



VISION STATEMENT

An active adult community anchors the District's southeastern corner adjacent to new residential development and destination retail housed in adaptively reused barn structures. Residents enjoy the historic architecture of the Colony building, the surrounding community, and the natural beauty of the site's flourishing old-growth trees and Blue Ridge Mountain vistas. The larger District 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 an opening in the market for a quality development.



PROJECT SCOPE

PROGRAM	
NEW CONSTRUCTION	144 UNITS
RECEPTION AND AMENITY (COLONY BUILDING)	19,040 SF
SPA	2,080 SF



PROJECT DESCRIPTION

Colony Commons is an active adult community anchored around the historic Colony Building and Abattoir. Located behind and flanking the Colony Building, two newly constructed 3-story apartment buildings provide modern living environments, pastoral views across the campus, as well as the conveniences that come with urban density. Visually subordinate to the historic Colony Building, the apartment blocks provide a backdrop of modern-traditional architecture, clad with painted lap siding, smooth stucco panels and brick accents, and low slope shingled roofs with generous shaded overhangs. Punched glass window openings provide ample daylight into the apartments, while not overpowering the residential character of the buildings' exterior look.

Nestled between the two apartment blocks is the colonial brick and slate Colony Building, where resident amenities are housed. Residents stroll from their apartment building through a first floor glass connector into the main lobby of the Colony Building, where they access the building administration, laundry facilities, club house, mini-theater, salon and barber shop, as well as a craft room and the Colony Café, with its exterior porches overlooking idyllic rolling hills below. Historic interior finishes are showcased throughout the Colony Building, including pressed tin ceilings, plaster walls, refinished historic wood plank floors, wood wainscoting, and fluted columns. An open-air porch and balcony on the front of the building welcomes approaching residents and visitors.

A paved walking path passes the swimming pool and lush event lawn, connecting the apartment blocks to the historic brick and concrete Abattoir Building, where residents can exercise in a state of the art fitness center, or pursue wood-working activities in a fully outfitted craft shop. The property is connected via walkways to the Silo Ridge Village and additional outdoor recreation on the District greenways and parks that lead to downtown Morganton.



TRAILS



CAROLINAS HEALTHCARE SYSTEM BLUE RIDGE

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.¹ With an eclectic commercial core, two historic districts and numerous historic landmarks, downtown Morganton boasts active green spaces and year-round programming. Located only two 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.² Additionally, Burke County Senior Center organizes activities and programs for seniors including trainings, book clubs, creative writing groups, crafting, and recreation and travel opportunities.³

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



HISTORIC MORGANTON FESTIVAL



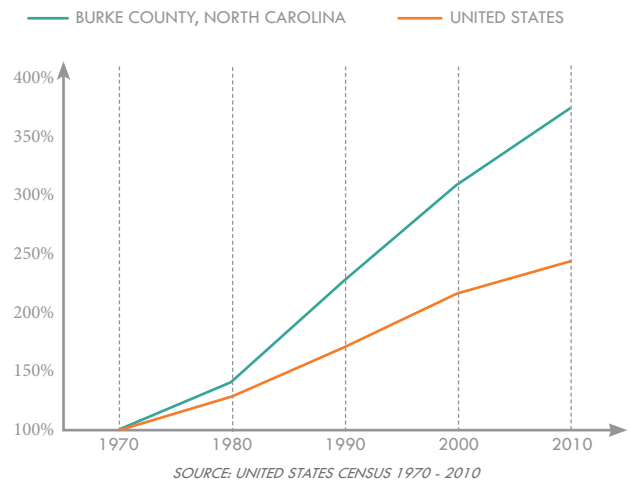
BURKE COUNTY SENIOR CENTER

MARKET INDICATORS AND COMPS

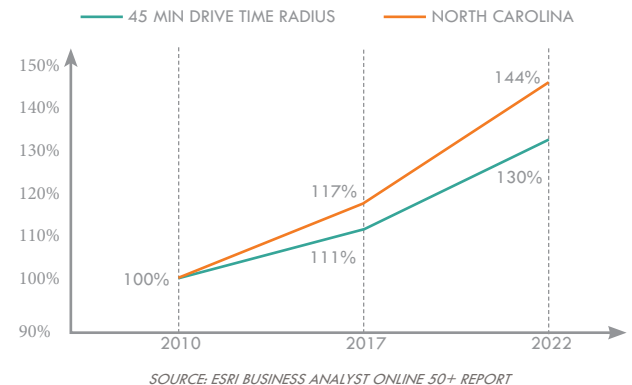
Morganton has an undersupply of suitable housing for its growing population of seniors. Only two comparable retirement communities (excluding nursing homes and assisted living facilities) operate within a 45-minute drive of the proposed project site (see Table 1), and only three within an hour drive. 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.⁵ 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 2022.⁶ 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.

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 2022⁷ (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.

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



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



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

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	5% - 7%
SUPPORTED PROJECT SIZE IN MORGANTON, NC	226 - 316
EFFECTIVE CAPTURE RATE OF PROPOSED PROJECT (144 UNITS)	3%
*MARKET AREA EXAMINED: 45 MINUTE DRIVE TIME FROM SITE	

SOURCE: ESRI BUSINESS ANALYST ONLINE 50+ REPORT

CASE STUDY

GALLOWAY RIDGE AT FEARRINGTON VILLAGE

- Location: Chatham County, NC
- Population: 69,000
- Program: 183 independent living units, 49 cottages, 22 assisted living units and 16 skill nursing beds within a mixed-use artisan retail village
- Completion Date: 2005
- Former Land Use: Dairy Farm
- Overview: Galloway Ridge is a continuing care retirement community situated within the Fearrington Village, a mixed-use community occupying former agricultural land. Galloway Ridge offers on-site amenities including a theater, library, salon and a fitness center. Yet, the Fearrington Village also offers nearby boutique shopping, farm-to-table eateries and a charming, rustic atmosphere that stems from the preservation of the village's historic agricultural features.



FINANCIAL PERFORMANCE ASSUMPTIONS AND RETURN PROJECTIONS

Permanent Capital Sources				
	Percent	Per Key	Per GSF	Total
Historic Tax Credit Equity	5%	\$ 13,050	\$ 15	\$ 1,879,192
Primary Loan	77%	\$ 220,500	\$ 260	\$ 31,751,967
Equity	18%	\$ 51,578	\$ 61	\$ 7,427,229
Total Sources		\$ 285,128	\$ 336	\$ 41,058,389

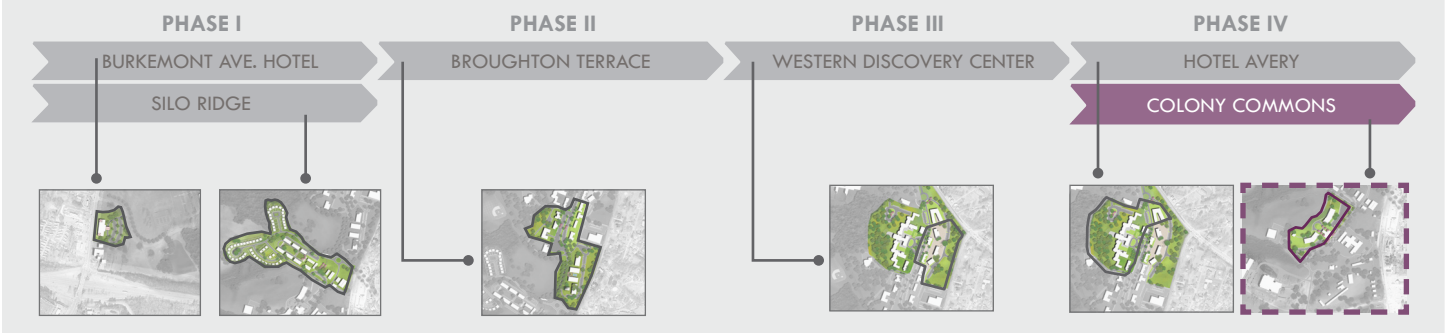
Project Cost of Capital & Returns	
Rate	6.0%
Amortization	25
Stabilized DSCR (Year 4)	1.24
Yield on Cost (Stabilized Year 4)	7%
Cash-on-Cash (Stabilized Year 4)	8%
Exit Cap Rate	6.75 - 7.25%
Equity Multiple (6 Year Hold)	2.6 - 3.1
Internal Rate of Return (6 Year Hold)	20% - 23%

Development Budget				
	Per Key	Per GSF	Total	
Acquisition Cost	\$ 9,190	\$ 11	\$ 1,323,400	
Sitework	\$ 19,148	\$ 23	\$ 2,757,250	
Building Renovations & Construction	\$ 167,326	\$ 197	\$ 24,095,000	
General Conditions	\$ 8,124	\$ 10	\$ 1,169,850	
Contingency	\$ 9,730	\$ 11	\$ 1,401,105	
Contractors Fee and Overhead	\$ 16,346	\$ 19	\$ 2,353,856	
A&E Fee	\$ 14,918	\$ 18	\$ 2,148,180	
Total Hard Costs	\$ 235,592	\$ 278	\$ 33,925,241	
Total FF&E and Pre-Opening	\$ 7,488	\$ 9	\$ 1,078,200	
Construction Period Taxes	\$ 113	\$ 0	\$ 16,212	
Legal & Accounting Fees	\$ 764	\$ 1	\$ 110,000	
Due Diligence	\$ 309	\$ 0	\$ 44,500	
Financing Cost	\$ 4,961	\$ 6	\$ 714,419	
Loan Carried Interest	\$ 7,276	\$ 9	\$ 1,047,815	
Bridge Loan Carried Interest	\$ 1,004	\$ 1	\$ 144,613	
Bridge Loan Origination Fee	\$ 261	\$ 0	\$ 37,562	
Developer Fee	\$ 11,405	\$ 13	\$ 1,642,336	
Operating Reserve	\$ 6,765	\$ 8	\$ 974,092	
Total Soft Costs	\$ 32,858	\$ 39	\$ 4,731,548	
Total Development Costs	\$ 285,128	\$ 336	\$ 41,058,389	

Rent Roll				
Unit Type	Unit Count	Avg. Unit \$/Month	2nd Resident Fee	2nd Resident %
Efficiency	19	\$ 2,000	\$ 750	0%
1 BR	108	\$ 3,100	\$ 750	10%
2 BR	17	\$ 3,300	\$ 750	35%
	144	\$ 2,978		
		weighted avg.		

Operating Cash Flow						
	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6
Rooms	144	144	144	144	144	144
Gross Revenues	5,297,550	5,503,422	5,717,529	5,940,200	6,171,778	6,412,619
Maximum Monthly Rent	\$ 441,463	\$ 458,619	\$ 476,461	\$ 495,017	\$ 514,315	\$ 534,385
Rent Escalator	4%	4%	4%	4%	4%	4%
Annual Rent Revenue	\$ 5,297,550	\$ 5,503,422	\$ 5,717,529	\$ 5,940,200	\$ 6,171,778	\$ 6,412,619
Vacancy Allowance	\$ 1,589,265	\$ 660,411	\$ 457,402	\$ 475,216	\$ 493,742	\$ 513,010
Vacancy Rate	30%	12%	8%	8%	8%	8%
Move-In Fees	\$ 151,200	\$ 38,880	\$ 8,640	\$ 71,539	\$ 71,539	\$ 55,642
Gross Effective Income	\$ 3,859,485	\$ 4,881,891	\$ 5,268,767	\$ 5,536,523	\$ 5,749,575	\$ 5,955,251
Operating Expenses	\$ 2,176,226	\$ 2,325,341	\$ 2,404,446	\$ 2,467,166	\$ 2,528,631	\$ 2,591,252
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 Per Occupied Room	\$ 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	\$ 192,974	\$ 244,095	\$ 263,438	\$ 276,826	\$ 287,479	\$ 297,763
City of Morganton Taxes	\$ 186,818	\$ 186,818	\$ 186,818	\$ 186,818	\$ 186,818	\$ 186,818
Burke County Taxes	\$ 244,978	\$ 244,978	\$ 244,978	\$ 244,978	\$ 244,978	\$ 244,978
NOI	\$ 1,683,259	\$ 2,556,550	\$ 2,864,320	\$ 3,069,357	\$ 3,220,944	\$ 3,363,999
% of Revenue	44%	52%	54%	55%	56%	56%
Per Occupied Room	\$ 16,699	\$ 20,175	\$ 21,621	\$ 23,168	\$ 24,313	\$ 25,393
NOI Valuation	\$ 23,217,364	\$ 35,262,759	\$ 39,507,867	\$ 42,335,957	\$ 44,426,810	\$ 46,399,992
Total Ownership Expenses	\$ (1,905,118)	\$ (1,943,216)	\$ (2,521,951)	\$ (2,521,951)	\$ (2,521,951)	\$ (2,521,951)
BTCF from Operations	\$ 476,280	\$ 613,334	\$ 582,865	\$ 582,865	\$ 698,993	\$ 842,049
Debt Service Coverage Ratio	1.25	1.34	1.25	1.25	1.30	1.35
Yield on Cost	4%	6%	7%	8%	8%	8%
Cash on Cash	6%	8%	8%	8%	9%	11%

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.