

June 24, 2020

Memo To: KT Urban, Inc.

Subject: Proposed Westport Cupertino Residential Care Facility for the Elderly

As per your request, we have reviewed the concept of including nine BMR units within Building 1 at Westport Cupertino based on Atria's intended use of the building.

Atria's expectation would be to license Building 1 as a Residential Care Facility for the Elderly ("RCFE") with the California Department of Social Services ("DSS"). As a licensed RCFE, or an "Assisted Living Facility", in layman's terms, Atria would be required to provide its residents with:

- Three-meals a day
- Housekeeping services
- Educational and social activities and programing
- Transportation (individual and organized)
- Emergency alert systems (Ecall, pull cords, wearables)
- Utilities
- Access to care services such as bathing, grooming, and medication management.

Unlike age-restricted housing, the operations of a building of this type, including the staffing and cost associated with it, go well beyond just simple housing, as contemplated by affordable housing programs. The provision of services beyond housing, make the product offering incongruous with on-site BMR units and their associated rent levels providing no remuneration for the additional services.

To further illustrate the difference in product between Building 1 and Building 2, out of diligence, we inquired about the possibility of utilizing the Low Income Housing Tax Credit program (the principal means for financing affordable housing) to separately finance the development of these units, and we have been advised that these units would not be eligible for the program given the service level associated with them.

While we don't believe the DSS would approve the carveout of certain "housing only" BMR units from the licensed building, this concept would create additional operational challenges and burdens to attempt to manage separate resident populations entitled to differentiated services. In addition, this would create the exact opposite of the desired effect by creating separate classes of individuals within the building.

While it might seem logical that the building should be able to include BMRs given the residential-like use, the requirements of licensure and complexities and cost of operations make the concept much more challenging and prohibitive to execute.

We continue to believe this is an exciting project and believe we can create an exciting and supportive living option for Cupertino seniors into the future. We would be happy to discuss further to the extent you have additional questions.

A handwritten signature in black ink, consisting of several loops and a long horizontal stroke extending to the right.

**Randy Bekerman
SVP, Investments**