

Questions and Answers About Proposed Redevelopment of the Kenney Campus

What is The Kenney?

The Kenney is a Continuing Care Retirement Community (CCRC) in West Seattle. A not-for-profit organization, it exists to serve the community by providing the kind of home and care we all want for treasured parents, grandparents and elders.

What is Unique About The Kenney?

The Kenney is the only CCRC in West Seattle and one of only 19 in greater Seattle. A CCRC provides a spectrum of residential settings – from very independent to highly skilled medical care – so that residents do not have to move off campus if their needs change.

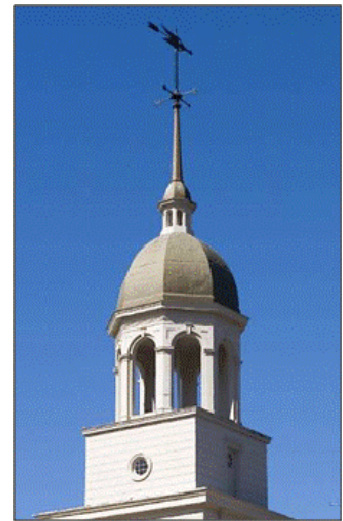
The Kenney’s not-for-profit model, in contrast to for-profit corporate ownership, means that service to our Mission is our top priority. We are governed by a local, volunteer Board of Directors, whose members oversee the operation of the organization for the good of the residents and our community.

95 % of our residents are from the West Seattle area, which we consider to be our primary service area. The Kenney has more than a century of history in West Seattle, and was created through a collaboration of civic leaders, many of whom were “founding fathers” of greater Seattle.

Why is the Kenney’s Operation as a Not-for-Profit Important?

As a not-for-profit The Kenney acts as a steward of its financial resources on behalf of our mission and the community’s best interests. We do this in two important ways:

- **Retention of Income** – When the revenue collected by the Kenney exceeds its operating expenses, such income is put back into the organization in one of three areas: building maintenance, buying new equipment and building our reserves. All income is redirected back into the organization to serve the Mission.
- **Executive Salaries** – Our executives are compensated in line with industry standards. We set executive salaries at the 75th percentile of salaries for comparable not-for-profit retirement communities. These salary benchmarks are established by research conducted by Aging Services of Washington each year.



Our plan is to retain the Cupola and incorporate it in one of the new buildings.

What is The Kenney’s History in West Seattle?

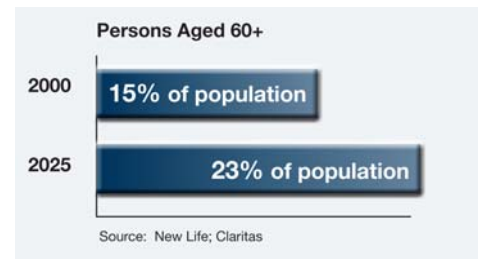
In 1901, Samuel and Jessie Kenney recognized the importance of caring for seniors in the community. The Kenney became a reality through a generous bequest in Jessie’s will. From this legacy, The Kenney has grown to become the only not-for-profit Continuing Care Retirement Community (CCRC) in West Seattle. Our current campus includes independent living, assisted living and skilled nursing facilities dedicated to supporting members of our community as they age. The continuum of care provided in a CCRC offers peace of mind to residents and the opportunity to “age in place” and remains independent for as long as possible.

Why Is The Kenney Considering Redevelopment of Its Buildings?

We consider the redevelopment of the campus to reflect the values of our founders, Samuel and Jessie Kenney. The example they set was to:

- Envision and build the ideal residential situation for elders for their time.
- Call upon the leaders in the community to share their vision and build on the foundation they provided.
- Serve the needs of treasured seniors with the best possible care.

As we seek to follow their example in 2008, we recognize that the needs of seniors have changed dramatically since 1907, and even more dramatically as the Baby Boom generation has matured. Today’s seniors are not content with 300 to 600 square-foot apartments and a scheduled routine of meals and activities. They want homes that families can visit, places where their grandchildren and great grandchildren can play, meals on their schedules, and a variety of physical and cultural programs that they access on their own timetable. This population is growing. In 2005 15% of our population was over 60; by 2025 almost 1 in every 4 persons will be over 60. Most of our facilities were built 30 or more years ago. They do not support the living, dining and program options these seniors expect.



Additionally, there is another growing category of senior that needs specialized care. The number of persons with Alzheimer’s disease and other forms of dementia is expected to double in Washington State by 2025. Currently 70% of these persons are cared for at home¹ due in part to lack of qualified, affordable facilities.



The Kenney must anticipate the current and growing need for memory care services and act now to create new openings for these residents. Of all the organizations in our area, we are best positioned to respond quickly to this need.

¹ According to www.agingkingcounty.org

If The Kenney Does Not Redevelop Its Property, What Will Happen?

Given the changing needs of the majority of our future residents, our lack of physical space that meets their expectations will diminish our effectiveness, and will ultimately jeopardize our ability to stay in business. We currently see this happening with occupancy in our Seaview building, the oldest building on our property. In spite of the wonderful history we have in this 1907 building, many prospective residents find it and its residences institutional and depressing. Not only is there no waiting list for the Seaview building, there is less than full occupancy. The emerging senior population wants homes that are larger and more family-friendly than many of the options we can now provide in outdated facilities.

Additionally, the piecemeal approach we've taken to expansion of The Kenney to date has resulted in a 20 to 25% operating inefficiency that impacts our bottom line. Redevelopment is needed to bring efficiencies in skilled nursing care, supply management, dining opportunities and program management. Inefficiencies impact the fees we must charge to residents. In consideration of their fixed incomes, our goal is to create efficiencies that keep fees as low as possible.

What Are The Guiding Principles The Kenney Brings to Expansion?

We bring four guiding principles to consideration of how best to increase our service to the emerging senior population:

- Service – The demographic changes that affect all of us are well-documented. Our definition of service is to anticipate the retirement of the Baby Boom Generation and be prepared when residents need us.
- Community Partnership – We want The Kenney to continue to be an asset to the West Seattle community and the Fauntleroy neighborhood. To do that we want to work closely with community groups and local government throughout the process of envisioning the redevelopment.
- Environment & Sustainability – As the first senior residential community to sign on to the City of Seattle's Climate Partnership, we want to take a leadership position in implementing conservation measures in both the construction of The Kenney and operations.
- Economic Stewardship – We seek to advocate on behalf of our residents concerning the quality and cost of their care, and we seek to contribute to the economic well-being of West Seattle through the development projects and as an employer.

How Many Persons Are Currently Residents of The Kenney?

We served 185 residents in 2008.

How Many Persons Would Live at The Kenney With Redevelopment?

We will have the capacity to serve 400 residents when the campus is redeveloped.

What Are the Elements of the Proposed Redevelopment?

During Phase I, development plans include a new Skilled Nursing and Memory Support Unit, built on the southern end of our campus, where currently there are multi-family rental homes. The Memory Unit will serve residents in the later stages of Alzheimer's or other forms of dementia. We will also build an additional 64 Assisted Living apartments on the southern end of the campus.

During Phase II, development plans include creation of new independent apartments, with a centralized Kenney Community Center, on the north and west portions of our campus. We will also create new garden/park space for neighbors and residents to share.

How Much Will the Redevelopment Cost?

Total cost is currently estimated at \$152 million, which includes retirement of debt from building the Lincoln Vista Assisted Living Building.

How Will It Be Financed?

We will seek \$25 million in seed capital, and \$127 million from the sale of tax-exempt bonds. The Seed Capital will be repaid by the sale of the tax-exempt bonds once 70% of the new independent-living apartments are sold.

Financing of the tax-exempt bonds will be handled by Ziegler Securities, which is the largest senior living underwriter in the US. Ziegler financed communities have an excellent track record of zero defaults on their bonds. This means that Ziegler analysts carefully review the financial viability of projects to ensure investors of a successful outcome.

What Buildings Will Be Replaced As Part of the Redevelopment?

We propose that the Seaview, Ballymena and Sunrise buildings be replaced to make room for the new residences. We plan to retain the Cupola that is now atop the Seaview and reincorporate it into the newly developed buildings, which will reflect the architectural character of the neighborhood.

The Seaview Building has Community Significance. Can't It Be Saved?

We value the community significance of the Seaview but are finding difficult tradeoffs associated with keeping it. So far, we have not found a scenario for keeping the Seaview that does not have significant architectural and financial problems associated with it.

Adapting the Seaview for today's needs is almost impossible. The Seaview's small, narrow apartments -- which prospective residents find depressing and institutional -- cannot be practically remodeled because of the building's construction. Our ability to provide basic services to homes in the Seaview such as air-conditioning, back-up power and disability access are also compromised.

It's been suggested that we use the Seaview for administrative and office space. This would result in a decentralization of this function leading to further inefficiencies. Our administrative and office needs would not make full use of the building, leaving significant wasted space.

Leaving the Seaview intact, assuming we were able to find an appropriate use would require us to increase the height of new buildings on the campus – effectively hiding the Seaview from view.

Finally, there is an issue of expense. The cost to preserve and maintain the Seaview would have to be absorbed by our residents and the fees they pay for their home and care. Most of our residents are living on fixed incomes. We can't ask them in good conscience to take on the cost of historic preservation of the Seaview in addition to paying for the regular costs of care. This expense may take the cost of living at The Kenney out of the reach of many residents, defeating the affordability intention of expanding our residential capacity.

What About the Cupola? Can It Be Saved?

Yes! Retaining the Cupola has always been planned as part of the redevelopment. The Cupola is the signature icon of The Kenney and its presence in West Seattle. Our plan is to incorporate it into the new buildings. Materials from the Seaview may also be utilized in the new buildings.



Does the Community Have a Say In What Plans are Approved?

Absolutely, yes! The Kenney exists to serve the West Seattle community and beyond. It is essential that our plans address the concerns of our immediate neighbors and the wider community. There have already been several community meetings and more are scheduled for community input. Following the Southwest Design Review Board meeting in October, which was an initial presentation of conceptual plans, we were asked by the board to do the following in response to community questions:

- Conduct an inventory of trees on our campus
- Use the inventory to plot the trees on the site as well as any other landscaping proposed for the project
- Show how the proposed buildings will look from different vantage points around the neighborhood (we have done this with photographs and video)
- Show the profile of the Seaview building with a more meaningful comparison to the proposed new buildings. We previously showed dotted line drawings of the height of new buildings
- Update our three-dimensional model with updated plans and details
- Provide more technical comparison of the proposed project in relation to the existing zoning regulations
- Demonstrate how the buildings on the perimeter of our campus will be integrated into the neighborhood. Lacking any detail, our early conceptual diagrams gave an inaccurate perception of a “walled fortress.” The next round of diagrams will provide a better depiction of how the development will blend with the residential character of the Fauntleroy neighborhood

All of these items will be provided at the next Design Review Board meeting which takes place December 18, 2008, 6:30 p.m., in the library of Madison Middle School.

Additionally, we want to respond to the questions we received about preservation of the Seaview. Our architects have explored options for keeping the Seaview and have developed diagrams of what this would require. As we have discussed above, the tradeoffs associated with keeping the Seaview are not attractive. Residents or our surrounding neighbors will be adversely impacted. This is an area for continued discussion.

What Are the Benefits of the Development to Persons Other than Residents?

In looking at the development, we like to think of the beneficiaries as stakeholders rather than just persons, as this allows us to include the environment as one of those stakeholders. We see the benefits to these stakeholder groups as follows:

Fautleroy and West Seattle Neighbors

- Improved property values – Smart development has been shown to improve property values²
- Increased tax revenue
- Local construction jobs during development
- Increased staff employment
- Increased community access meeting and multi-purpose spaces for volunteer and civic use
- New dining and shopping opportunities
- Preserved local not-for-profit “ownership” of The Kenney and its commitment to the community
- Improved public access to gardens and green space on campus

Community Engagement “Giving Back”

Efficiencies in operations will allow The Kenney staff to design and staff more programs for residents’ engagement with the community. Our residents want to take a more active role in society and in our local community. New program spaces will allow us to create benefits for both our residents and our neighbors in the following ways:

- Education – Senior University in partnership with South Seattle Community College (SSCC), and training for SSCC students
- Intergenerational programming – Onsite childcare for the public and residents’ families
- Student Internships – Service learning projects for Middle School and High School students



² National Investment Center Report “Impact of Senior Housing and Care Development on Surrounding Communities.”

- Charitable – Residents’ activities that support local causes such as the West Seattle food bank
- Arts and Culture – Increased opportunity for arts and cultural groups to perform, as well as groups’ access to rehearsal or project development space

Environment

- Enhanced participation in Seattle Climate Partnership through energy and waste-wise design, construction and operations
- Increased the residential density of the current campus instead of increasing our footprint
- Improved water efficiency in buildings and landscaping
- Improved indoor environmental quality through “healthy building” design and construction.



What’s Next in the Development Process?

We foresee continued discussion with the community and going through the legal and regulatory approval process through the summer of 2009. We would continue planning and development until early 2010. Phase I would begin in February of 2010 and last 14 months. Phase II would begin in July 2011 and last almost two years.

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