



May 6, 2013

MVS, L.L.C.  
 c/o Tutera Group  
 7611 State Line Rd.  
 Kansas City, MO 64114

RE A Letter of Professional Opinion Regarding the Viability of the 351 Unit Mission Chateau Senior Living Project in Prairie Village, KS.

Dear Joe:

**Background.** Jeff Green Partners completed a report entitled *“The Feasibility of Retail, Residential and Office Uses at the Former Mission Valley Middle School Site in Prairie Village, KS”*, dated October 7, 2011. The conclusion of that report recommended 84,700 sf of retail along with a residential (senior living) component (210 Independent and Assisted Living units along with a 45 bed Skilled Nursing facility) and up to 55,000 square feet of Class A Office space.

Since that time the site has been zoned entirely for R1-A residential of which senior living is proposed for the entire parcel. Plans now call for a 351 unit senior living project with a potential for 450 total residents. The following table highlights the breakdown of units and occupancy by care type as proposed:

	Unit Count	1 BR	2 BR, Semi private or units with dens	Potential Occupancy
Assisted Living	60	48	12	72
Memory Care	36	36	0	36
Independent Living	160	100	60	220
Skilled Nursing and Rehabilitation	84	68	16	100
Total without Villa	340	252	88	428
Villas	11	0	11	22
<b>Total</b>	351	252	99	450

You have asked that we develop Letter of Professional Opinion that addresses the supportability and viability of this project.

**Conclusions.** Based on our analysis, Jeff Green Partners concludes that the Mission Chateau project as proposed is viable and supportable and represents a favorable use for the City of Prairie Village.

The population in Prairie Village as well as throughout the US is aging at an increasing rate. The need for additional new senior living facilities is at an all-time high. In addition, the Prairie Village market currently has a shortage of close-in, new, state-of-the-art, higher end senior living facilities. The community has three other facilities. One developed in the early 1990's, one in the late 1990's and a third smaller property that serves assisted and memory care resident that opened in 2013. The two mature properties are effectively 100% occupied. The newest property is reported at 50% occupancy. This has required former Prairie Village residents to find senior housing in areas other than Prairie Village, especially to the south in Johnson County. This forces those seniors away from their familiar surroundings; be it family, friends, community and faith services, shopping, doctor's offices and other medical facilities.

One of the more unique characteristics at the Mission Chateau project are the 11 proposed villas, a product not typically found in senior living projects. By offering a broader continuum of housing product, from traditional large, stand-alone villas (much like a house) to Skilled Nursing and Memory Care spouses/partners can more easily remain within close proximity of one another causing less disruption to an already changing lifestyle.

Another unique feature of the Mission Chateau project is fact that it will not require a buy-in; whereas the Claridge Court, the only senior community that offers independent living apartments (135 units) in Prairie Village, requires a buy-in and a life care contract. The buy-in has been as high as \$900,000. The entry level apartment starts at just under \$400,000. Therefore, Mission Chateau will be more accessible to a broader demographic.

Finally, we concur with the conclusion that was reached by the Prairie Village Parks and Recreation report completed in 2009. That report highlighted that given both the aging of the Prairie Village resident and their housing stock, a broad-based higher-end senior living project would be beneficial to the community. It would allow 1) the addition of Senior Living residences not available and or underserved in the community as well as 2) the ramping up of the conversion of the residential base to a younger, family-oriented household, stemming the tide of continued population decline in the City.

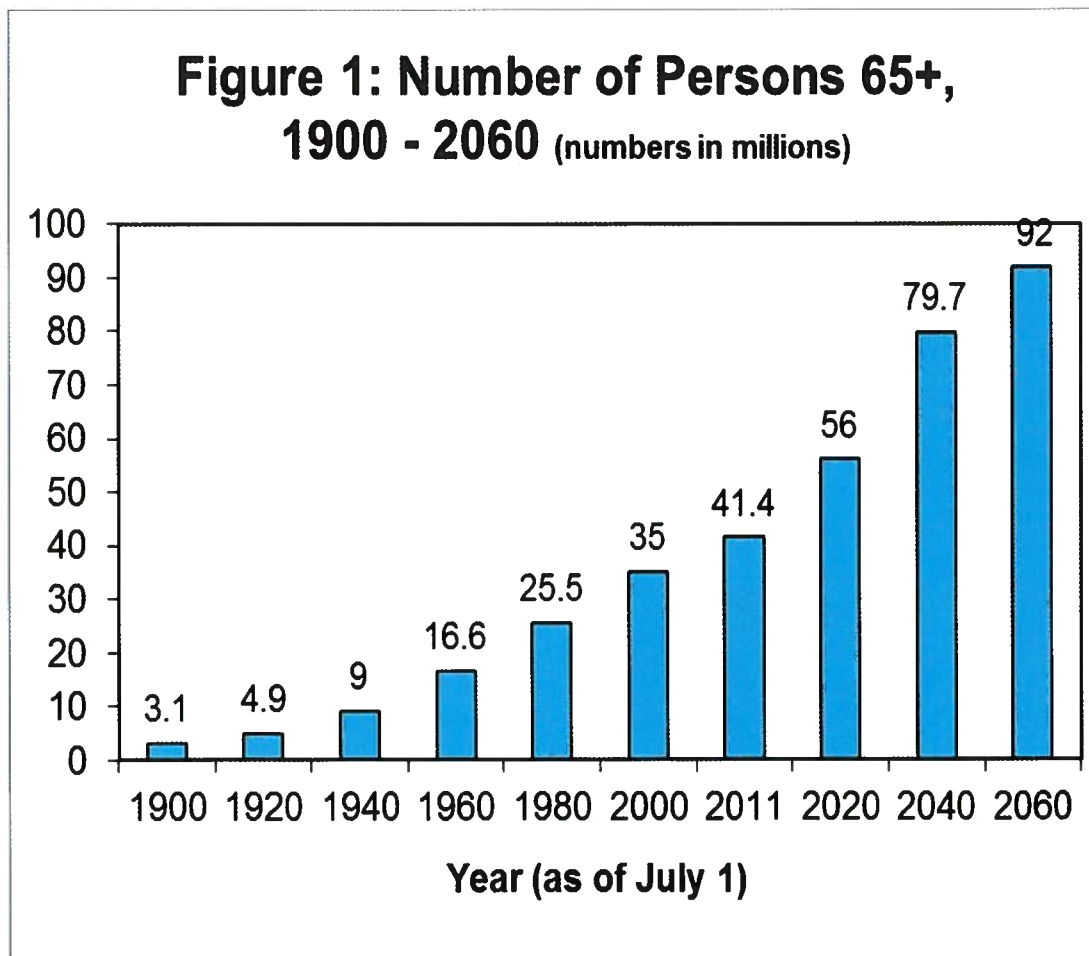
**Analysis.** The following rationale led to conclusions presented above:

1. **An Aging Population Nationally will Result in Increased Need for Senior Living Facilities.** According to data from the US Department of Health and Human Services - Administration on Aging in a report entitled "*A Profile of Older Americans: 2012*", the older population--persons 65 years or older--numbered 41.4 million in 2011 (the most recent year for which data is available). They represented 13.3% of the U.S. population, over one in every eight Americans. The number of older Americans increased by 6.3 million or 18% since 2000, compared to an increase of 9% for the under-65 population.

However, the number of Americans aged 45-64 – who will reach 65 over the next two decades – increased by 33% during this period.

The older population in the US will continue to grow significantly in the future (Figure 1). This growth slowed somewhat during the 1990's because of the relatively small number of babies born during the Great Depression of the 1930's. But the older population is beginning to burgeon as the "baby boom" generation begins to reach age 65.

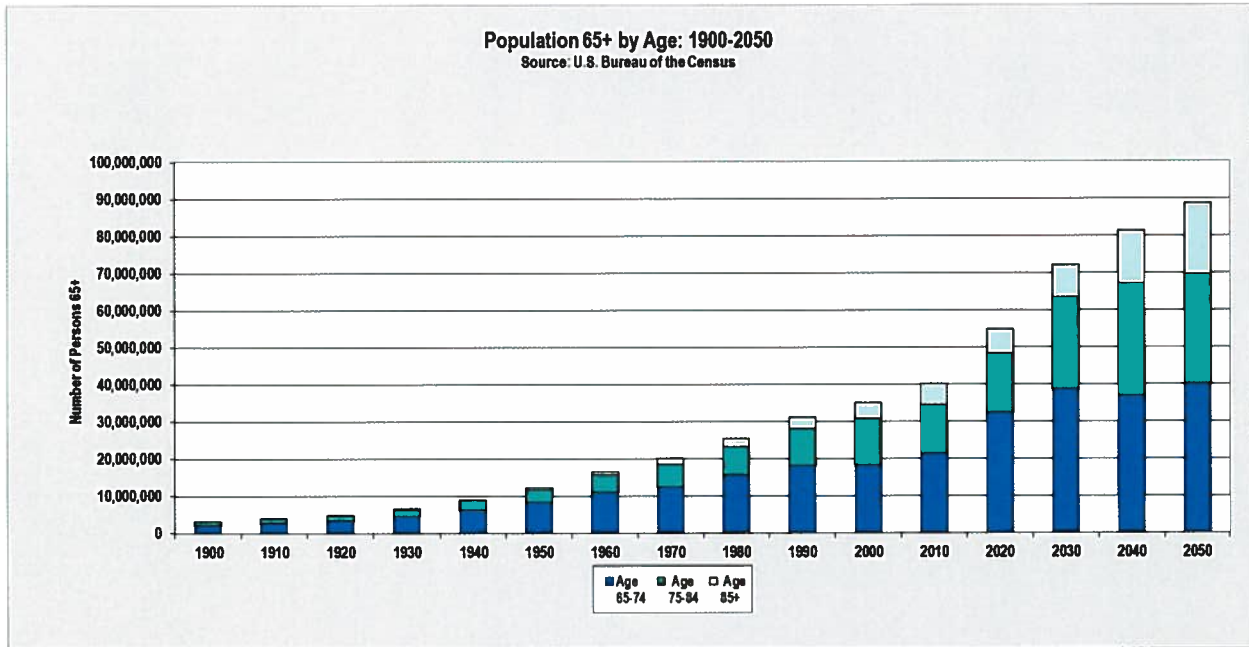
As mentioned above, the population 65 and over has increased from 35 million in 2000 to 41.4 million in 2011 (an 18% increase) and is projected to more than double to 92 million in 2060. By 2040, there will be about 79.7 million older persons, over twice their number in 2000. People aged 65+ represented 13.3% of the population in the year 2011 but are expected to grow to be 21% of the population by 2040. The 85+ population is projected to triple from 5.7 million in 2011 to 14.1 million in 2040.



Other relevant highlights from the Profile of Older Americans report are presented below:

- Over one in every eight, or 13.3% of the population is an older American.

- Persons reaching age 65 have an average life expectancy of an additional 19.2 years.
- The 85+ population is projected to increase from 5.7 million in 2011 to 14.1 million in 2040.



\*Principal sources of data for the Profile are the U.S. Census Bureau, the National Center for Health Statistics, and the Bureau of Labor Statistics. The Profile incorporates the latest data available but not all items are updated on an annual basis.

**2. An Aging Population and Small Household Size in Prairie Village and Johnson County.** As mentioned in our October 2011 report, the average age of Prairie Village resident is older and comprised of smaller households

According to the latest statistics (estimated 2013 data from Nielsen/Claritas), the median age of the City of Prairie Village resident is 41.9 years of age, with a persons per household of only 2.14 persons. The following table highlights that Prairie Village is an older community with small household sizes (i.e. fewer children) when compared to Johnson County, the State of Kansas and the United States:

Variable	Prairie Village	Johnson County	State of Kansas	United States
Median Age	41.9 years	37.2 years	36.2 years	38.3 years
Persons per Household	2.14 persons	2.53 persons	2.49 persons	2.57 persons

**3. Proposed Format Meets a Broader Need of an Aging Population.** One of the benefits of the proposed Mission Chateau is that it appeals a broader group of aging seniors. Besides the typical continuum of care, Independent Living through Skilled Nursing, the 11 proposed villas offer an additional step between

moving from the family home into smaller Independent units. Instead of moving from the larger family home to the typical apartment, these seniors can move to the villas where they have a much larger footprint (2,265 sf) than typical Independent Living facilities and can choose to live as independently as they wish. They will have the same amenities, if not more than any typical new two bedroom apartments found in the greater Johnson County area.

By offering a broader continuum of care than other nearby facilities the proposed Mission Chateau it allows for couples to split up depending on the need of care while also allowing them to be in the same community as their loved one to share visits, meals, activities, etc.

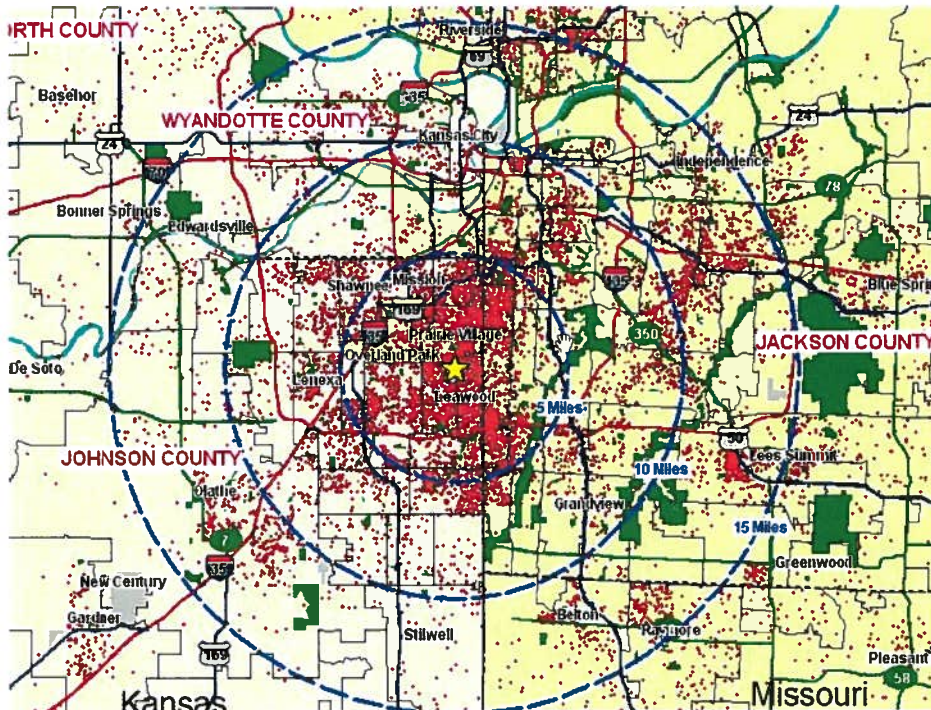
4. **An Older Housing Stock.** The older age noted above is indicative of an older housing stock. The estimated median year all Prairie Village housing units were constructed is 1959. In fact, only 1.4% of the housing base has been built since 2000 and only 7.1% was built in the 1980s or 1990s. By structure, most of those in the defined study area are reported as single-family units (86%). Multi-family units account for 16% of the housing stock. Thus, many of the close-in older homeowners in older housing stock represent a strong demand segment for additional senior facilities at in Prairie Village.
  
5. **Strong Household Incomes.** The primary reason that a higher quality facility at the proposed site is favorable, viable and supportable is the fact that Prairie Village households are higher income households. The 2013 estimated *average* household income reported for Prairie Village is \$96,120. This compares to an average house income of \$92,760 for Johnson County, \$64,007 for the State of Kansas and \$69,637 for the United States.

By radius, incomes are especially high close-in with average income estimated at \$107,959 with one mile of the proposed Mission Chateau project.

The Dot Density Map for Households age 75+ with \$50,000+ Annual Income is attached which illustrates the concentration of age and income qualified residents at the subject site.

# Prairie Village, KS- Dot Density Map

## Households age 75+ with \$50,000+ Annual Income



- Each dot represents one household, age 75+ with annual income of \$50,000 or more. (Age- and Income-Qualified Households "AIQ HH")
- There are approximately 4,856 households that meet this criteria within a 5 mile radius.
- There are approximately 8,464 households that meet this criteria within a 10 mile radius.
- There are approximately 11,677 households that meet this criteria within a 15 mile radius.

6. **Close-In Competition is Smaller, Dated and Fully Occupied.** There are three senior living facilities located in Prairie Village: *Claridge Court*, just north of the proposed Mission Chateau site, *Brighton Gardens at Prairie Village*, in the northern part of the City and *Benton House* to the east.

Both Claridge Court and Brighton Gardens are older facilities, built in the late early and late 1990's. Both are also almost fully occupied and effectively operate at capacity. The newer, Brighton Gardens is a prototypical chain-oriented senior living facility consisting of 119 assisted living and memory care units and 45 beds skilled nursing, while the older facility, Claridge Court is an upscale facility with 135 Lifecare buy-in, independent living units starting at just under \$400,000 to as high as \$900,000, with a monthly maintenance fee starting at \$3,500 per month for a private occupancy unit. Claridge Court also contains a 45 bed skilled nursing unit, however, access is available only after the life care needs of the existing and former independent living residents are met. Benton House which opened in 2013 is consisting of 59 assisted and memory care units in a mix of private and semi-private studios. The facility is approved for an additional 12 memory care units. The facility administration reports 50% occupancy after only a few months of operation.

The lack of immediately available, state-of-the-art, modern facilities in Prairie Village forces Prairie Village seniors to look elsewhere (Overland Park, Leawood and Shawnee being likely alternatives). The multi-tier senior living facility as recommended will secure many from the nearby area. This will allow those

entering the facility to be near familiar surroundings; be it family, friends, faith services, shopping, their doctor's offices and other medical facilities.

7. **Competition in Prairie Village Requires a Buy-In: Whereas No Buy-In is Required at Mission Chateau.** The proposed Mission Chateau project will be unique in Prairie Village as it will be the only independent living facility that does not require a buy-in. No upfront money will be required to become a resident of the project. Because of this lack of buy-in cost Mission Chateau will likely have a much broader appeal.

In complete contrast, it can cost up to \$900,000 just to get into Claridge Court and a minimum of \$380,000 combined with a monthly fee that would approximate the cost of a rental unit.

8. **Comparison of This Letter to the Jeff Green Partners Report of October 2011.** As mentioned previously, in October of 2011 Jeff Green Partners completed a report entitled "*The Feasibility of Retail, Residential and Office Uses at the Former Mission Valley Middle School Site in Prairie Village, KS*". The conclusion of that report recommended 84,700 sf of retail along with a residential (senior living) component (210 Independent and Assisted Living units along with a 45 bed Skilled Nursing facility) and up to 55,000 square feet of Class A Office space.

The 2011 report addressed the supportability of mixed uses on the property. More specifically, we were asked to first evaluate the supportability of retail, then given that conclusion (the amount of retail supportable) assess the viability of senior residential and office uses for the balance of the site. That is, once we identified the amount of retail supportable, we evaluated the mix of senior living as proposed by RED Development and MVS, LLC.

The type of units proposed has changed from 2011 to 2103 offering a broader continuum of care which makes Mission Chateau unique in the market. First, the 11 villas provide a housing type not earlier contemplated. The 36 memory care units were also not originally contemplated in the mixed use plan. The villas and memory care are needed to complete the continuum of care. Therefore, we now have only 10 more assisted and independent care units and 39 additional skilled nursing care units when compared to the original 2011 report. Brighton Gardens and Claridge Court have about one-quarter of their units as skilled nursing and Benton House has no skilled nursing; Mission Chateau has right sized the percentage of skilled nursing product at 24% of total facility beds. The primary market examined in the feasibility study supports the number and type of senior living services proposed.

9. **The City of Prairie Village Needs a Housing Turnover.** Based on a report done by the City of Prairie Village Parks & Recreation Department for the proposed Community Center/Natatorium (2009), Prairie Village needs to attract new younger families in order to stem the population decline that is occurring in the City.

In summary the Prairie Village Parks & Recreation Department's report highlighted the following as it relates to the aging population in Prairie Village (taken directly from the report):

- The total number of households has been increasing since 1990 from 9,734 to an estimated 10,013 in 2008.
- Family households with children have been declining from 6,936 in 1990 to an estimated 6,038 in 2008. This is a loss of 898 family households or a 13 percent loss since 1990.
- The non-family household has been increasing from 2,798 in 1990 to an estimated 3,975 in 2008. This indicates a gain of 1,177 nonfamily households or a 42 percent gain since 1990.
- The non-family householder age 65 and over has grown from 1,010 in 1990 to 1,353 in 2000.

Based on data from Nielsen/Claritas and analyzed by Jeff Green Partners, the 2018 population projection for Prairie Village is 21,802, which is a loss of 193 persons from the 2000 census population of 21,995. This is indicative of a city with little vacant or underutilized land. It is also indicative of a close-in suburb, many of which nationally have older and aging populations.

The 2009 Parks & Recreation report assumed that the Meadowbrook senior living represent a good addition to the City as it would add living units; thus population. The proposed Meadowbrook facility, however, was never constructed, thus paving the way for the Mission Chateau project.

The conclusion reached from the Parks & Recreation report as presented in 2009, and italicized below, remains the same today as it succinctly highlights the need for additional senior housing so that younger families can move in:

*"To conclude, unless there is a shift in the market to attract new families with children to Prairie Village, along with a growth in new housing options for elderly citizens to remain in Prairie Village or attract new households, the population of Prairie Village is not expected to see an increase in total population":*

10. **Mission Chateau Need Not Serve Only Prairie Village Residents.** Given the need for Prairie Village to increase its population as presented in the previous point, it is favorable for Prairie Village to offer senior living facilities that are unique enough to appeal both to its existing residents as well as the surrounding communities. The many communities in the US experiencing the same population decline as Prairie Village are finding that increasing the housing density in a portion of the town can both stem the leakage of population to other communities as well as bring non-residents to the City, thus reversing population decline.



**Biography.**

The Firm. Jeff Green Partners is a nationally and internationally recognized land use planning firm focusing on commercial feasibility, to include office, hotel and retail uses, as well as residential feasibility.

With over thirty-five years of service to the development community, Jeff Green Partners has assisted many commercial developers with their site location and feasibility decisions. The firm is recognized throughout the industry for our understanding of the marketplace, as well as our leadership in market research techniques and strategic planning. Jeff Green Partners is considered a valued partner in researching, compiling and analyzing the complex demographic and economic issues faced by commercial developers and investors, as well municipalities.

All of our services are available to assist municipalities or developers in creating plans which include the latest in traditional town planning for reviving depressed urban areas or for developing new communities as neo-traditional (New Urbanism) towns.

Jeff Green, President and CEO. Jeff Green is a nationally recognized real estate development expert whose strategic analysis, penetrating insights and visionary perspective have made him one of the most respected figures in the industry. His innovative approach to real estate development is shaped by a keen grasp of emerging national and global development trends and an ability to incorporate market- and site-specific details into a broader contextual portrait. In a dynamic, rapidly evolving industry, Green's demonstrated commitment to examining the intersection of real estate and *lifestyle* has led him to challenge fundamental assumptions about how and where we live, work, play and shop.

As the founding principal, President and CEO of Jeff Green Partners, Green's professional philosophy is readily apparent in the firm's comprehensive portfolio of services. Jeff Green Partners is an agile, assignment-focused real estate consulting firm that provides prominent retail clients, municipalities, and a number of leading commercial and residential real estate developers with the in-depth analysis and comprehensive strategic support needed to succeed in today's climate. The firm consults with clients nationally and internationally in all phases of real estate development, project feasibility, site selection, redevelopment, planning and long-term viability. Clients like Lennar Homes, Shea Homes and RED Development all look to Jeff Green Partners for a better understanding of how diverse factors such as changing design priorities, shifting usage patterns, and evolving consumer social and lifestyle trends will impact the real estate industry. These firms rely on Jeff Green's proven ability to translate that knowledge into cohesive strategy.

Green's more than three decades of industry experience includes time as the President of Sausalito, CA-based Market Insite Group, as well as the President and Owner of The Green Group, a firm with a 35-year history of providing consulting services to retail, restaurant and entertainment tenants. Green currently is an investor in and serves on the Board of Directors for US Retail, the largest Pet Supplies Plus franchisee in the United States.

A graduate of Michigan State University, Green is a frequent public speaker and author. The nation's leading real estate and retail industry trade publications and major national

media outlets, including Fox Business News, look to him for insights and observations on industry trends and new developments. Green is a regular ongoing columnist for Chain Store Age. In his column, *Retail Rap with Jeff Green*, Green shares his in-depth analysis and expertise on the latest trends affecting the retail industry.

A frequent, well-received contributor to industry panels and continuing education programs, Green's ability to express complex ideas with clarity and force has made him a valuable resource for investors, national and local tenants, consumers and municipalities. For many years, he taught market research techniques with the International Council of Shopping Center's (ICSC) School of Professional Development, and his professional engagements include presentations before regional and national ICSC conventions, the Food Marketing Institute and the Urban Land Institute.

Joe, should you, your associates or the City of Prairie Village have any questions on this letter, please do not hesitate to contact me.

Cordially,

A handwritten signature in black ink, appearing to read "Jeffrey S Green", with a long horizontal flourish extending to the right.

Jeffrey S Green  
President