

Offering Memorandum

721 Oddstad Blvd., Pacifica, CA 94044



Entitled Senior Assisted Living Development Opportunity

To learn more, contact:

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Executive Summary

As the U.S. economy slowly recovers from one of the most severe recessions since the 1930's, certain regions across the U S have established themselves as those special areas that outperform the U.S. economy in general. Coastal California, especially our market region of the San Francisco mid-peninsula is one of those shining stars.

Pacifica is conveniently located within the San Francisco mid-peninsula area and has a market area stretching from San Francisco on the north, San Mateo on the south at Highway 92 and surrounded on the west and east by the Pacific Ocean and San Francisco Bay respectively. This defined target market with a population of 1.3 million people live within a thirty minute drive from the featured development site, 721 Oddstad Boulevard.

As the baby boomer generation moves toward that 75 year old head of household demographic, the demand for quality options offered from the Assisted Living Provider continues to remain strong. In the mid-peninsula there are 13 Assisted Living Facilities (50 units and above) listed within this projected description hosting some 1,508 residents. This represents approximately 44% of the total number of comparable beds available with the balance found in smaller unit mixes of 6 to 20 beds. After conducting an informal survey, which included rates, vacancies and concessions, of operators within the target market we concluded that there just are not enough quality assisted living options to meet this growing demand.

As is true in any industry "Time to Market" and "Competitive Positioning" are two of the most important parts of the equation determining a company's overall success in addressing a market opportunity. We believe the project currently approved for the Oddstad property is a unique situation ready for development and occupancy.

Benefits

Outlined below are some of the compelling factors regarding this development opportunity:

- A population of 1.3 million people living within a 30 minute drive of the Oddstad Property;
- A site with proximity to a population experiencing vibrant growth in the formation of new jobs and new business ideas and models;
- A current and projected 75+ year old – head of household demographic translates into an increasing demand for Assisted Living Facilities options from a generation with a strong desire to remain in the area close to family and friends;
- A unique setting nestled in the San Pedro Valley with a rural country feel and a mild, temperate climate;
- A site in an area of mature growth and established land uses, where it is difficult to find property that is available to be developed or redeveloped;
- A site that enjoys immediate proximity to San Francisco and the eight Peninsula cities within a 30 minute drive together with the amenities they provide; regional shopping centers, neighborhood retail services, thriving downtown neighborhoods and 6 major hospitals, and;
- A site that has successfully completed the entitlement process, which, in California, is especially difficult and complex requiring the need to address explicit milestones such as General Plan Amendment, California environmental law compliance (CEQA), , Department of Fish & Game approval, and obtaining a special use permit from the City Council of Pacifica for the construction of an Assisted Living Facility.

After successfully doing all the work to professionally satisfy all of these barriers to development over the past 36 months, this property is now uniquely positioned for development.

Building Overview

721 Oddstad Boulevard, Pacifica, California 94044

| SITE COVERAGE | | |
|--------------------|---------------|--------|
| | AREA (SQ.FT.) | % AREA |
| LOT AREA | 93,034.20 | 100 |
| BUILDING FOOTPRINT | 21,557.81 | 23.17 |
| LANDSCAPE AREA | 47,039.39 | 50.56 |
| HARDSCAPE AREA | 24,437.00 | 26.27 |



Entrance to San Pedro Park Across from Site



Headquarters Building San Pedro Park

| SUMMARY OF FLOOR AREAS (Building 1, 2 (A&B), 3 and 4) | | | | |
|---|-----------------------------|------------------------------|------------------------------|---------------------|
| | FIRST STORIED AREA (Sq.Ft.) | SECOND STORIED AREA (Sq.Ft.) | THIRD STORIED AREA (Sq. Ft.) | TOTAL Area (Sq.Ft.) |
| UNITS | 9,492 | 11,796 | 11,796 | 33,084 |
| COMMON AREA | 8,473 | 6,495 | 4,528 | 19,496 |
| SERVICE AREA | 1,882 | 719 | 0 | 2,601 |
| TOTAL | 19,847 | 19,010 | 16,324 | 55,181 |
| UNDERGROUND PARKING GARAGE | | | | 17,325 |

| SUMMARY OF BUILDING AREAS | | | | | |
|--|---------------------------|---------------------------|-----------|--------|---------------------------|
| | BUILDING #1 AREA (Sq.Ft.) | BUILDING #2 AREA (Sq.Ft.) | | | BUILDING #3 AREA (Sq.Ft.) |
| | | BLDG. #2A | BLDG. #2B | TOTAL | |
| FIRST FLOOR | 2,970 | 4,856 | 5,405 | 10,261 | 5,728 |
| SECOND FLOOR | 3,408 | 3,698 | 4,359 | 8,057 | 5,410 |
| THIRD FLOOR | 3,514 | 3,524 | 4,395 | 7,919 | 5,346 |
| TOTAL | 9,892 | | | 26,237 | 16,484 |
| UNDERGROUND PARKING GARAGE (BUILDING #4) | | | | | 17,325 |

| PARKING | |
|---------------------|---|
| PARKING PROVIDED | QUANTITY |
| SURFACE PARKING | 15 (Including 1 accessible and 1 Loading/Unloading Space) |
| UNDERGROUND PARKING | 55 (Including 3 Accessible; 2 Van & 1 Regular) |
| TOTAL | 70 SPACES (14 Compact, 55 Standard & 1 Unloading/Loading) |

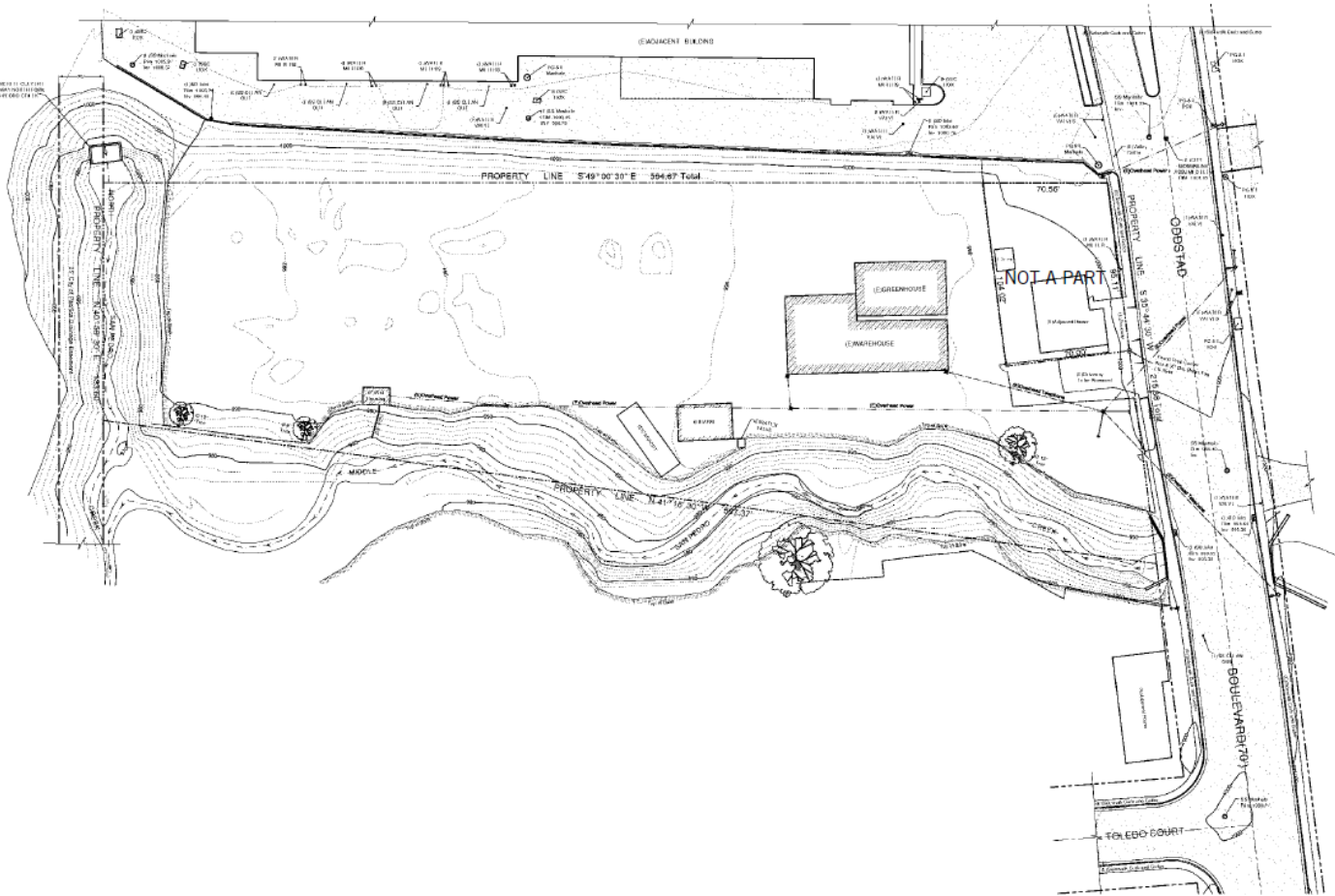
| BUILDING DESIGN | |
|------------------------------|---------|
| BUILDING HEIGHT | 32'-11' |
| NUMBER OF STORIES | 3 |
| NUMBER OF STUDIO UNITS | 54 |
| AREA OF STUDIO UNIT (Sq.Ft.) | 258 |
| NUMBER OF 1 BEDROOM UNITS | 42 |
| AREA OF 1 BEDROOM UNITS | 447 |
| TOTAL NUMBER OF UNITS | 96 |

| BUILDING DESIGN SET BACKS | |
|--------------------------------|------|
| TO CREEK (Feet) | 57' |
| TO RIPARIAN VEGETATION (Feet) | 20' |
| TO 100 YEAR FLOOD PLAIN (Feet) | 39' |
| TO STREET (Feet) | 134' |

- ADDRESS 721 Oddstad Boulevard, Pacifica, California 94044
- SIZE Approx. 2.14 acres (approximately 93,218 square feet)
- PARCEL NUMBER 023-593-160
- COUNTY San Mateo
- GENERAL PLAN By resolution, June 11, 2012, a General Plan amendment changed the land use designation for the property from agricultural to commercial.

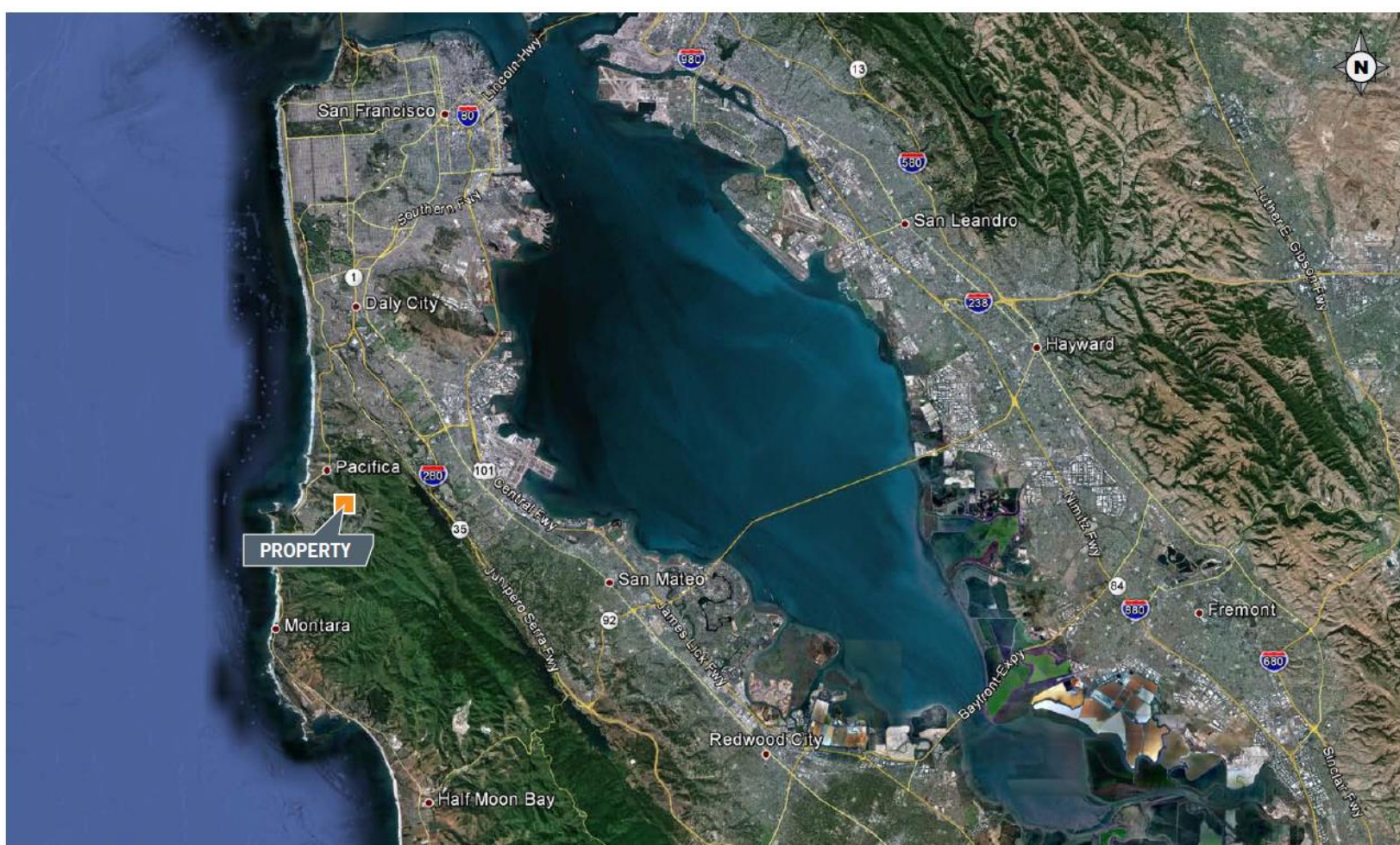
Building Overview

TOPO Survey



- ZONING C-1
- LAND USE Assisted Living Facility
- UTILITIES: Water: North Coast County Water District; Electricity: Pacific Gas & Electric Company; Gas: Pacific Gas & Electric Company
- FLOOD ZONE Subject property is located in Zone B - Area between limits of the 100-year flood and 500-year flood; or certain areas subject to 100-year flooding with average depths less that one (1) foot or where the contributing drainage area is less that one square mile; or areas protected by levees from the base flood.

Bay Area Region



The 721 Oddstad property is located in the heart of California, the 8th largest economy in the world. Located specifically on the central coast of the state on the Peninsula area of the 9 county area known as the Bay Area, home to some 7.18 million Californians. We see good evidence of job formation based on the hiring being generated by Oracle, Google, Apple, Zynga, to say nothing of the long standing major employers located here for many years such as Bechtel Corporation, Dolby Labs, Bank of America, Genentech, California Pacific medical Center, Kaiser Permanente Medical center, UCSF Medical Center, PG&E. There is new construction in the SOMA district of San Francisco by UCSF along with strong positive growth in class A office space in San Francisco. Over the four year period 2006-2010, these technology based jobs in San Francisco grew by 3.14% at an average salary of \$ 108,000. We continue to see new construction from the biotech and dotcom companies in San Francisco as well as new construction of a full range of technology companies in the Silicon Valley. Jobs drive population growth which in turn drives apartment occupancy and we have seen apartment vacancies fall below 5% and annualized rental increase over 16%. It is evident that the Bay Area in general and the mid peninsula specifically is experiencing a recovery well ahead of the balance of the country.

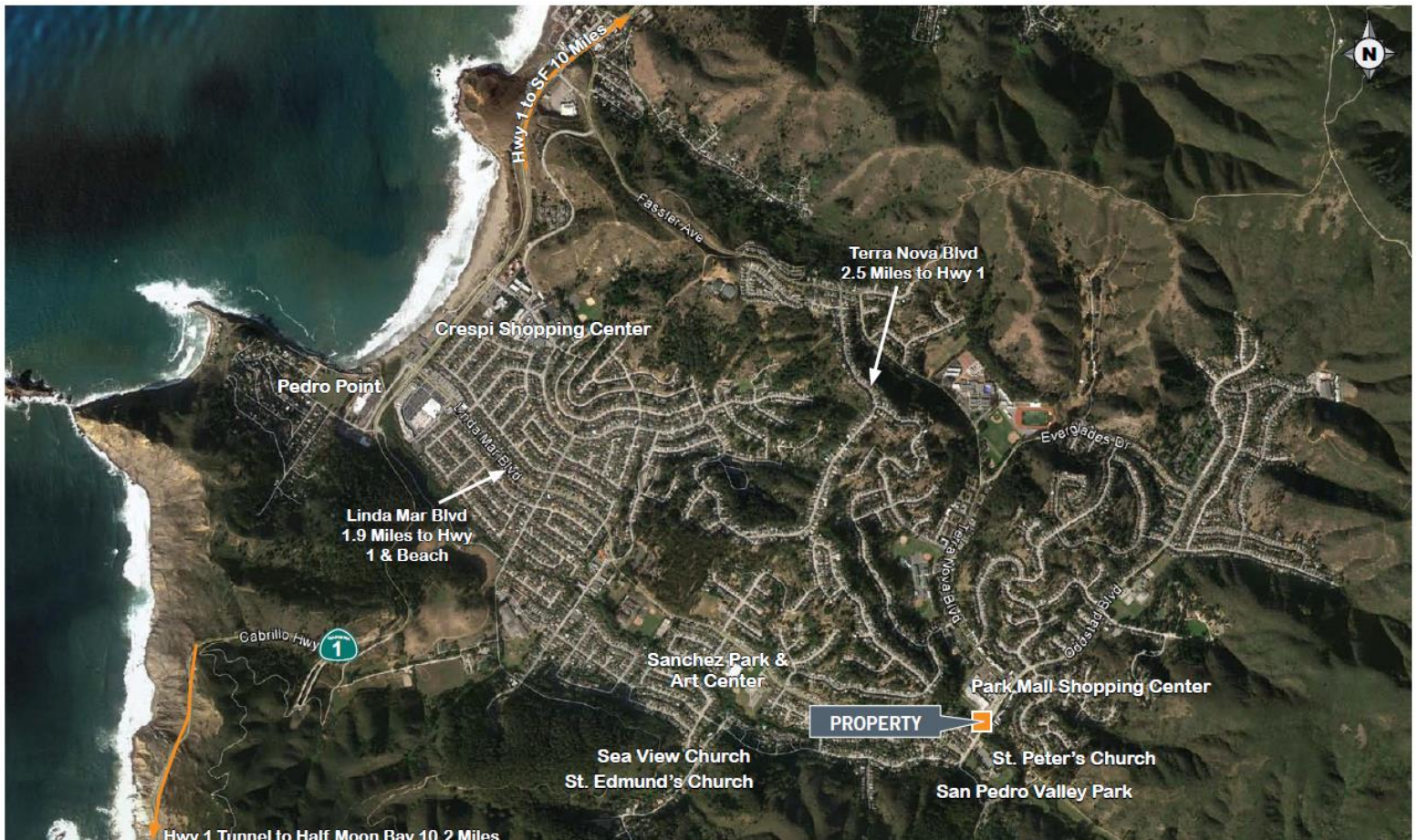
City – Pacifica, CA

The property is located on the central coast in Pacifica, California. Incorporated in 1957, Pacifica has a population of some 39,000 people. Immediately adjacent is San Francisco, a population of some 805,235 people. Together, these two cities constitute 67% of the population of the Peninsula from San Francisco to Highway 92 (basically the mid-peninsula).

San Francisco Demographics

- Home to 105,000 companies,
- The median income is \$71,304,
- Home ownership rate is 37.5%,
- Homes have a median value of \$785,200,
- While 66.6% of the 325,000 housing units are multifamily structure, and
- The mean travel time of these residents to their workplace is 29.4 minutes.

Pacifica Community Aerial



Property Location Aerial



Property Accessibility

To the right is a map defining the market study area with the geographic boundaries broken down into 15-minute, 20-minute, and 30-minute drive times from the subject property.

Demographics below indicate that the an assisted living facility is supported in the market area. Further, the population of the target demographic (people 75 years or older) projected to live within the 30 minute driving time from 721 Oddstad Boulevard is growing at a rate greater than facilities to accommodate the percentage of that target demographic that will need assisted living.

The continual growth of the population base within the Bay Area and specifically, the 30 minute drive time of 721 Oddstad Boulevard, is reflected in current vacancy rates in the 5% range, increasing rents (10% to 11%) growth in last 12 months.

Market Analysis

Statistical records show that demographic demand profile residents come to assisted living facilities from a variety of settings:

- 70% moved from a private home or apartment
- 9% come from a nursing facility
- 9% come from a retirement or independent living facility
- 7% come from a family residence (such as living with adult children)
- 5% come from another assisted living residence or group home

Assisted living is defined as a situation where residents in the living facility need one or more of the following 5 activities necessary to their daily living.

Activities of Daily – On average, assisted living residents need help with 1.3 ADLs. The chart below shows the various ADLs and the percentage of residents needing help with them.

| Activities of Daily Living | % of Residents Needing Help |
|----------------------------|-----------------------------|
| Bathing | 64% |
| Dressing | 39% |
| Toileting | 26% |
| Transferring | 19% |
| Eating | 12% |

Sources: The national Center for Assisted Living (NCAL)

National Investment Center (NIC) for the Senior Housing and Care Industry

Market Analysis, *continued*

AREA DEMOGRAPHICS

2012 Total Population 1,312,006

2012 Population By Age

Age 75-79 28,077

Age 80-84 20,861

Age 85+ 20,259

TOTAL Population by Age 69,179

2012 Per Capital Income \$44,190

2012 Median Household Income \$72,826

2012 Avg. Household Income \$110,697

2016 PROJECTED AREA DEMOGRAPHICS

Projected Total Population 1,382,804

2016 Population By Age

Age 75-79 29,422

Age 80-84 21,484

Age 85+ 21,240

TOTAL Population By Age 72,146

Source: Pitney Bowes Business Insight – Basic Summary Demographic Report

According to Charles Harry, Research Director for the National Investment Center (“NIC”) for the Senior Housing & Care Industry, based on the 100 largest markets that they study, they rely upon the following formula to establish the number of assisted living units required per head of household:

“5 units per 100 households that are headed by an individual 75 years old or older”

Market Analysis, continued

Surrounding Hospitals within 30-Minute Drive Time:

1. California Pacific Medical Center

3801 Sacramento Street

San Francisco, CA

2. UCSF Hospital

513 Parnassus Ave

San Francisco, CA

3. Seton Medical Center

1900 Sullivan Ave

Daly City, CA

4. San Francisco General Hospital

1001 Potrero Ave

San Francisco, CA

5. Kaiser Hospital

1200 El Camino Real

South San Francisco, CA

6. Mills-Peninsula Hospital

1500 Trousdale Dr

Burlingame, CA