

3720 Capitola Road and 1610 Bulb Avenue Senior Assisted Living Project

Project Description

The proposed project is a 97 bed, 4-story, 67,041 square foot Craftsman-style Senior Assisted Living and Memory Care building with on-site parking to be located on the combined parcels of 3720 Capitola Road, Capitola and 1610 Bulb Avenue, Santa Cruz, California.

Owners' Background and Experience:

The two parcels are owned by Frank and Shana DeBernardo and Nicholas and Kristen Joutz. Frank DeBernardo, who will be the project manager, has over 27 years of Real Estate and development experience having worked for his family's construction and development company, DeBernardo Construction, Inc. since childhood. DeBernardo Construction successfully developed over 17 Santa Cruz County subdivisions providing the local community with approximately 200 housing units since 1975. Frank worked closely on the approval, development and construction of several single family home subdivisions, townhome developments and apartment developments including projects on Silvana Lane in Live Oak, Chanticleer Avenue in Santa Cruz, Paradiso Court in Soquel, and Calabria Street in Aptos. The DeBernardo Family also owns and operates office and retail buildings in Capitola along 41st Avenue and Capitola Road.

Nicholas and Kristen Joutz own and operate a financial services company and have provided mortgages to thousands of Californians since 2005.

Project Team:

Architect: The designer and architect of the Capitola Senior Assisted Living Project is renowned California architect, Greg Irwin, Irwin Architectural Group (IPA). IPA has been involved with over 3,000 senior housing projects that range from 55+ housing to skilled nursing facilities across the country. Greg's mentor and father Carl Irwin essentially wrote the code for Senior Assisted Living architecture in the 1980's. Together with their clients IPA has received numerous awards and recognition for their innovation and creativity. IPA's projects have been continually recognized as outstanding projects within the senior community and in 2018 Greg received NAHB Associate of the Year Award for his knowledge and experience.

Assisted Living Operator: The operator of the Capitola project will be Paradigm Senior Living (PSL). PSL is owned and operated by industry leader, Lee Cory. Since 1983, members of the PSL Team have been instrumental in the development, operation, and marketing of more than 75 successful senior living communities. PSL's experience encompasses more than 8,500 units,

including continuum-of care, retirement, assisted living, Alzheimer's care and congregate care communities. Lee Cory has been a nationally recognized speaker and educator for many regional and national seniors housing and health care associations including the National Association for Senior Living Industry Executives (NASLIE), Member and Past Board Member – Assisted Living Federation of America (ALFA), Advisory Member The American Seniors Housing Assn. (ASHA), AIC Conferences, and The American Health Care Association (AHCA).

Funding, Financing and Ability to Complete Project:

The property owners have enlisted the services of a national leader in Senior Assisted Living capital to secure financing upon approval of the conceptual review and final entitlement approvals.

Why Does Capitola Need a Senior Assisted Living Project:

The property owners invested in a robust and detailed analysis report (please see attached Market Demand Analysis For Senior Housing in Capitola, CA by Paradigm Senior Living dated 1/04/2024) researching the demand specifically for Senior Assisted Living units in Capitola in 2022. The report focused on a 7-mile radius from the project location.

In addition, the property owners reviewed the City of Capitola Housing Element of the General Plan 2023-2031 Adopted November 9, 2023 and determined there is a significant unmet demand for Assisted Living projects.

Here are the highlights of our findings:

- 1) According to the “City of Capitola’s latest Housing Element Update Report dated November 9, 2023”, chapter 2, 2-4, explicitly addresses the need for Assisted Living: “If a city has a substantial elderly population, special housing types or services may be needed, such as assisted living facilities, housing rehabilitation programs, paratransit, meals on wheels, and home health care services, to enable seniors to remain in the community.” Further citing “While most age groups declined between 2010 and 2020, (Capitola City residents from 2010 to 2020) age 65 to 74 increased by almost 200% (from 490 residents to 1,427)”.
- 2) According to the Paradigm study, Capitola is in desperate need of between 169 to 211 assisted living and memory care units as of 2021. And the deficit of needed units will increase by approximately 17% to between 198 and 247 by the year 2026.
- 3) There are presently 4,027 households that meet the qualifications for the need of Assisted Living within the 7 mile radius from the project.
- 4) The number of households in potential need for assisted living care is expected to increase 17% to 4,724 households by 2026.

- 5) The fastest growing segment of this population are those aged 75+. There are currently approximately 11,269 seniors aged 75+ within the 7 mile radius and that number will exceed 10.7% growth to 12,478 by 2026. While at the same time the general population of all ages in the same area will only increase by 1.67%.
- 6) Seniors aged 75+ who live within 7 miles of the Capitola project will increase in population by a rate that is over 6 times the general population.

And currently there is little to no plan for Capitola to accommodate for these Seniors who may likely be in need of assisted living or memory care. Currently, Capitola residents would need to relocate to surrounding cities such as Aptos, Santa Cruz, Santa Clara or San Jose to receive such care.

Current Supply and Demand of Senior Assisted Living Units:

There are approximately only 354 total senior assisted living and memory care units in and around Santa Cruz with an occupancy rate of 89%. Santa Cruz has a near 10% higher occupancy rate than the rest of the country given the higher demand and lack of units near the coast.

More popular and well located facilities such as Aegis of Aptos and Dominican Oaks of Santa Cruz are currently at 100% and 96% capacity respectively with many of the area's best facilities boasting long waitlists.

Benefit Zone "Why is this Project a Benefit to Capitola"

- 1) The project lies inside the City of Capitola's current benefit zone. Please see City Benefit "Community" Section 17.88.080 (incentives for Community Benefit).
- 2) Although Senior Care is not explicitly listed as one of the community benefits, Child Care is currently listed as well as "Other". We believe this gives an applicant the ability to propose that caring for the elderly should be considered as important as caring for our youth as both are in need of full-time care.
- 3) This project will seek to house, care-for, and protect patients with Alzheimers, Memory Loss, Dementia, and various other conditions that affect the elderly and make it dangerous for them to remain at home without professional care. Many elderly who suffer from these conditions and do not reside in Assisted Living very often injure themselves in household accidents, die while being unattended or can wander outside of the home and into the streets without recognition of their own well being. We believe this is a benefit to the entire community to provide a safe and local solution to their care needs.
- 4) If the argument can be made for children who require the same supervised care as a "benefit" to the community, then we respectfully believe that age should not be a discriminating factor in determining community benefit and that caring for a child in need is the same benefit to Capitola as caring for an elderly person with memory care needs.

Both are great benefits and thus we feel it is imperative to approve this project with Community Benefit status.

Parking and Traffic

Comments from the initial public meeting in 2022 focused on traffic and parking. Here are some answers and responses to those comments on this subject:

- 1) Assisted Living facilities are actually one of the least impacted types of housing projects with an expected 6-7 cars parking per day. These typically include cars from staff and food service providers.
- 2) The actual residents of the Assisted Living Facility do not drive.
- 3) Residents at Assisted Living facilities are almost always 100% beyond the ability to operate a vehicle, thus remaining on property the majority of their stay, except for organized outings or family visits which are usually leisurely walks around the property, the courtyard or nearby restaurants and shops that Capitola will offer.
- 4) Staff turnover during the day is light, usually limited to 2-3 shifts. Shifts are longer than most other occupations and it is anticipated that many employees will be able to take public transportation, walk or bike to the Capitola Road location.
- 5) In comparison, other commercial projects that could be developed on the CC Zoned property, such as a Liquor Store, a Laundry Mat, an Auto Repair facility, an Auto Service facility or a Restaurant, have much higher parking demand and much higher in-and-out traffic rates.

Affordability:

Assisted Living facilities are labor intensive and the majority of the expense to the residents is the full time care provided. It is not typical or possible to offer “affordable” or “income restricted” units to residents, because even if a unit is designated as affordable, it is not possible to discount the labor cost to the employees in California. Meaning that a rent restricted unit would still require full labor expense for the staff and skilled nurses tending to the resident.

Conclusion

In conclusion, we believe the City of Capitola will greatly benefit from our proposed Senior Assisted Living project. Based upon the facts listed above, we encourage the city to recognize the project as worthy of the incentives afforded by the Community Benefit Zone not solely by virtue of the property being located squarely inside the Benefit Zone, but also by virtue of the fact that it is incumbent upon all of the City to care for and provide assisted living housing options for our local seniors in need.