

## Memorandum

**To:** Mayor and Council  
**From:** Tom Baker, Town Administrator  
**Date:** November 17, 2015  
**Re:** Preliminary Demand Analysis (PDA)

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**Purpose:** The purpose of this item is to review Elisabeth Borden's proposal for a PDA and if satisfied with the scope and budget, to authorize the Mayor to sign the agreement and direct Elisabeth to begin work.

**Background and Discussion:** On November 3<sup>rd</sup>, Kathy Kopp, CFO Augustana Care, visited New Castle in order to gather information about the community. Kathy visited at the invitation of Town Council and wanted to explore whether or not New Castle was a viable location for senior housing and senior care facilities and whether or not Augustana Care would ultimately consider developing those facilities. Ms. Kopp's trip to New Castle included a site visit to the Kuersten property, a tour of the town and its immediate surroundings, and a Focus Group (14 community members), which she conducted to introduce Augustana Care to the community and to inquire of community members how they understood the issues facing older adults: what type of housing older adults needed, why older adults would move to New Castle, from where these older adults may come, what challenges exist to building needed housing/facilities, and what type of financial support is available in the community (notes from the Focus Group are attached). At the end of the Focus Group, Ms. Kopp asked if the community would support the acquisition of a high level feasibility analysis or PDA. The Focus Group supported this and I suggested we take the question to Town Council. I explained that the Council had spoken with Ms. Borden in the past and understood what a PDA would entail.

At the last Council meeting (November 3<sup>rd</sup>), Council discussed the Focus Group session and also the next step of acquiring a PDA. Council directed me to request a proposal from Ms. Borden, the Highland Group, and suggested that Ms. Kopp be involved in developing the scope so that the product addressed Ms. Kopp's questions.

Attached to this memorandum is the Proposal: Preliminary Demand Report for Town of New Castle. I have had discussions with both Ms. Borden and Ms. Kopp regarding the scope of this proposal. The questions I asked and comments I made are as follows:

- Conversation with Ms. Borden – Regarding **product types**: I said, I understand memory care and assisted living, but what is the difference between for-sale housing and independent living? She said, **Independent living is typically a rental unit in an apartment type building with central dining and entertainment offerings. The building will have sections with assisted living and memory care, as well. For-sale housing (can also be rental) can be patio homes, townhomes, and condominiums. These are typically smaller units (smaller than market units in CVR Lakota) that are proximate to the care facilities. Outdoor maintenance is typically contracted out. For-sale residents can acquire services for a fee – meals in the central dining facility, entertainment, etc.** During the Focus Group discussion several members saw a great need for for-sale housing. It was stated that very little product existed for older adults to sell their large homes and downsize or move into a smaller home in the community. Kent Jolley thought that one could “sell those units all day” because the supply demand equation was skewed.

- Conversation with Ms. Borden – Regarding **market area definition**: In her email Ms. Borden stated that she and Ms. Kopp “believe that a reasonable market area would include Rifle to Glenwood and surrounding areas.” I said, the proposed market area forgoes the Carbondale to Aspen area, which many in the Focus Group thought was important for funding and occupancy. Ms. Borden said, **based upon distance from site, drive time and the fact that other communities could build facilities that could intercept clients were all reasons for keeping the market area to Glenwood to Rifle.** My concern still persists. Unlike Minnesota communities, the Colorado resort and resort influenced areas are populated with people who migrated here from other regions, states, and countries. Our population, in part, is here and wants to stay in the mountains and it is difficult for me to understand why “distance from site, and drive time” are limiting factors. Ms. Borden said that she could also undertake a second market area study that includes Carbondale and Basalt. I asked what the cost of this addition would be and she said approximately 30% more than the cost quoted in the proposal. Ms. Borden cautioned that being too optimistic could result in the project not filling to capacity, as happened in Steamboat Springs.
- Conversation with Ms. Kopp – I raised the question of market area with Ms. Kopp and she explained that since they started building the Castle Peak project in Eagle Ranch, she has received numerous inquiries from Glenwood Springs, Carbondale, Basalt and Aspen. She is concerned that if we have a larger market area, then we may miss important nuances within the GWS to Rifle market. Her suggestion is to undertake the PDA from Rifle to Glenwood Springs with Augustana Care paying for 50% of the cost. Additionally, Augustana Care will undertake a PDA from Carbondale to Aspen to ensure they understand the entire market. Ms. Kopp also stated that in New Castle’s PDA she is asking for information for all economic levels, but will only focus on \$50,000 hhl income for the second PDA.

**Recommendation:** Staff suggests Council accept the attached proposal (Ms. Kopp is reviewing the proposal to ensure it meets her requirements) with the understanding that Augustana Care will cover 50% of the cost. Also, once the PDA is complete, staff suggests that we invite Ms. Borden to a Council meeting to present and explain the document, which is an additional cost. Staff estimates that the Town’s cost will be less than \$5,000.

## Tom Baker

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**From:** Elisabeth Borden <eborden@TheHighlandGroupInc.com>  
**Sent:** Saturday, November 07, 2015 9:11 PM  
**To:** Tom Baker  
**Cc:** mcregut@thehighlandgroupinc.com  
**Subject:** RE: New Castle  
**Attachments:** New Castle Preliminary Demand Proposal Nov 7 2015.pdf

Tom – Here is the proposal for a preliminary demand report for a regional senior community. I talked it through with Kathy Kopp on Friday. She suggested we include four housing/care facility types in the report: for-sale housing, independent living (rental with included services), assisted living, and memory care.

She and I both believe that a reasonable market area would include Rifle to Glenwood and surrounding areas. We think it will overstate demand to include Carbondale.

I will be in the office on Monday if you would like to talk it through.

Elisabeth

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**From:** Tom Baker [mailto:tbaker@newcastlecolorado.org]  
**Sent:** Wednesday, November 04, 2015 10:48 AM  
**To:** eborden@thehighlandgroupinc.com  
**Cc:** kkopp@augustanacare.org  
**Subject:** New Castle

Elisabeth,

Things are moving faster than we expected. Kathy Kopp conducted a Focus Group Discussion with 14 New Castle community members yesterday. She suggested that the next step would be for the Town to secure a Preliminary Demand Analysis. The Council has two meetings between now and the end of the year – November 17<sup>th</sup> and December 1<sup>st</sup>.

Can you prepare a proposal for the above in consultation with Kathy Kopp so we ensure that it will meet her needs? I would like to present this proposal to Council as soon as possible so they can make a decision in this budget year.

Tom



## THE HIGHLAND GROUP

### Proposal: Preliminary Demand Report for Town of New Castle

Covering four product types: for-sale housing (patio homes, townhomes, condominiums), independent living, assisted living, and memory care

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#### PRELIMINARY QUANTITATIVE DEMAND REPORT - PROPOSED SCOPE AND METHODOLOGY

The preliminary demand report is a concise, 15 to 20-page report with the following components. It is produced largely in Excel, with a narrative overview. This report covers quantitative demand for the product types listed above.

1. **Overview and conclusions** - Based on results of competitor overview, demographics, out-of-market-area draw, site location, and demand and penetration calculations.
2. **Market area definition and map** - A primary market area (PMA) will be defined relative to the site based on factors such as: distance from the site and drive times; location of competing properties; geographic or socioeconomic barriers; access to the site; and location of major employment, retail, and service businesses. The PMA definition will be discussed with Client before it is finalized. A customized polygon will then be constructed using zip code boundaries. An estimate of potential draw from out-of-market area will be made.
3. **Maps** indicating location of planned and existing competitors - Close-up maps to show competitor locations.
4. **Competitor table/s** providing name and address of existing competitors, number of competing units, 2014 or 2015 rents/rate range, year built, and descriptive comment. Key informants, other developers, and planning staff of local governments will be contacted to obtain best, most currently available information about other planned competitors. The report will include a list of known, planned properties including number of planned units by product type and project status. Competitive properties will include only properties that are located within the market area and that include any of the unit types included in this report.
5. **Table and graphs of key demographics** for the market area for 2015, 2017, 2020, including general population and households, median income, housing values, number of households in age groups 45 to 64, 65 to 74, and 75+, segregated by the number of households in each group over certain income thresholds. Comparison of market area demographics to the local metro area or County, the State of Colorado, and the United States. Long-range population growth forecast for the subject site's home county (to 2040) for the age groups 45 to 64, 65 to 74, and age 75+.
6. **Demand analysis** - estimate of quantitative demand and/or potential project penetration for 2015 (current conditions), 2017, and 2020 for any product types included in the report.



## TERMS AND FEES

1. The fee for the report as detailed is as follows: Preliminary quantitative demand analysis with **four** product types, as defined above = \$4,000 base with one product type (for-sale housing), plus \$900 for independent living, \$900 for assisted living, and \$900 for memory care = **\$6,700**.
2. Pricing assumes an initial phone meeting to discuss the report, expectations, existing properties and geographic draw, etc. The pricing also includes a phone conference to discuss the review draft of the report prior to its being made final. Incidental expenses are included in the fee. **On-site presentations or phone or in-person meetings or discussion, if requested by Client, will be billed at \$280 per hour, including travel and required preparation time, and mileage reimbursement.**
3. Three copies of the printed report will be delivered to Client. An Adobe PDF file of the final report will also be provided. **Additional bound, color report copies can be provided at \$25 each.**
4. **Timeline** - Typically, a **three- to four-week delivery date**, depending upon the scope of the report and timing relative to Highland Group commitments, scheduling, and holidays. A delivery deadline for the review draft will be set at proposal signing.
5. If Client wishes to change the scope or content of the work after the initial agreement, an adjustment to the fee will be agreed upon in writing. If work is terminated by Client prior to completion, a partial fee will be paid to Highland that is equal to the proportion of work actually completed or committed as of the stop date.
6. Please note that **the purpose of this report is to provide Client with an indication of potential market opportunities at the designated site/s.** This scope of work is intended for internal planning purposes. Because Highland's opinions or conclusions might be different were we to complete a formal market study, this report may be used in preliminary discussions with potential lenders, investors, and others, but may not be referred to as a market study, nor attached or referenced in any registration statement, prospectus, loan or grant application, or other similar document. A statement to this effect will be included in the preliminary demand report.
7. **Fifty-percent of the fee will be due at the start of work.** The remainder of the fee will be due within 10 days of receipt of our final invoice. If we are forced to institute any action to enforce this agreement, by signing below, you agree that jurisdiction and venue of any such action shall be proper in Boulder County. An interest rate of .75% per month will be added to invoices not paid within 30 days from invoice date. Signature/s below indicate acceptance of the scope of work, methodology, terms, fees, and timeline.

## RESPONSIBILITIES OF CLIENT:

Client will provide The Highland Group with any information about site/s, planned project parameters, expected/needed pricing, etc. that may be necessary for Highland to complete the work. The delivery deadline that is set will assume that Client and other key people are reasonably available within that timeframe for questions, discussion, or additional information.

## SIGNATURE:

I accept the terms and conditions of this proposal and authorize The Highland Group, Inc. to proceed with the report as outlined above, or as noted here:

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Signature

Date

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Name of organization or individual authorizing work and guaranteeing payment

Augustana Care  
Focus Group Notes  
November 3, 2015  
3:00 to 4:30 PM  
New Hope Church

Kathy Kopp explained the Augustana Care - Continuum of Care for Seniors:

Independent → Congregate → Catered → Assisted → Memory → Skilled  
Living                    Housing                    Living                    Living                    Care                    Nursing

Kathy also explained that Augustana Care worked with the community to understand need; to understand the type of housing that was desired/needed; to understand the community's capacity for leadership; and to understand how the community viewed the challenges of senior care. Kathy also explained that community donations and support was vital to creating a senior care facility and explained that Castle Peaks in Eagle (\$24M project) required \$4.4M in local fund raising, which was complete in 11 months. (A consulting firm speculated that \$2M could be raised locally.)

**Project Example: Cost at Rosemont Facility (MN):**

- Independent Living Units - \$1,500 - \$2,500 per month
- Assisted Living Units - # \$2,800 - \$3,800 per month (3 meals/day, 24 hr. staff, housekeeping)
- Caresuite (skilled nursing) - \$8k - \$10k per month

**Cost of construction in New Castle area:** Dustin Dodson stated that Grand River Hospital is planning an expansion of facilities for senior care and expect to go to the voters in 2017 with a tax question and bond issue question. For planning purposes they are using \$280/sf to \$310/sf.

Dr. Krauth pointed out that if both Rifle and Glenwood Springs were pursuing the acute end of the continuum of care, then New Castle should focus on the remaining portion of the continuum. Specifically, Dr. Krauth was speaking of plans for skilled nursing in Rifle and Glenwood Springs.

One of the Focus Group members asked if Augustana Care has quantified the economic impact of a senior care facility on the community. Kathy said that the University of Colorado commissioned an economic study for this question and indicated that while she did not have

those figures at the meeting, she thought that the direct and indirect economic impact was in the \$20M range annually for Castle Peaks in Eagle.

Kathy then asked the group questions:

**Q: What are the most important issues facing older adults in the community?**

**A:**

- Need housing options that are affordable so people can move out of existing housing.
- Need housing that has transportation to services.
- Need sliding scale costs.
- Catered Living.
- Many seniors and families would benefit from senior day care options.
- Need access to home based care.

**Q: What type of housing for older adults is needed in the community?**

**A:**

- COOP idea is interesting, but we are not familiar with this model and need information.
- Existing homes have stairs and are large – need one-level, smaller housing where maintenance is done by others.
- Difficult to get people to move who have lived here all their lives.
- Much easier to move to new facility if you retired here and your needs change.
- Kids are moving here to be with parents – Parents may move here to be near kids. (Family housing in New Castle is still affordable.)
- “Wealthy and low income have housing options, but middle income people are neglected...want to downsize and live here.” “New Castle is the closest community to up valley that has land!”

**Q: What are some reasons an older adult would move to New Castle?**

**A:**

- Cheaper than up valley.
- People want to stay in the area.
- Need cost options.
- Need smaller housing options.

Jo Anderson talked about New Castle being the best (perfect) location for a senior housing. New Castle has terrific quality of life.

**Q: Where would people come from to live in a development in New Castle?**

**A:**

- Up valley – Aspen to Glenwood Springs.
- Need housing stock that allows older adults to downsize – middle and upper middle income market is huge.

Kathy was asked the cost of patio homes and she replied \$250k to \$450k. Kent Jolley said the demand was high for that type of product and he could “sell those all day”.

**Q: What challenges exist in New Castle to building or providing services to older adults?**

**A:**

- Cost may be a challenge, but costs in New Castle are lower than anywhere up valley.

**Q: What about the availability of good employees?**

**A:**

- Many employees travel considerable distance up valley for good jobs. If a family supporting job with benefits was available in New Castle there would be a significant pool of employees from which to select.

**Q: What type of financial support and leadership is available in the community?**

**A:**

- Rene Miller said that we needed to think about the community extending up valley to Aspen because this entire area will benefit and provide older adults for this development.
  - Aspen Foundation
  - City of Aspen
  - Pitkin County
  - Snowmass Village
  - Town of Basalt
  - Town of Carbondale
  - Garfield County
  - Town of New Castle
  - Community members from the entire area

**Q: Can we create a group of 10 to 12 community members to be leaders (financial, explain problem, explain development, champion the project)?**

**A:**

- **It is always the same group of people that get asked to give.**
- **Leadership and volunteers would need to come from up valley and down valley.**

**Dustin Dodson estimated that the construction costs of a development that did not focus on acute care would be approximately \$210 to \$250 per square foot.**

**Kathy Koop asked if the community would support a high level feasibility study? Tom Baker suggested that we ask Town Council as they have contemplated this question recently and seemed to be ready to make this investment.**

**Kathy thanked the group for their time.**