



Board Study Session

March 27, 2019

Healthy Living Campus

WHAT & WHY

- ✓ **Jan. 14:** Reviewed master plan with Community Working Group (CWG)
- ✓ **Jan. 23:** Board study session to review master plan publicly

HOW

- ✓ **Feb. 4:** Reviewed financials/phasing with Finance Committee
- ✓ **Feb. 25:** Review financials/phasing with Community Working Group
- ✓ **Feb. 27:** Board study session to review financials/phasing

NEXT STEPS

- ✓ **March 11:** Finance Committee meeting to review Board questions
- ✓ **March 23:** Community open house & input

March 27: March Board Study Session

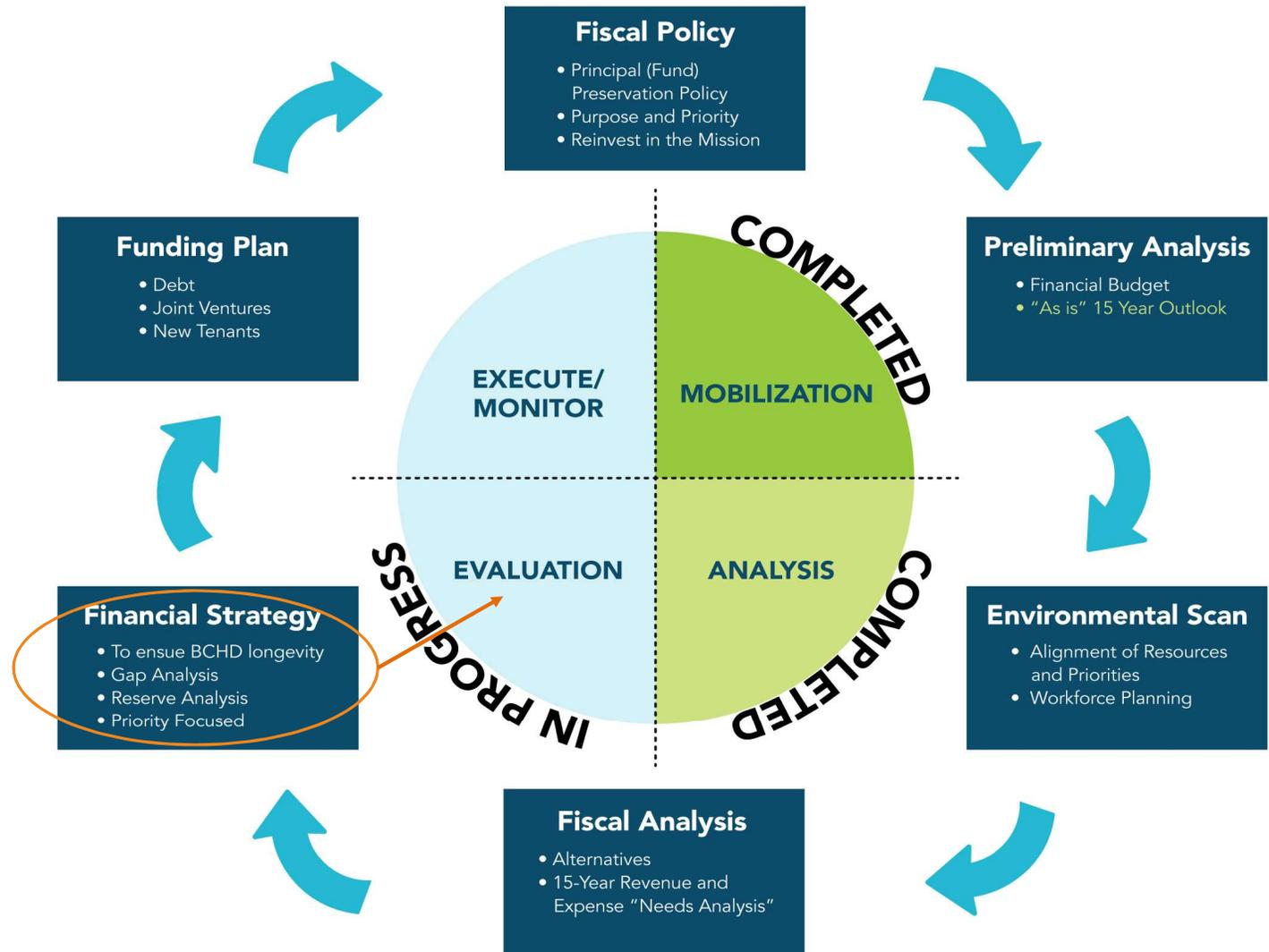
April 15: Community Working Group Meeting

April 24: Board Meeting

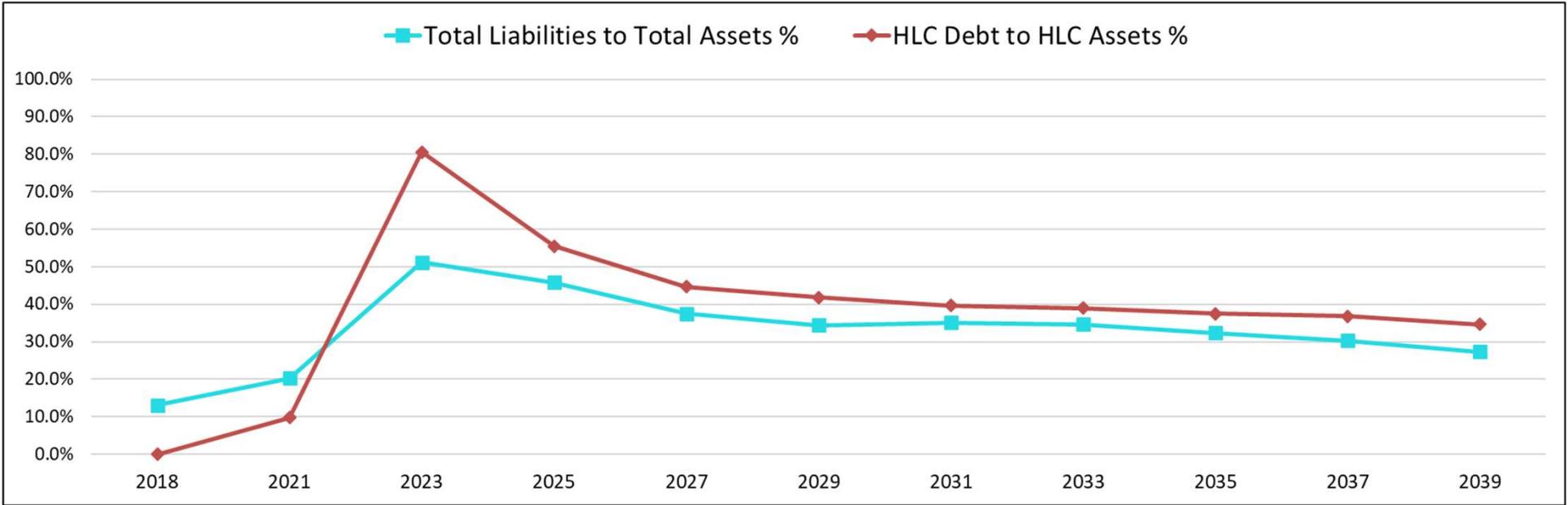
Agenda:

- Financial Strategy Scenarios
 - Reduce Cost Escalation Expense - 510 Buy-Out
 - Reducing Non-Revenue Producing Costs
 - Ownership Scenarios
 - Phasing Options
- Open House Recap
- CEQA & EIR Overview

Long-Term Financial Planning Cycle

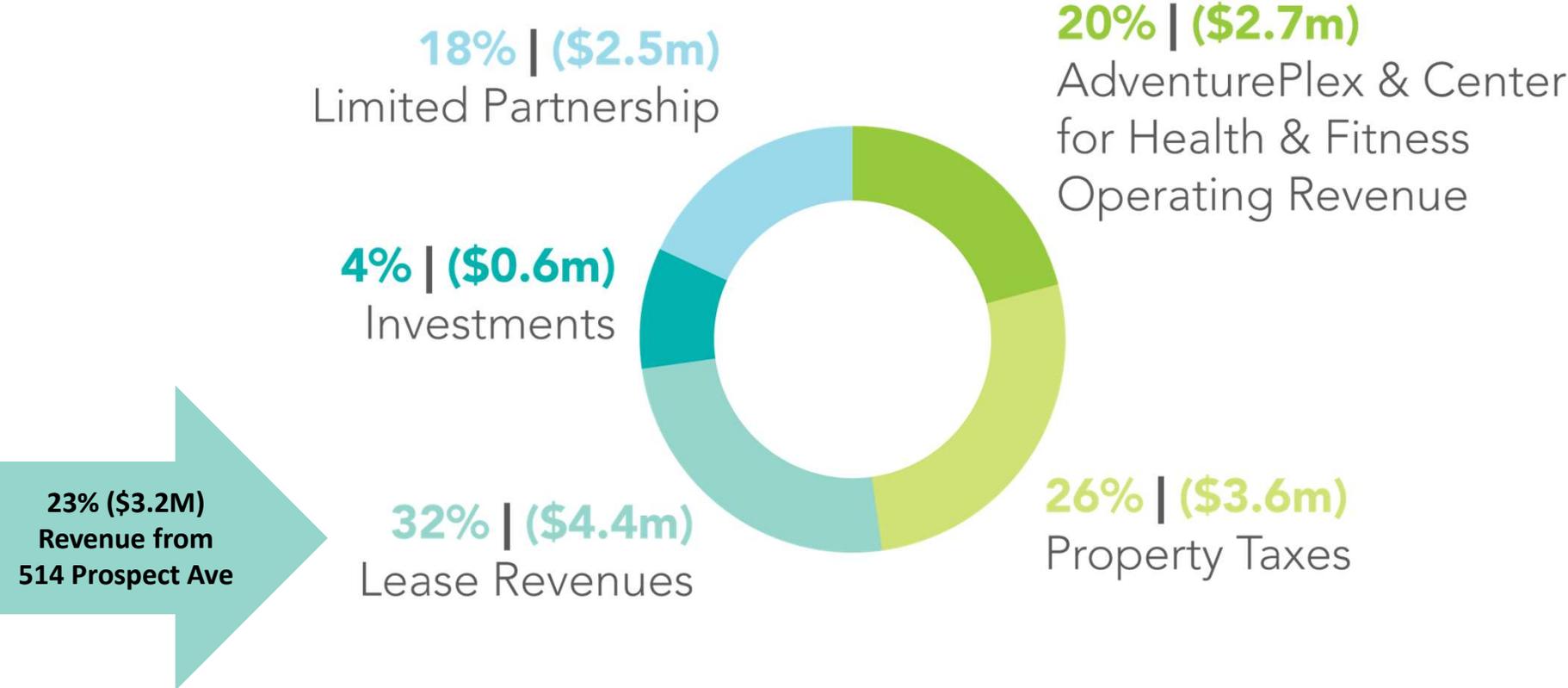


Healthy Living Campus Financial Strategy – \$537M	Timing	Debt – Millions	Equity – Millions	Gap - Capital Contribution	Trade-offs
BCHD 50% - Partner 50% - Example	5-15 Years	\$134 M	\$ 30 M	\$ 104 M	Financially feasible



Millions	2018	2021	2023	2025	2027	2029	2031	2033	2035	2037	2039
Total Assets	\$ 68.3	\$ 59.8	\$ 107.0	\$ 163.6	\$ 188.0	\$ 188.3	\$ 224.3	\$ 286.2	\$ 280.7	\$ 268.4	\$ 262.8
Total Liabilities	8.9	12.1	54.8	75.0	70.1	64.8	78.7	99.1	90.1	81.4	71.9
HLC Assets	1.8	5.8	60.0	126.3	146.9	143.0	185.2	241.1	227.4	206.5	191.6
HLC Debt	-	4.7	48.3	70.1	65.6	59.8	73.5	93.9	85.4	76.0	66.4

Funding a Healthy Beach Community



Healthy Living Campus Project Pillars



Health

- Build a center of excellence focusing on wellness, prevention & research
- **Leverage the campus to expand community health programs & services**



Livability

- Focus on emerging technologies, innovation & accessibility
- Create an intergenerational hub of well-being, using Blue Zones Project principles



Community

- Actively engage the community & pursue partnerships
- Grow a continuum of programs, services & facilities to help older adults age in their community

BCHD Assets & Strengths

- Highly valued land, assets & organization
- \$15 million in cash
- Ability to issue tax-exempt debt
- Significant market need for Residential Care for the Elderly (RCFE)
- Proven public-private partnership (P3) experience
(\$2.3M or 17% of BCHD Funding, Ownership Evolved)

BCHD-Sunrise Ownership Evolution

1997

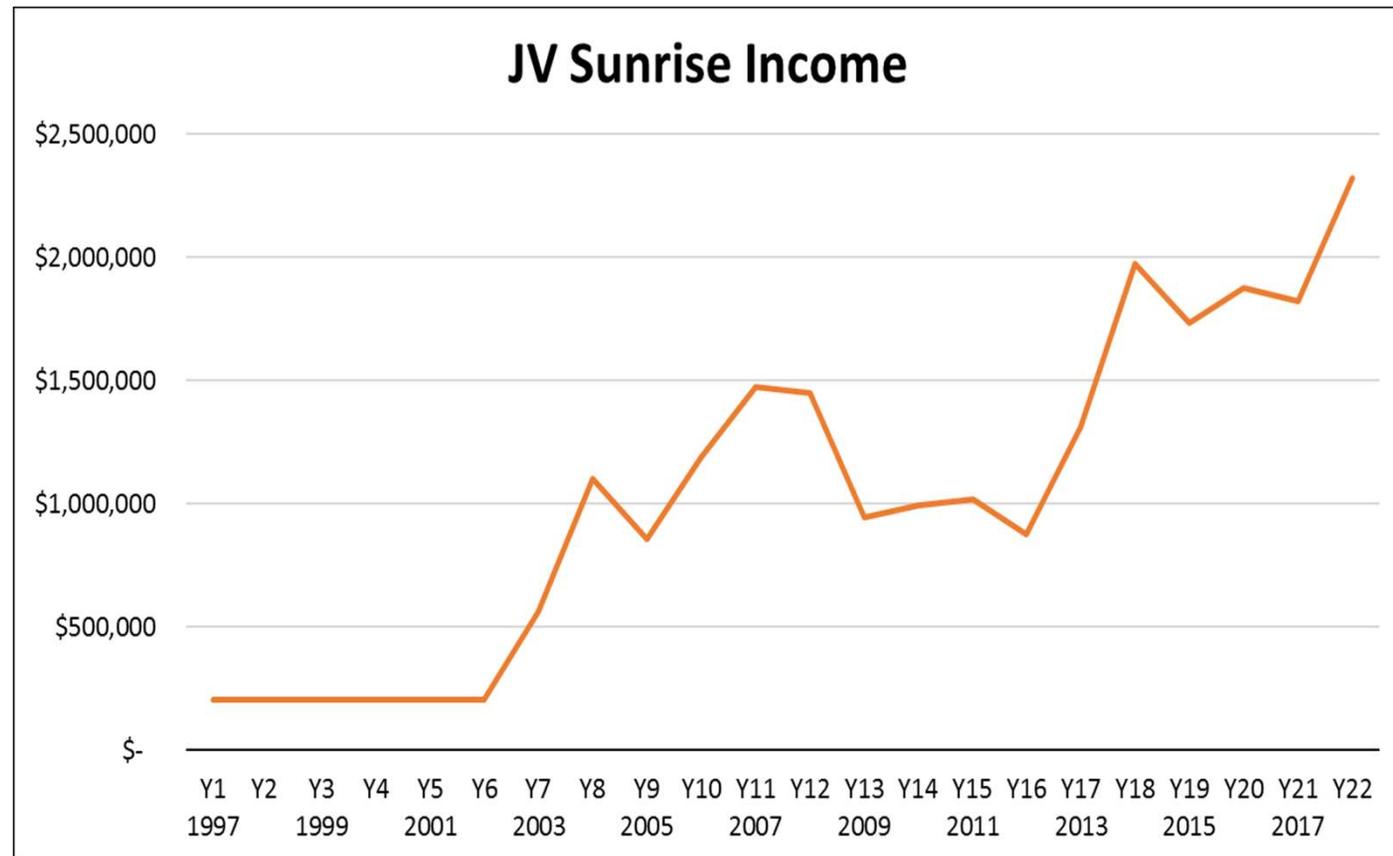
- Land Lease
- \$17,000 / Month
- 1999 Operations Begin

2002

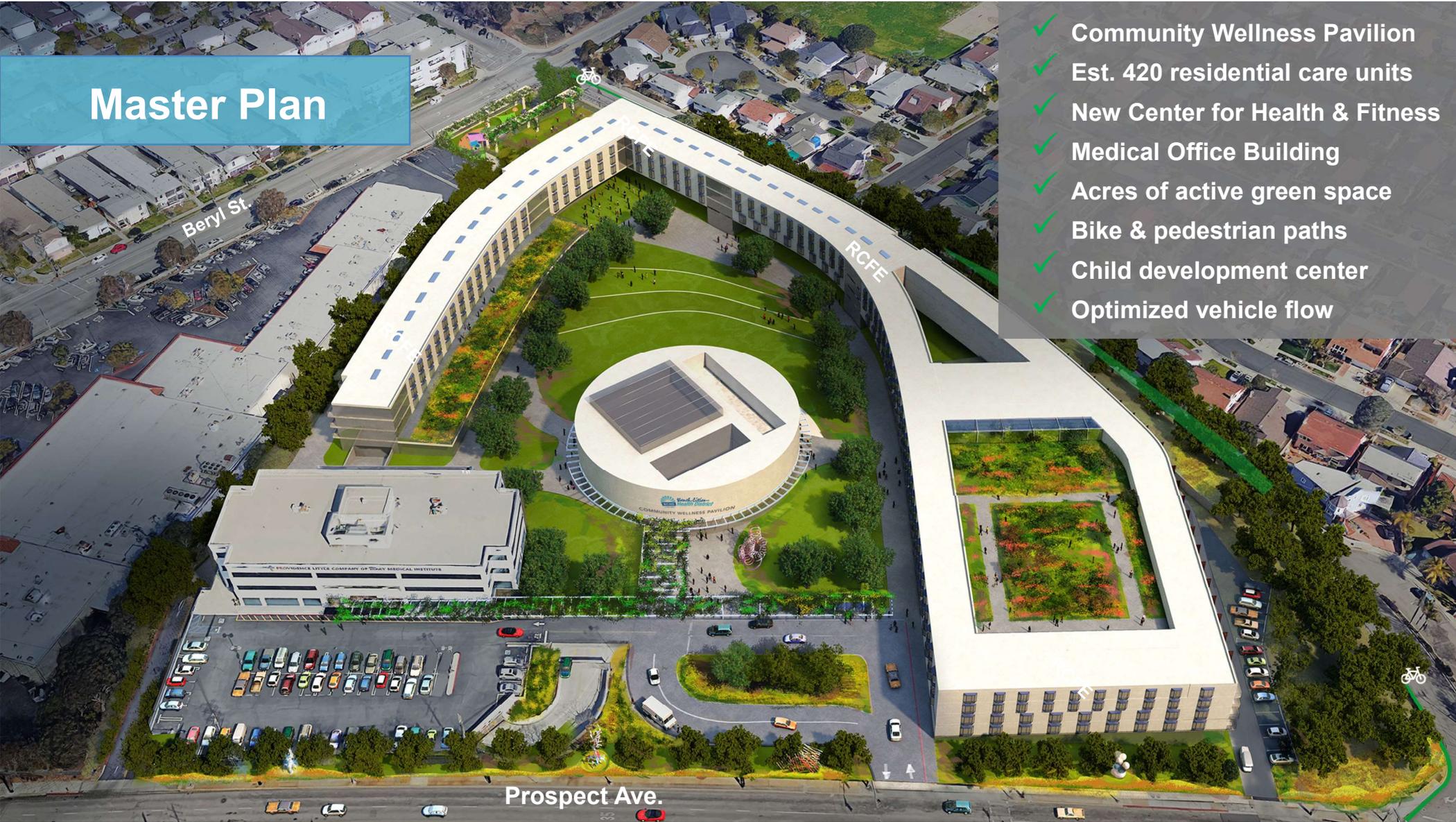
- 80% Owner
- \$4.4M Capital
- \$9.8M Debt

2012

- \$7.8M Debt Paid Up
- \$14.2M Investment



Master Plan



- ✓ Community Wellness Pavilion
- ✓ Est. 420 residential care units
- ✓ New Center for Health & Fitness
- ✓ Medical Office Building
- ✓ Acres of active green space
- ✓ Bike & pedestrian paths
- ✓ Child development center
- ✓ Optimized vehicle flow



Master Plan: Phases, Costs & Timeline Estimates

Phase 1

2022-2025

Program	Estimated Costs	% of Cost
RCFE (162 Units)	\$110M	72%
Parking	18M	12%
Center for Health & Fitness	15M	10%
Child Development	10M	6%

		100%

\$153M

- Plus Flagler/Diamond Bike-Ped Path \$1.8M
- Includes construction escalation costs of \$14M

Total

2022 - 2035

Program	Estimated Costs	% of Cost
RCFE (420 Units)	\$375M	70%
- Parking	62M	11%
Childcare Center	10M	2%

Revenue Generating Costs	\$447M	83%
Center for Health & Fitness	15M	3%
Wellness Pavilion	73M	13.7%
Flagler/Diamond Bike-Path	1.8M	0.3%

		100%

\$537M

- Includes construction escalation costs of \$90M

Assumptions: No 510 buy-out, no land value, no childcare revenue, includes construction escalation costs

M = Millions

Master Plan: Costs Estimates & Ownership Options

Healthy Living Campus Financial Strategy Examples – ESTIMATES	Timing	Revenue Debt – Millions	Equity – Millions	Gap - Capital Contribution	Trade-offs
BCHD 100% - Cost \$537M	5-15 Years	\$ 275M	\$ 54M	\$208M	Financially infeasible
Phase 1 - \$154M		\$102	\$ 17	\$ 35	
Phase 2 - \$149M		\$ 50	\$ 1	\$ 98	
Phase 3 - \$234M		\$123	\$ 36	\$ 75	
BCHD 50% - Cost \$269M	5-15 Years	\$134M	\$ 30M	\$104M	Financially manageable
Phase 1 - \$77M		\$ 48	\$ 16	\$ 13	
Phase 2 - \$75M		\$ 25	\$ 1	\$ 49	
Phase 3 - \$117M		\$ 61	\$ 14	\$ 42	

Assumptions: No 510 buy-out, no land value, no childcare revenue, includes construction escalation costs

M = Millions

Long-term Financial Strategy: How to Close Capital Contribution Gap?

Equity

Cash
Land
Buildings
BCHD Value

Debt Financing

Municipal Bonds
Private Lenders

P3

Investors
Operators
Health Partnerships

New Revenue Sources

Grants
Philanthropy
Sponsorships/Naming
New Programming
Public Funding

Long-term Financial Strategy: How to Close Capital Contribution Gap?

1. Consider 510 lease buy-out
 - Cost savings, reduced escalation cost: \$26.5M
 - Shortens project timeline by 5-7 years
 - Net cost reduction: \$15M
 - No impact on Gap
2. Reduce project scope – non-revenue components
3. Adjust (Optimize) BCHD ownership %
4. Assess land & BCHD value
5. Explore new funding sources (new programs, grants, philanthropy, etc.)

Board Questions & Suggested Review

How to Close the Capital Contribution Gap?

- **Consider 510 lease buy-out**
 - a) Cost savings, reduces escalation costs, no Gap reduction
 - b) Shortens project timeline by 5-7 years
- **Reduce project scope – non-revenue components**
 - a) Reduce Center for Health & Fitness (CHF)
 - b) Reduce one floor at the Community Wellness Pavilion
 - c) No Community Wellness Pavilion

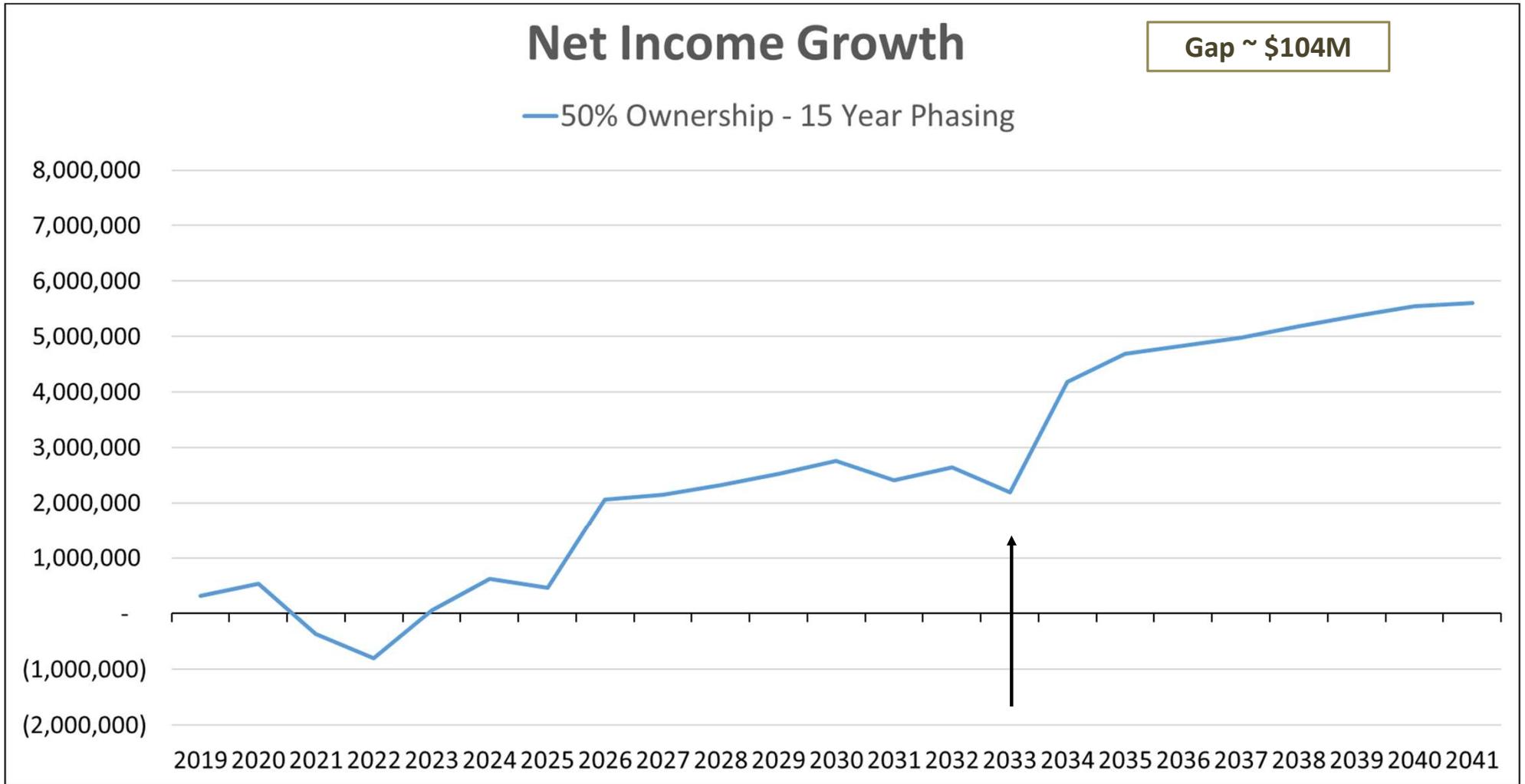
Other Questions

- **RCFE Demographics**
- **Market Study**

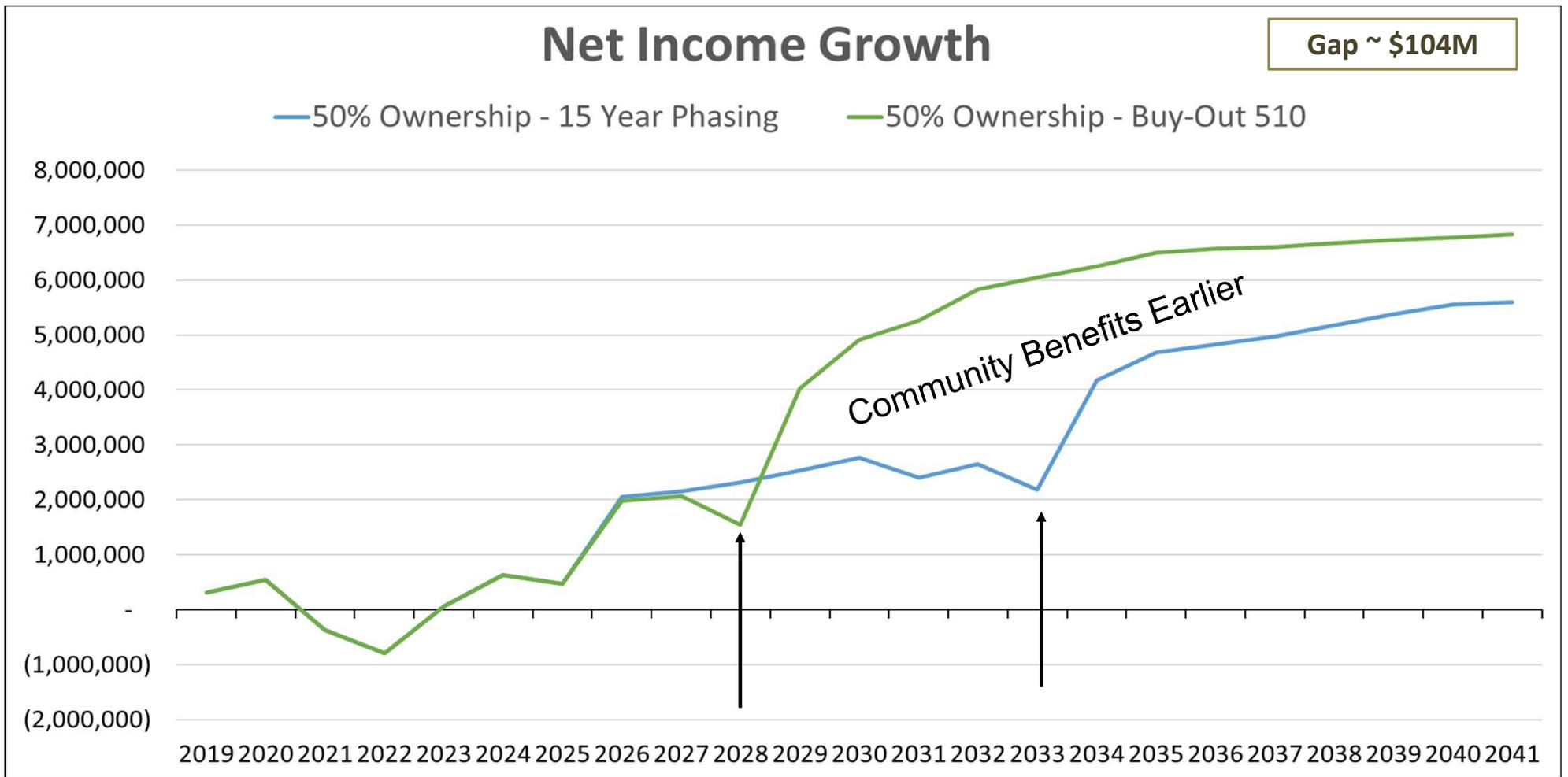
Healthy Living Campus Financial Strategy Examples – 510 Buy-Out ESTIMATES	Timing	Revenue Debt – Millions	Equity – Millions	Gap - Capital Contribution	Trade-offs
BCHD 100% - \$537M	5-15 Years	\$ 275M	\$ 54M	\$208M	Financially infeasible
BCHD 50% - \$269 M	5-15 Years	\$134M	\$ 30M	\$104M	Financially feasible/ negotiated partnerships
Phase 1 - \$77M		\$ 48	\$ 16	\$ 13	
Phase 2 - \$75M		\$ 25	\$ 1	\$ 49	
Phase 3 - \$117M		\$ 61	\$ 14	\$ 42	
BCHD 50% - \$256 M (Less cost \$26.5M x 50%, + \$11.5 x 50% Gap, Net \$15M)	5-10 Years	\$139M	\$19M	\$98M (+\$5.75M)	Gap is same Income Earlier Financially feasible
Phase 1 - \$77M		\$ 48	\$ 16	\$ 13	Same
Phase 2 - \$75M		\$ 25	\$ 1	\$ 49	Same
Phase 3 - \$104M		\$ 66	\$ 2	\$ 36 (+\$5.75M)	Can't Contribute Equity as much

M = Millions

How: Scenario – HLC Master Plan Vision (510 No Buy-Out)



How: Scenario – HLC Master Plan Vision (510 Buy-Out)



Reduced Project Scope: Non-revenue Components	Reduced Cost *
Reduced Center for Health & Fitness (CHF) <ul style="list-style-type: none"> • No warm water therapy pool • CHF Mast Plan: 19,300 Sq. Ft. <ul style="list-style-type: none"> • Reduce 7,000 Sq. Ft. 	\$4.7M
Reduced / No Community Wellness Pavilion <ul style="list-style-type: none"> • No demonstration kitchen and reduced meeting/research space <ul style="list-style-type: none"> • Reduce Pavilion by 18,000 (one floor) 	\$21.9M / \$73M
Total	\$26.6M / \$77.7M
Reduce Cost Escalation: 510 Lease Buy-out	
Escalation Costs <ul style="list-style-type: none"> • Costs Savings • Shortens project timeline by 5-7 years 	\$15M
Reduced Project Scope & 510 Lease Buy-out Total	\$41.6M / \$92.7M

* **Assumptions:** Savings are adjusted based on Ownership level, i.e. 50% Ownership, 50% cost savings

Reducing Non-Revenue Costs

Healthy Living Campus Financial Strategy Examples – ESTIMATES <i>TOTAL PROJECT COST - \$537M</i>	Timing	Revenue Debt – Millions	Equity – Millions	Gap - Capital Contribution	Trade-offs
BCHD 50% - Cost \$256M <i>(Reduced Escalation Cost)</i>	5-10 Years	\$138M	\$ 18 M	\$104M	Financially manageable by phasing/ negotiated partnerships
1) <u>Reduce Non-Revenue Cost</u>					
a) Reduced CHF, remove one Floor of Pavilion - Adjusted Cost \$247M		\$138M	\$ 18M	\$ 91M	Less: \$13M
b) Reduced CHF, no Pavilion - Adjusted Cost \$221M		\$138M	\$ 18M	\$ 65M	Less: \$39M

Note: Net Income remain at 50% in all scenarios based on Ownership %

M = Millions

Reducing Ownership

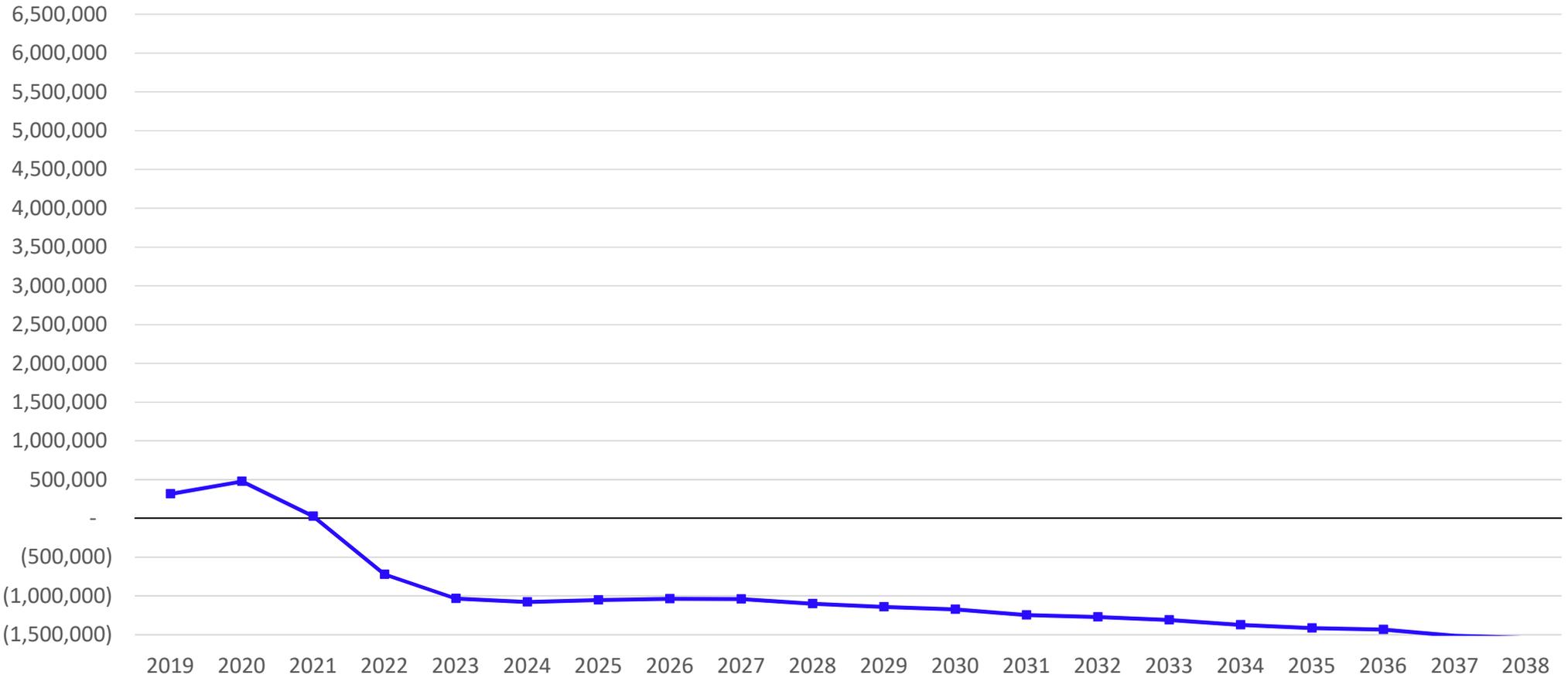
Healthy Living Campus Financial Strategy Scenarios – ESTIMATES No New Capital Contribution	BCHD Ownership	Revenue Debt – Millions	Equity – Millions	Gap - Capital Contribution	Trade-offs
BCHD – Whole Campus Build	8.5%	\$ 27 M	\$ 17 M	\$ 0 M	<ul style="list-style-type: none"> • Little Control • Minor Incremental Income • No expansion of Services
BCHD – Reduced CHF, One Floor	9.5%	\$ 30 M	\$ 17 M	\$ 0 M	
BCHD – Reduced CHF, No Pavilion	11.0%	\$ 32 M	\$ 17 M	\$ 0 M	

M = Millions

How: Scenario – Master Plan Vision

BCHD Net Income Projections

Existing Operations (no 514 Revenues)

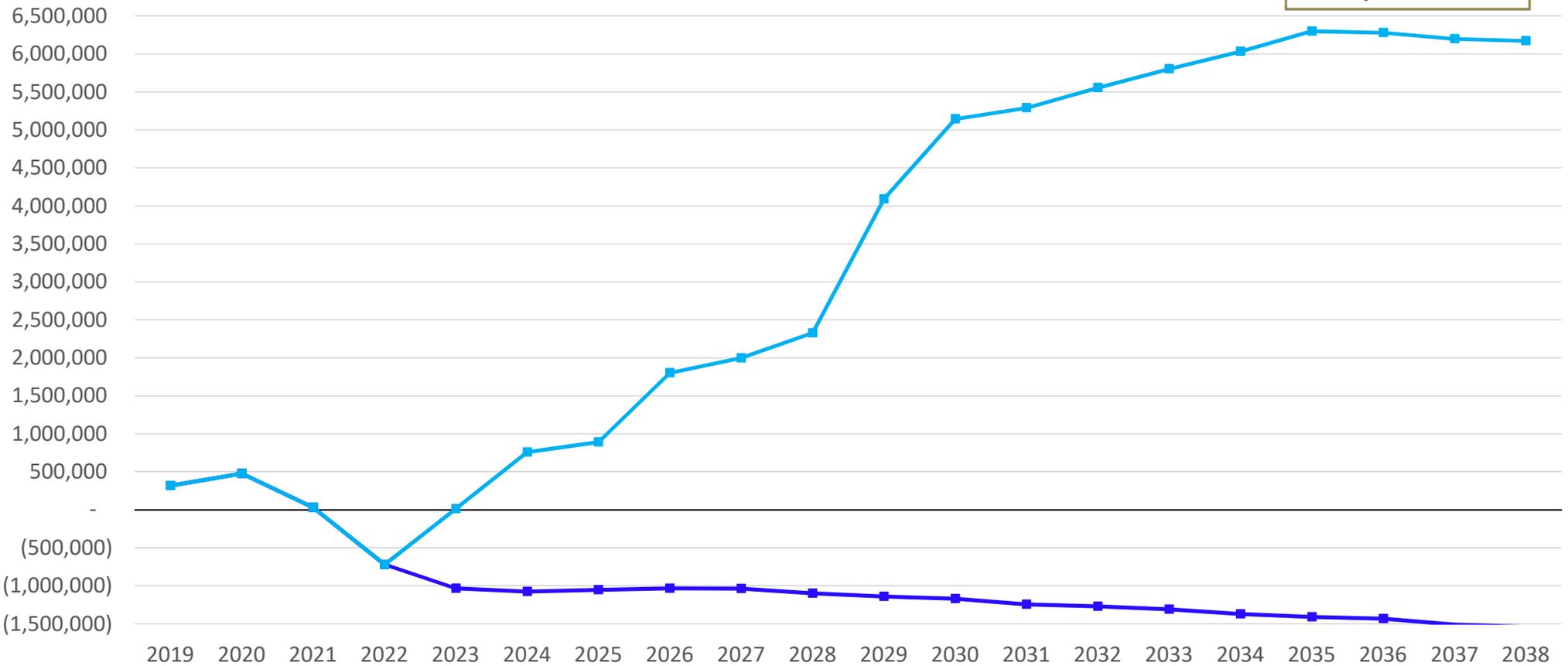


How: Scenario – Master Plan Vision

BCHD Net Income Projections

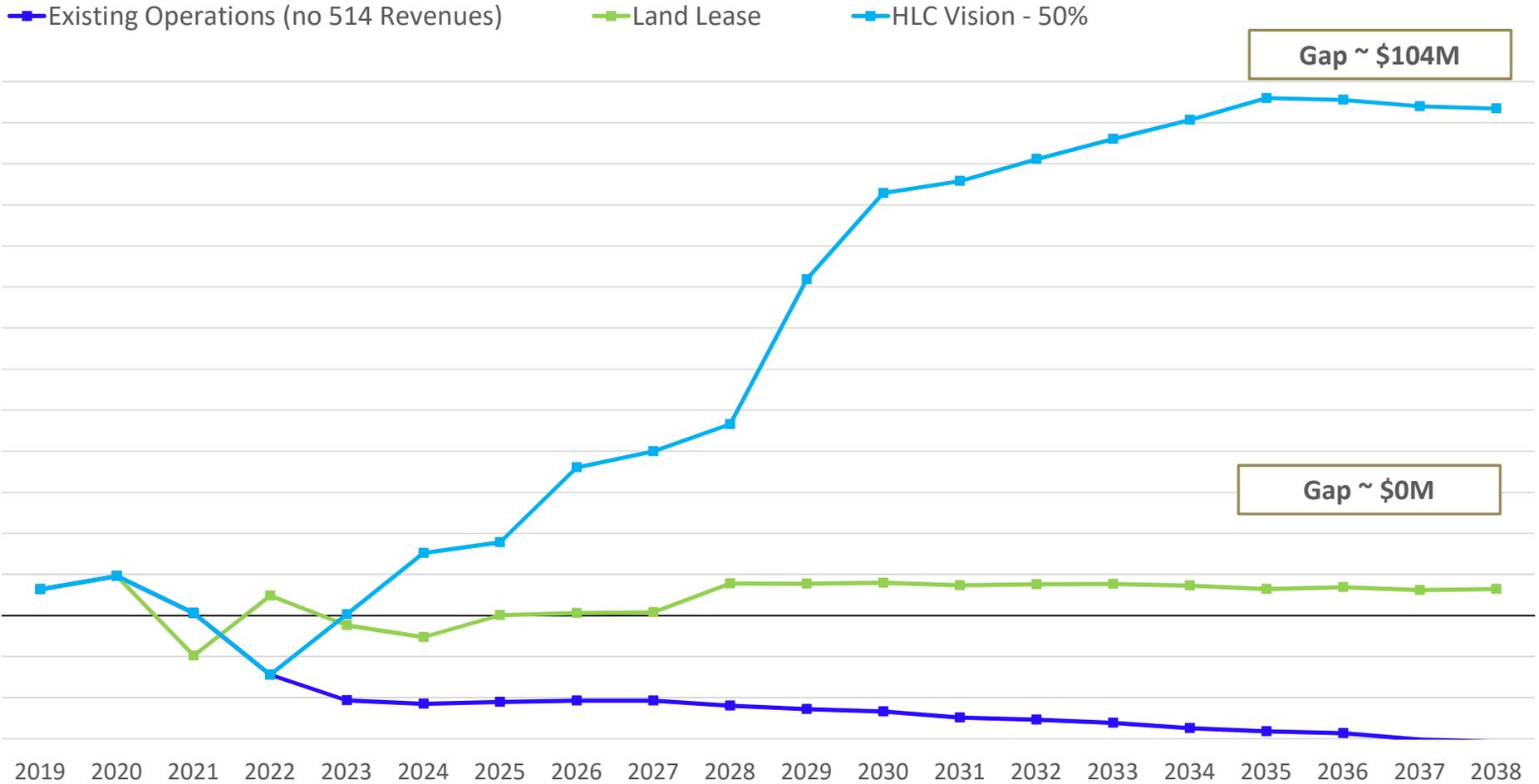
Existing Operations (no 514 Revenues) HLC Vision - 50%

Gap ~ \$104M



How: Scenario – Master Plan Vision

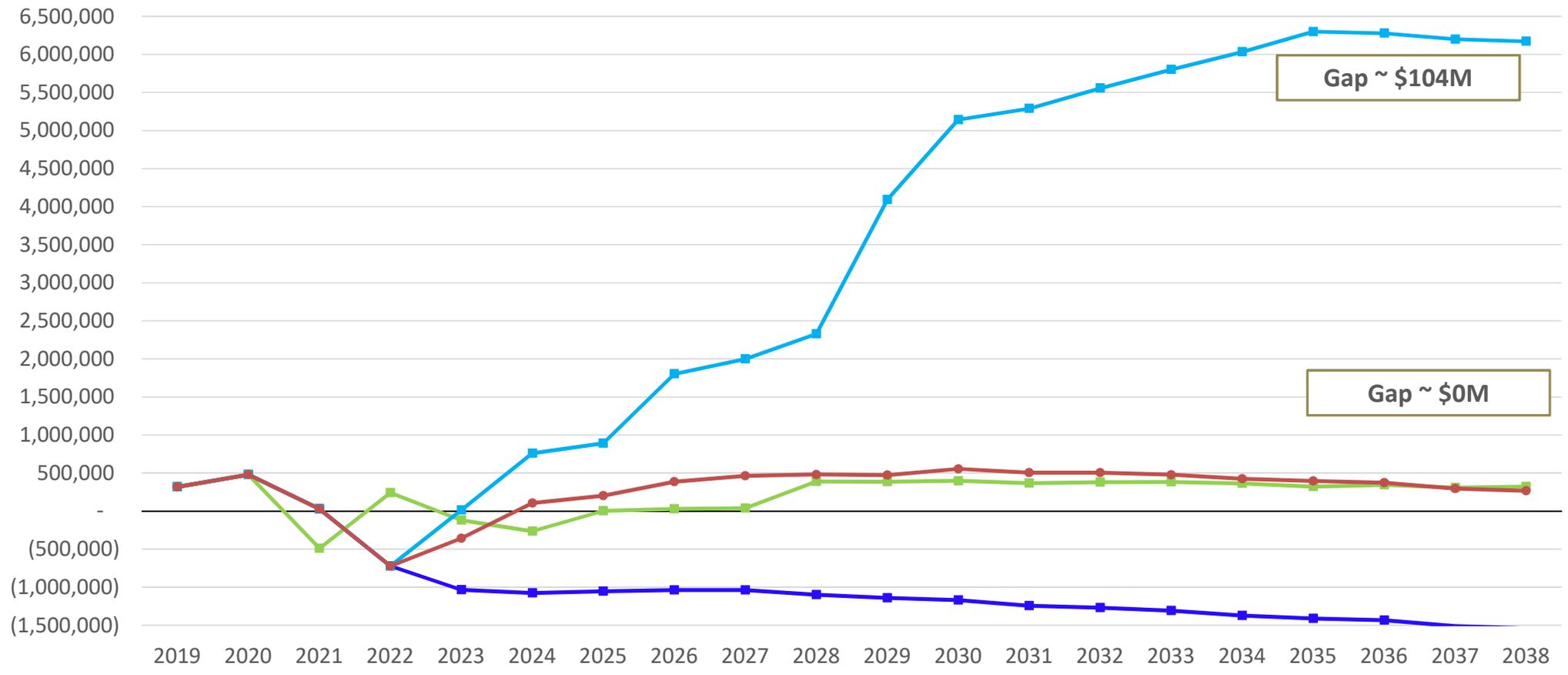
BCHD Net Income Projections



How: Scenario – Master Plan Vision

BCHD Net Income Projections

■ Existing Operations (no 514 Revenues)
 ■ Land Lease
 ■ HLC Vision - 50%
 ■ HLC Reduced CHF & Pavillion - 11%



Gap ~ \$104M

Gap ~ \$0M

- Residential Care Options
- Community Wellness Pavilion
- Reduced Traffic Impacts
- 5.8 Ares of Green Space
- Medical Exercise Facility
- Warm Water Therapy Pool
- Child Development Center
- Bike & Pedestrian Path
- Medical Offices & Pharmacy

Health Living Campus Master Plan Benefits

- Childhood Obesity Prevention
- Senior Care Management
- Geriatric Social Workers
- Beach Cities Partnership for Youth
- Dementia Research & Education
- Blue Zones Project
- Volunteer Services
- Subsidized Community Facilities
- \$1.4M in Annual Health Funding
- Healthcare Enrollment & Referrals

Current 40+ BCHD Programs

- Research & Development
- Mental Health & Happiness
- Medical Fitness Therapy
- Food Literacy & Nutrition
- Older Adult Day Care
- Care Management
- Substance Use Prevention

Services

Beach Cities




130,000 Residents Community Organizations




3 School Districts Community Partners

Creating a Healthy Beach Community



Health Living Campus Benefits

Financial Strategy Scenarios: Take-Aways

Supported by Finance Committee

- 510 Buy-Out
 - No impact to Gap; income sooner, debt sooner
- Reducing Non-Revenue Producing Costs
 - Gap still exists - Lose Master Plan vision
- Ownership Adjustment
 - Removing Gap
 - Reduced ownership
 - Essentially land lease partner (510, 520)

Residential Care for the Elderly

Average Demographics of Residents

- Women age 85+ who require assistance with two activities of daily living (bathing, dressing, grooming, eating, transferring, and using the toilet)
- Most residents stay for 3+ years and move into assisted living from their own homes
- 63% are widowed
- 52% of the national assisted living population has dementia
- Other health conditions include heart disease, macular degeneration, arthritis and COPD

Implementation



Board Considers Adopting 15-Year Master Plan

Explore funding strategies and partnerships



Begin Environmental Impact Review Process



Environmental Impact Review Process

Implementation Strategy: Costs & Benefits

Phase 1 Costs 2022-2025

Program	Estimated Cost	% of Cost
RCFE (162 Units)	\$110M	72%
Parking	\$18M	12%
Center for Health & Fitness	\$15M	10%
Child Development	\$10M	6%
		100%

\$153M

- Plus Flagler/Diamond Bike-Ped Path \$1.8M
 - Includes construction escalation costs of \$14M

Phase 1 Benefits 2022-2025

Assumptions: +/- 25% Ownership (estimated) & \$15M

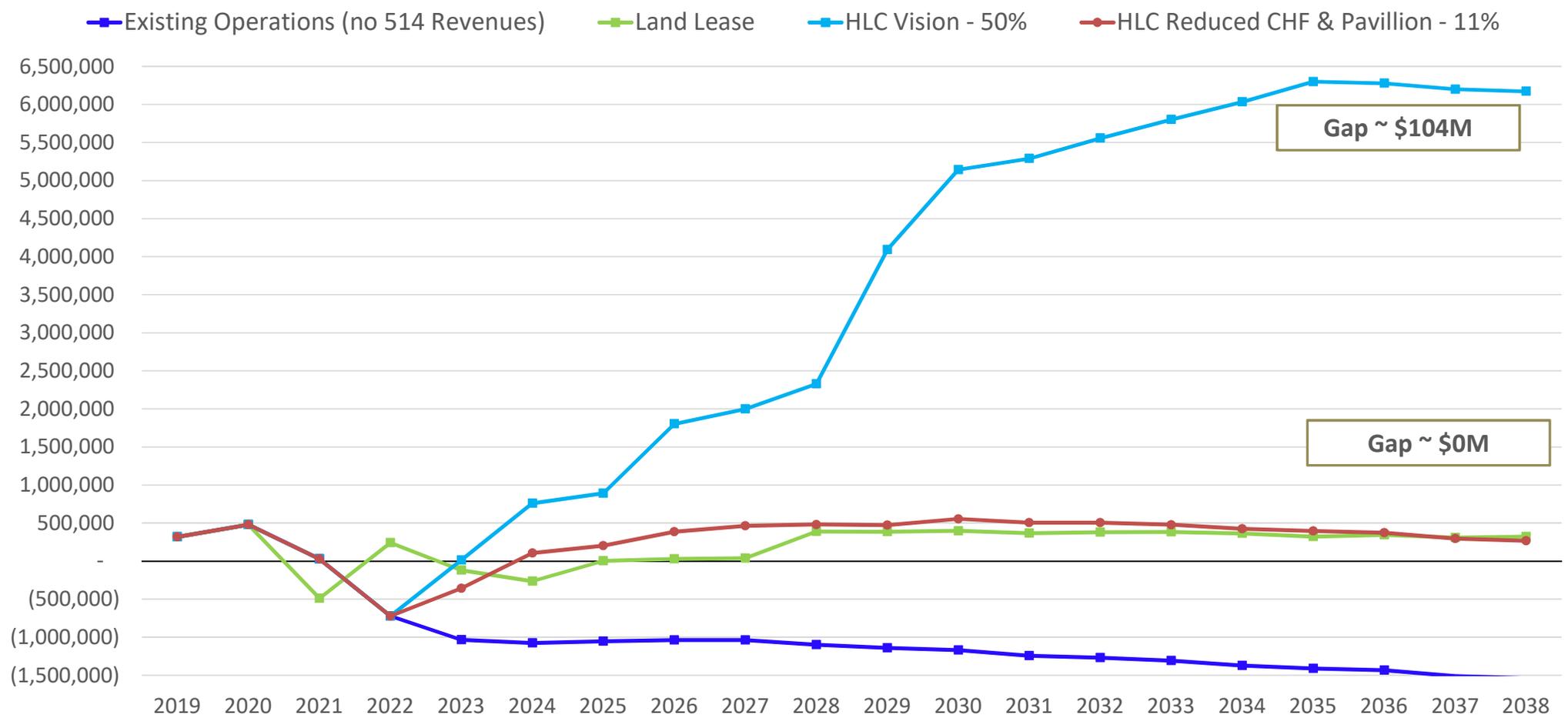
- Eliminate 514 seismic risk
- Replaces 514 revenue stream
- Residential Care for the Elderly (includes dementia) – ability to age in place
- Expanded and improved Center for Health & Fitness w/therapy pool
- Enhanced intergenerational programs - Child Development Center

Assumptions: No land value, no childcare revenue, includes construction escalation costs

M = Millions

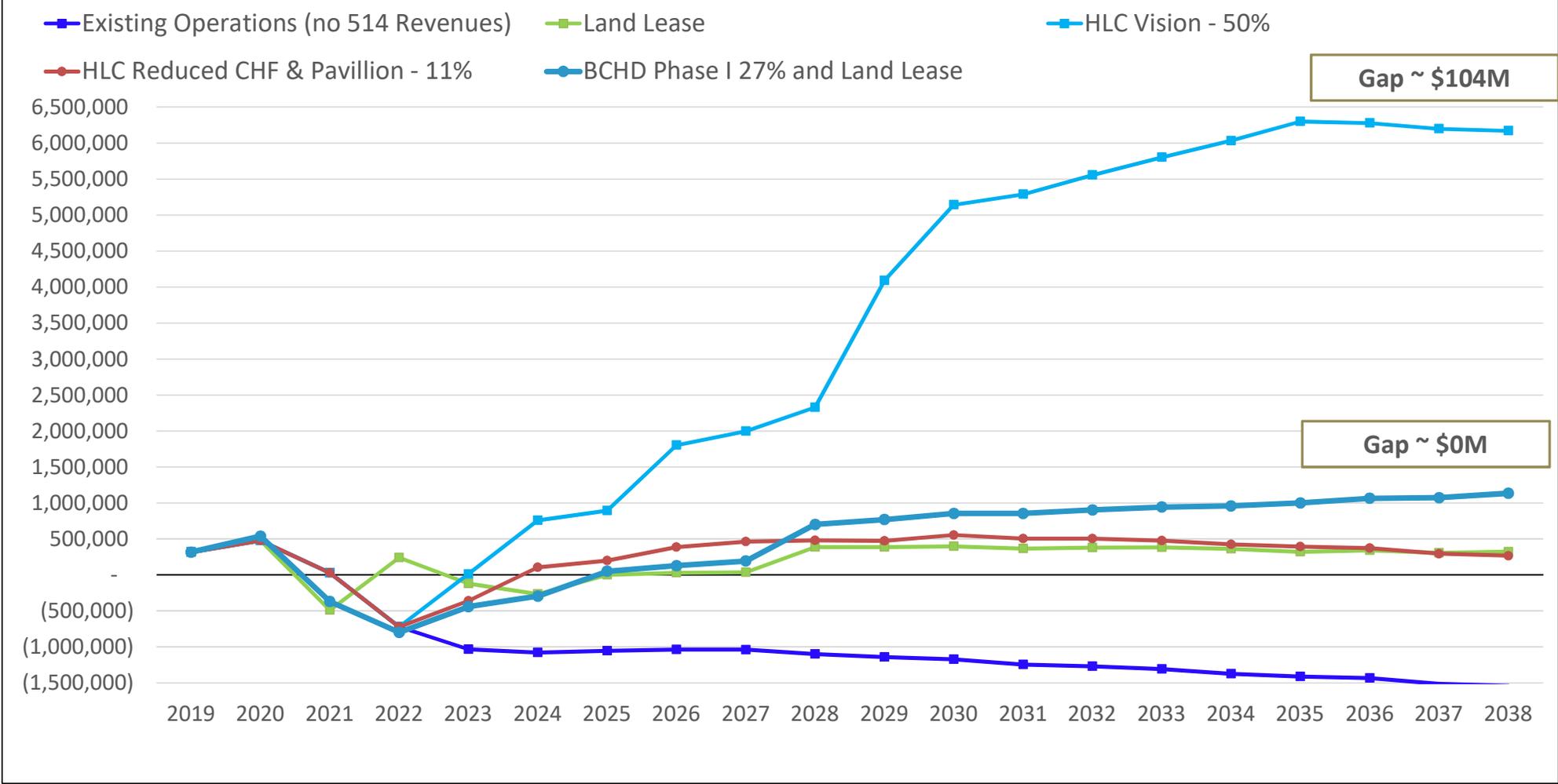
How: Scenario – Master Plan Vision

BCHD Net Income Projections



How: Scenario – Master Plan Vision

BCHD Net Income Projections



	Health Living Campus: Project Pillars	Phase 1	Phase 2	Phase 3
--	---------------------------------------	---------	---------	---------

Health



Build a center of excellence focusing on wellness, prevention & research

Leverage the campus to expand community health programs & services

Livability



Focus on emerging technologies, innovation & accessibility

Create an intergenerational hub of well-being, using Blue Zones Project principles

Community



Actively engage the community & pursue partnerships

Grow a continuum of programs, services & facilities to help older adults age in their community

Recommendations

- Adopt 15-Year Concept Master Plan in April
- Initiate EIR Process for Concept Master Plan in April
- Consider 3-Phased Implementation Plan
 - Review potential partners for all phases
 - Optimize Ownership, BCHD, CHF and Land Value
 - **Phase 1:**
 - Approximately 25% Ownership
 - No Gap
 - **Phase 2 & 3:**
 - Evaluate options and new revenue sources
- Evaluate 510 Buy-out and Strategic Innovation Opportunities
- Evaluate Community Working Group Feedback on affordability, services and partners
- Update Construction Costs

Healthy Living Campus

March 23 Open House Summary

Open House Overview

- 139 Attendees
 - Redondo Beach: 78
 - Manhattan Beach: 14
 - Hermosa Beach: 7
 - Torrance: 7
 - Other: 7
- Information stations with activities & information
 - BCHD programs and services
 - Healthy Living Campus project
- Walking tour of campus



BCHD Information Stations

- About BCHD
 - Program Materials
 - Resources & Referrals
- Youth Services
 - Gardening activity
 - Blender bike
- Volunteer Services
 - Purpose activity
- Blue Zones Project
 - Moai activity
 - Pledge sign-up
- Blue Zones Food Demo & Tastings
 - Blue Zones restaurant information
 - Food samples
- Center for Health & Fitness
 - Free massage & class demos
 - Gym info
- AdventurePlex
 - Inflatable slide
 - Facility information

Open House Activities



Healthy Living Campus Information Stations

- Purpose and Need
- Healthy Living Campus Master Plan
- Community Wellness Pavilion & RCFE
- Comments & Mailing List Sign-Up
- Walking Tour



Frequently Asked Questions

- Timeline
 - When are you breaking ground?
 - When will the project be finished?
- Parking/Traffic Flow
 - Where will parking be located?
 - Where will people park during construction?
 - Where will the entrances to campus be located?
- Residential Care for the Elderly
 - How much will the units cost?
 - Will the units be assisted living only?
 - Will Silverado be included in the new campus?





Healthy Living Campus Project

Environmental Impact Report Overview & Next Steps

Board Study Session

March 27, 2019



What is CEQA?

- **California Environmental Quality Act**
- **Statewide statute passed in 1970**
 - Requires state and local agencies within California to:
 - Analyze and disclose environmental impacts of proposed projects
 - Adopt all feasible measures to mitigate those impacts
 - Establishes requirements for environmental analysis through an EIR



What is an EIR?

- **Environmental Impact Report**
- Required by CEQA law
- Detailed report that:
 - Describes and analyzes the significant environmental effects of a proposed project
 - Identifies alternatives
 - Discusses ways to reduce or avoid any adverse environmental effects



What does the EIR contain?

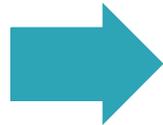
EIR's analyze a broad range of environmental topics such as:

- Aesthetics/Visual Resources
- Agricultural Resources
- Air Quality/GHG
- Biological Resources
- Cultural Resources
- Geology & Soils
- Hazards
- Hydrology & Water Quality
- Land Use & Planning
- Mineral Resources
- Noise & Vibration
- Population & Housing
- Public Services
- Recreation
- Transportation
- Utilities & Service Systems
- Energy
- Social Justice
- Wildfire

Steps in the EIR Analysis



Describe current
environmental conditions
(baseline)



Identify potential
effects of the project



If there is a significant
effect, develop measures
to avoid or lessen the
effect

Basis of EIR Analysis

- Analysis is based on facts; not speculation
- Addresses long-term adverse physical changes to the environment, focusing on public resources
- Assessment of impacts is based on established criteria



EIR Process

Typically +/- 9 months



• Notice of Preparation

• Public Hearing

BCHD Board Direction to Proceed

- Develop project description for EIR analysis
- Assemble baseline status of the site
- Return in April to initiate the EIR process