property is connected via walkways to a commercial, farm-to-table restaurant and event space in the historic Marsh building, the Discovery Center—a family-friendly destination for all ages—the Silo Ridge village, and additional outdoor recreation on the District greenways and parks.

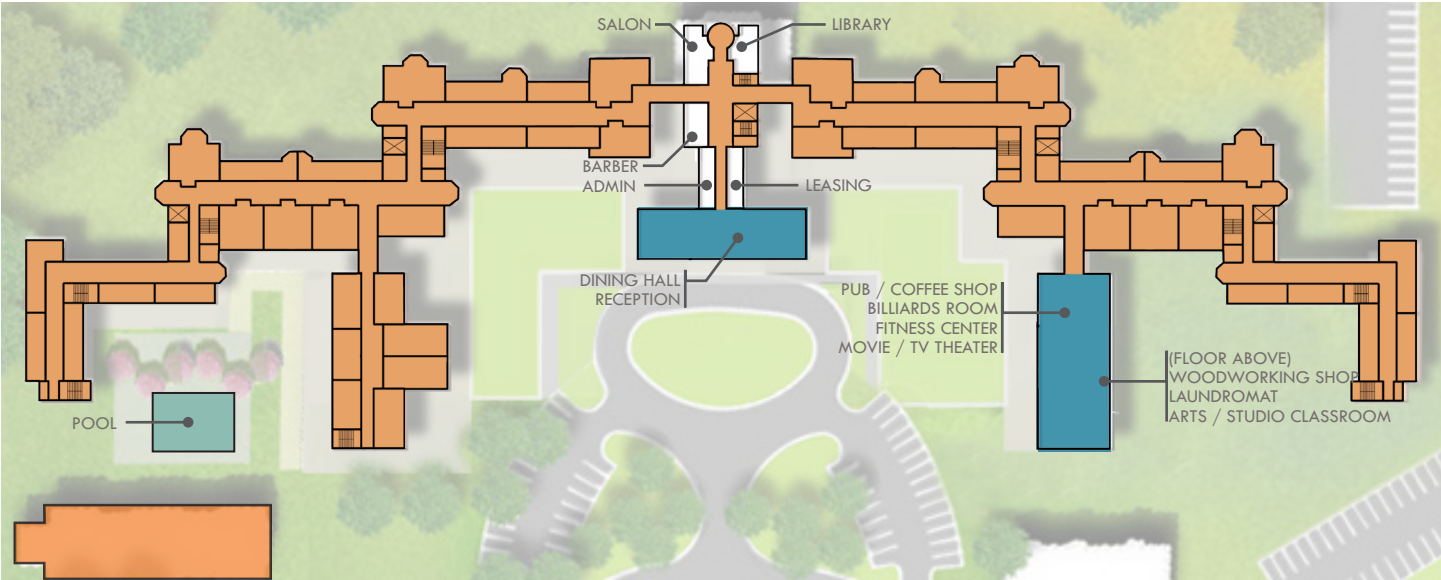


ROOM



CORRIDOR

PROPERTY AMENITIES



WESTERN NC DISCOVERY CENTER

The State’s Department of Natural and Cultural Resources would create a regional Discovery Center museum for the western portion of the state. This ‘Discovery Center’ will focus on the cultural and natural history Western North Carolina as well as showcase regional fine arts, and learning labs designed as immersive educational environments around natural sciences, history and outdoor learning.

The museum buildings will be connected via a plaza that integrates hardscaping and outdoor educational spaces that complement the private uses of Avery Commons. A 30,000 SF privately developed commercial structure is proposed in this phase that will serve as the gateway piece into the museum and Avery Commons.

Public Investment		
USE	SF	BUILDING
Permanent Exhibits	9,000	Laundry (Existing)
Fine Arts Gallery and Learning Labs	12,000	Steam Plant (Existing)
Temporary Gallery	4,000	Machine Shop (Existing)
Classrooms	12,484	Saunders (Existing)
Auditorium	14,000	New Construction



WESTERN NC DISCOVERY CENTER EXTERIOR PERSPECTIVE

## AREA DRAWS

Morganton boasts a wide array of draws for active adults including opportunities for recreation and education. Within several miles of the campus, residents have access to golf courses, walking and birdwatching trails in the 230-acre Catawba Meadows Park, and seasonal attractions including fall foliage tours, local apple picking and the Annual Historic Morganton festival. Just three miles from the site, WPCC's academic and continuing education courses are free of charge to seniors.<sup>1</sup> With an eclectic commercial core, two historic districts and numerous historic landmarks, downtown Morganton boasts active green spaces and year-round programming. Located only 1.5 miles from the site, the downtown is a regional draw.

Morganton also features support services that ensure that seniors can age in place in their community. The District offers

first-rate access to health services including the Carolinas HealthCare System–Blue Ridge hospital, which is a 5-minute drive from the campus. Burke County is home to a cluster of healthcare services including family practice physicians, outpatient care, home health services and pharmacies, many of which are within a 15-minute drive from the campus.<sup>2</sup> Additionally, Burke County Senior Center organizes activities and programs for seniors including trainings, book clubs, creative writing groups, crafting, and recreation and travel opportunities.<sup>3</sup>

Finally, Morganton's many low- or no-cost amenities and activities and its low cost of living (compared to national averages)<sup>4</sup> makes the city an attractive place to retire for those on fixed incomes.



PARKS



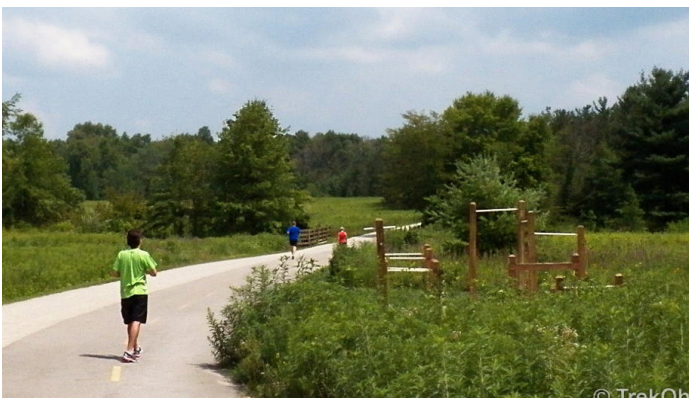
BLUE RIDGE PARKWAY



CAROLINAS HEALTHCARE SYSTEM–BLUE RIDGE HOSPITAL



BURKE COUNTY SENIOR CENTER



TRAILS



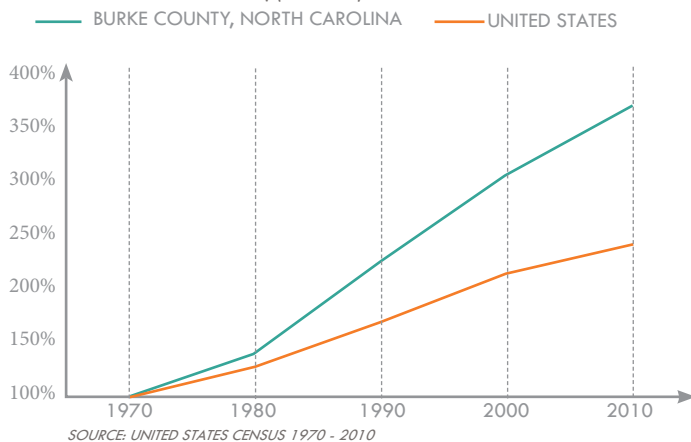
HISTORIC MORGANTON FESTIVAL

## MARKET INDICATORS AND COMPS

Morganton has an undersupply of suitable housing for its growing population of seniors. Only two comparable retirement communities (excluding nursing homes and assisted living facilities) operate within a 45-minute drive of the proposed project site (see Table 1), and only three within an hour drive. Of the six age-restricted communities surveyed in the Burke County Housing Needs Assessment, all are 100% occupied, with five properties operating wait lists of up to one year.<sup>5</sup> Furthermore, only 9.5% of apartment rentals in Burke County are age-restricted, despite the fact that adults over the age of 55 will represent 54% of the county's households by 2022.<sup>6</sup> Yet, Morganton's amenities are uniquely suited to the lifestyle of active seniors and have the potential to draw retired persons to the city if appropriate housing is available.

TABLE 1: COMPARABLE PROPERTIES WITHIN A 45-MINUTE DRIVE					
PROPERTY	UNIT TYPE	UNITS	MONTHLY RENT	ENTRANCE FEE	DISTANCE TO SITE
GRACE RIDGE	IND. LIVING	154	\$1,100-\$3,000	\$80,000-\$200,000	3 MILES
PINECREST	IND. LIVING	123	\$1,980-\$3,150	NONE	28 MILES

GRAPH 1: HISTORICAL GROWTH IN POPULATION 75+, (INDEXED) 1970-2010

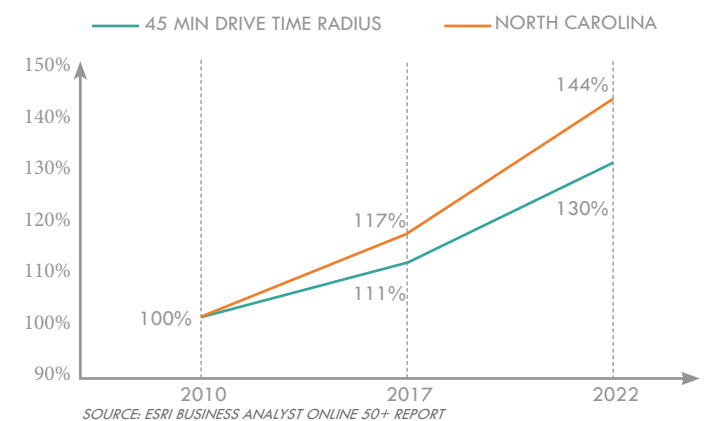


Population trends and projections also suggest that the number of seniors 75+ within a 45-minute drive-time radius of the District will have grown by 30% from 2010 to 2022<sup>7</sup> (see Graph 2, below), driving up local demand for senior living units. This trend is present at the state level, as well, which will put pressure on the existing supply of senior housing statewide. Given the projected number of households aged 75+ with annual incomes above \$50,000 and the stock of competing senior living facilities within 45 minutes of the site, an estimated 226 – 316 additional units of senior housing will be supported by the market over the next five years (see Table 2, below) – well within the project's proposed scope.

TABLE 2: NEW SENIOR LIVING PRODUCT SUPPORTED IN MORGANTON IN 2022	
PROJECTED HOUSEHOLDS 75+ WITH INCOMES ABOVE \$50,000	4,792
SUPPLY OF COMPETING SENIOR LIVING PRODUCT	- 277
NET PROJECTED DEMAND FOR SENIOR LIVING PRODUCT	4,515
TARGET CAPTURE RATE OF A GIVEN PROJECT	X5% - 7%
<b>SUPPORTED PROJECT SIZE IN MORGANTON, NC</b>	226 - 316
<b>EFFECTIVE CAPTURE RATE OF PROPOSED PROJECT (144 UNITS)</b>	3%
*MARKET AREA EXAMINED: 45 -MINUTE DRIVE TIME FROM THE SITE	

SOURCE: ESRI BUSINESS ANALYST ONLINE 50+ REPORT

GRAPH 2: INDEXED GROWTH IN POPULATION 75+ WITHIN 45 MINUTES OF THE SITE, PROJECTED TO 2022



## CASE STUDY

### CORDIA AT GRAND TRAVERSE COMMONS

- Location: Traverse City, Michigan
- Population: 15,000
- Program: 110 senior units incorporated into a 750,000 sq. ft mixed-use center that includes 41,000 sq. ft. of ground floor marketplace, and over 100,000 sq. ft. of commercial and residential space.
- Completion Date: 2014
- Former Land Use: Northern Michigan Asylum
- Overview: Formerly a Kirkbride-style asylum, Grand Traverse Commons is now a mixed-use home to residential, commercial, and office spaces including the Cordia active adult community. Cordia residences preserve the original architectural details of the iconic building, including large windows, cathedral ceilings and exposed brick walls. The community offers an amenity rich environment for active seniors including a courtyard, lounge, pub, movie theatre, salon and spa, woodworking studio, and fine dining options.



## FINANCIAL PERFORMANCE ASSUMPTIONS AND RETURN PROJECTIONS

Permanent Capital Sources				
	Percent	Per Key	Per GSF	Total
Historic Tax Credit Equity	18%	\$ 73,984	\$ 31	10,653,637
Primary Loan	62%	\$ 250,687	\$ 105	36,098,923
Seller Note	5%	\$ 19,861	\$ 8	2,860,000
Equity	15%	\$ 59,537	\$ 25	8,573,376
<b>Total Sources</b>		<b>\$ 404,069</b>	<b>\$ 169</b>	<b>\$ 58,185,936</b>

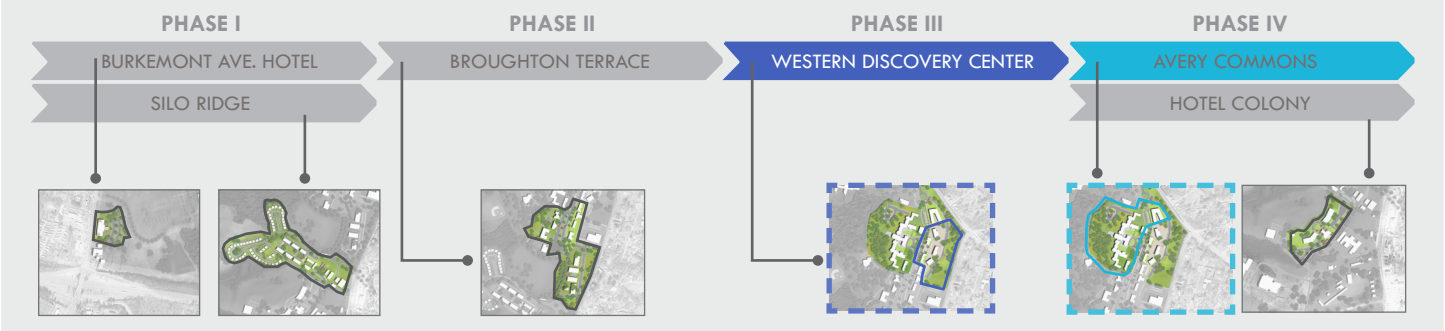
Project Cost of Capital & Returns	
Rate	6.0%
Amortization	25
Stabilized DSCR (Year 4)	1.21
Yield on Cost (Stabilized Year 4)	6%
Cash-on-Cash (Stabilized Year 4)	6%
Exit Cap Rate	6.75-7.25%
Internal Rate of Return (6 Year Hold)	15-19%
Equity Multiple (6 Year Hold)	2.1-2.6x

Development Budget				
	Per Key	Per GSF	Total	
<b>Acquisition Cost</b>	<b>\$ 19,861</b>	<b>\$ 8</b>	<b>\$ 2,860,000</b>	
Sitework	\$ 20,736	\$ 9	\$ 2,986,000	
Building Renovations, Construction & TI	\$ 237,048	\$ 99	\$ 34,134,921	
General Conditions	\$ 11,348	\$ 5	\$ 1,634,063	
Contingency	\$ 13,457	\$ 6	\$ 1,937,749	
Contractors Fee and Overhead	\$ 16,955	\$ 7	\$ 2,441,564	
A&E Fee	\$ 20,394	\$ 9	\$ 2,936,698	
<b>Total Hard Costs</b>	<b>\$ 319,937</b>	<b>\$ 134</b>	<b>\$ 46,070,995</b>	
Total FF&E and Pre-Opening	\$ 17,970	\$ 8	\$ 2,587,610	
Construction Period Taxes	\$ 122	\$ 0	\$ 17,518	
Legal & Accounting Fees	\$ 764	\$ 0	\$ 110,000	
Due Diligence	\$ 309	\$ 0	\$ 44,500	
Financing Cost	\$ 5,640	\$ 2	\$ 812,226	
Loan Carried Interest	\$ 8,273	\$ 3.46	\$ 1,191,264	
Total Bridge Loan Carried Interest	\$ 5,696	\$ 2	\$ 820,161	
Total Bridge Loan Origination Fee	\$ 1,479	\$ 1	\$ 213,029	
Developer Fee	\$ 16,163	\$ 7	\$ 2,327,437	
Operating Reserve	\$ 7,856	\$ 3	\$ 1,131,197	
<b>Total Soft Costs</b>	<b>\$ 46,301</b>	<b>\$ 19</b>	<b>\$ 6,667,331</b>	
<b>Total Development Costs</b>	<b>\$ 404,069</b>	<b>\$ 169</b>	<b>\$ 58,185,936</b>	

Rent Roll				
Unit Type	Unit Count	Avg. Unit \$/Month	2nd Resident Fee	2nd Resident %
Efficiency	18	\$ 2,000	\$ 750	0%
1 BR	108	\$ 3,100	\$ 750	10%
2 BR	18	\$ 3,300	\$ 750	35%
	144	\$ 2,988		
weighted avg.				

Operating Cash Flow						
	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6
<b>Rooms</b>	144	144	144	144	144	144
<b>Gross Revenues</b>	<b>\$ 5,316,300</b>	<b>\$ 5,522,796</b>	<b>\$ 5,737,552</b>	<b>\$ 5,960,898</b>	<b>\$ 6,193,178</b>	<b>\$ 6,434,749</b>
Maximum Monthly Rent	\$ 443,025	\$ 460,233	\$ 478,129	\$ 496,741	\$ 516,098	\$ 536,229
Rent Escalator	4%	4%	4%	4%	4%	4%
Annual Rent Revenue	\$ 5,316,300	\$ 5,522,796	\$ 5,737,552	\$ 5,960,898	\$ 6,193,178	\$ 6,434,749
<b>Vacancy Allowance</b>	<b>\$ 1,594,890</b>	<b>\$ 662,736</b>	<b>\$ 459,004</b>	<b>\$ 476,872</b>	<b>\$ 495,454</b>	<b>\$ 514,780</b>
Vacancy Rate	30%	12%	8%	8%	8%	8%
Move-In Fees	\$ 151,200	\$ 38,880	\$ 8,640	\$ 71,539	\$ 71,539	\$ 55,642
Move-In Fee	\$ 1,500	\$ 1,500	\$ 1,500	\$ 1,500	\$ 1,500	\$ 1,500
Marsh Restaurant Rent (net)	\$ 219,840	\$ 224,237	\$ 228,722	\$ 233,296	\$ 237,962	\$ 242,721
Storage Unit Rent	\$ 48,000	\$ 48,960	\$ 49,939	\$ 50,938	\$ 51,957	\$ 52,996
<b>Gross Effective Income</b>	<b>\$ 4,140,450</b>	<b>\$ 5,172,137</b>	<b>\$ 5,565,848</b>	<b>\$ 5,839,799</b>	<b>\$ 6,059,181</b>	<b>\$ 6,271,328</b>
<b>Operating Expenses</b>	<b>\$ 2,058,181</b>	<b>\$ 2,207,760</b>	<b>\$ 2,287,207</b>	<b>\$ 2,350,237</b>	<b>\$ 2,412,018</b>	<b>\$ 2,474,962</b>
Admin	\$ 132,480	\$ 136,454	\$ 140,548	\$ 144,764	\$ 149,107	\$ 153,581
Marketing	\$ 158,976	\$ 163,745	\$ 168,658	\$ 173,717	\$ 178,929	\$ 184,297
Repairs & Maintenance	\$ 211,968	\$ 218,327	\$ 224,877	\$ 231,623	\$ 238,572	\$ 245,729
Utilities	\$ 120,960	\$ 156,626	\$ 168,658	\$ 173,717	\$ 178,929	\$ 184,297
Dietary	\$ 529,920	\$ 545,818	\$ 562,192	\$ 579,058	\$ 596,430	\$ 614,323
Housekeeping	\$ 80,640	\$ 104,417	\$ 112,438	\$ 115,812	\$ 119,286	\$ 122,865
Activities	\$ 52,992	\$ 54,582	\$ 56,219	\$ 57,906	\$ 59,643	\$ 61,432
Payroll Taxes/Benefits	\$ 132,480	\$ 136,454	\$ 140,548	\$ 144,764	\$ 149,107	\$ 153,581
Insurance	\$ 66,240	\$ 68,227	\$ 70,274	\$ 72,382	\$ 74,554	\$ 76,790
Replacement Reserve	\$ 64,800	\$ 64,800	\$ 64,800	\$ 64,800	\$ 64,800	\$ 64,800
Operating Expense Escalator	3%	3%	3%	3%	3%	3%
Management Fee	\$ 207,023	\$ 258,607	\$ 278,292	\$ 291,990	\$ 302,959	\$ 313,566
City of Morganton Taxes	\$ 129,667	\$ 129,667	\$ 129,667	\$ 129,667	\$ 129,667	\$ 129,667
Burke County Taxes	\$ 170,035	\$ 170,035	\$ 170,035	\$ 170,035	\$ 170,035	\$ 170,035
<b>NOI of Revenue</b>	<b>\$ 2,082,269</b>	<b>\$ 2,964,377</b>	<b>\$ 3,278,642</b>	<b>\$ 3,489,563</b>	<b>\$ 3,647,163</b>	<b>\$ 3,796,366</b>
Per Occupied Room	\$ 20,657	\$ 23,393	\$ 24,748	\$ 26,340	\$ 27,530	\$ 28,656
NOI Valuation	\$ 28,720,953	\$ 40,887,961	\$ 52,226,644	\$ 48,131,897	\$ 50,305,701	\$ 52,363,663
<b>Total Ownership Expenses</b>	<b>\$ (2,223,135)</b>	<b>\$ (2,439,409)</b>	<b>\$ (3,097,374)</b>	<b>\$ (3,097,374)</b>	<b>\$ (3,097,374)</b>	<b>\$ (3,185,641)</b>
BTCLF with Reserve	555,784	524,968	504,002	504,002	549,790	610,725
DSCR	1.25	1.33	1.25	1.25	1.27	1.28
Yield on Cost	4%	5%	6%	6%	6%	7%
Cash on Cash	7%	6%	6%	6%	6%	7%

## 10 - YEAR DEVELOPMENT TIMELINE



- (1) Western Piedmont Community College website.
- (2) Bureau of Labor Statistics – 2016 Quarterly Census of Employment and Wages.
- (3) Burke County Senior Center Newsletter – January/February 2018.
- (4) “Cost of Living: Morganton, North Carolina.” *Sperling’s Best Places*.
- (5) Burke County Preliminary Housing Needs Assessment.
- (6) ESRI Business Analyst Online Age 50+ Profile; Burke County Preliminary Housing Needs Assessment.
- (7) ESRI Business Analyst Online Age 50+ Profile.