



# HAWAII STATE HEALTH PLANNING AND DEVELOPMENT AGENCY

## STANDARD APPLICATION – CERTIFICATE OF NEED PROGRAM

Application Number: #09-03

Applicant: SYS Land Corporation  
2035 Kamehameha Ave.  
Honolulu, HI

Project Title: Establishment 42 Skilled Nursing Facility/Intermediate  
Care Facility beds

Project Address: 2787 Winam Avenue  
Honolulu, Hawaii

1. **TYPE OR ORGANIZATION:** (Please check all applicable)

Public	_____
Private	<u>  X  </u>
Non-profit	_____
For-profit	<u>  X  </u>
Individual	_____
Corporation	<u>  X  </u>
Partnership	_____
Limited Liability Corporation (LLC)	_____
Limited Liability Partnership (LLP)	_____
Other: _____	_____

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2. **PROJECT LOCATION INFORMATION:**

A. Primary Service Area(s) of Project: (Please check all applicable)

Statewide:	_____
O`ahu-wide:	<u>  X  </u>
Honolulu:	_____
Windward O`ahu:	_____
West O`ahu:	_____
Maui County:	_____
Kaua`i County:	_____
Hawai`i County:	_____

3. **DOCUMENTATION** (Please attach the following to your application form):

- A. Site Control documentation (e.g. lease/purchase agreement, DROA agreement, letter of intent)  
**Please see Attachment A., DROA**
- B. A listing of all other permits or approvals from other government bodies (federal, state, county) that will be required before this proposal can be implemented (such as building permit, land use permit, etc.) **Conditional Use Permit (CUP); Certificate of Occupancy, DOH License**
- C. Your governing body: list by names, titles and address/phone numbers **Sandra Shim is the sole owner of the corporation shares**
- D. If you have filed a Certification of Need Application this current calendar year, you may skip the four items listed below. All others, please provide the following:
  - Articles of Incorporation **See attachment B**
  - By-Laws **See attachment C**
  - Partnership Agreements
  - Tax Key Number (project's location) **#{1} 2-7-35-52-000**

4. **TYPE OF PROJECT.** This section helps our reviewers understand what type of project you are proposing. Please place an "x" in the appropriate box.

	Used Medical Equipment (over \$400,000)	New/Upgraded Medical Equip. (over \$1-million)	Other Capital Project (over \$4 million)	Change in ownership	Change in service/ establish new service/facility	Change in Beds
Inpatient Facility			X		X	X
Outpatient Facility						
Private Practice						

5. **TOTAL CAPITAL COST:** \$4,720,000

6. **BED CHANGES.** Please complete this chart only if your project deals with a change in your bed count and/or licensed types. Again, this chart is intended to help our reviewers understand at a glance what your project would like to accomplish. Under the heading "Type of Bed," please use only the categories listed in the certificate of need rules.

Type of Bed	Current Bed Total	Proposed Beds for your Project	Total Combined Beds if your Project is Approved
SNF/ICF	0	42	42
<b>TOTAL</b>	<b>0</b>	<b>42</b>	<b>42</b>

7. **CHANGE IN SERVICE.** If you are proposing a change in service, then please briefly list what services will be added/modified. Be sure to include the establishment of a new service or the addition of a new location of an existing service. Please consult Certificate of Need Rules Section 11-186-5 for the categories of services. If you are unable to determine which category best describes your project, please consult with agency staff.

As a new facility, Manoa Cottage East will become a new provider of SNF/ICF service

**8. PROJECT COSTS AND SOURCES OF FUNDS (For Capital Items Only)**

<b>List All Project Costs:</b>	<b>AMOUNT:</b>
1. Land Acquisition (with existing buildings)	<u>\$3,200,000</u>
2. Construction Contract (renovation)	<u>\$1,000,000</u>
3. Fixed Equipment	<u>\$ 250,000</u>
4. Movable Equipment	<u>\$ 200,000</u>
5. Financing Costs	<u>\$ 20,000</u>
6. Fair Market Value of assets acquired by lease, rent, donation, etc.	_____
7. Other: (development costs)	<u>\$ 50,000</u>
<b>TOTAL PROJECT COST:</b>	<b><u>\$4,720,000</u></b>

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**A. Source and Method of Estimation**

Describe how the cost estimates in Item "A" were made, including information and methods used:

Cost of land and existing structure from purchase agreement. Renovation, equipment and other costs are internal estimates

**B. Source of Funds**

<b>Source of Funds</b>	<b>AMOUNT:</b>
1. Cash	<u>\$ 710,000</u>
2. State Appropriations	_____
3. Other Grants	_____
4. Fund Drive	_____
5. Debt	<u>\$4,010,000</u>
6. Other: _____	_____

**TOTAL SOURCE OF FUNDS: \$4,720,000**

9. **IMPLEMENTATION SCHEDULE:** Please present a projected time schedule for the completion of this project from start to finish. Include all of the following items that are applicable to your project:

- 08 JUN 29 17:32
- a) Date of site control for the proposed project.
    - Nov. 17, 2008 (Purchase contract)
  - b) Dates by which other government approvals/permits will be applied for and received.
    - 12/31/08 Conditional Use Permit (CUP) applied for.
    - 3/30/09 Building permit applied for.
    - 6/30/09 Building permit issued.
  - c) Dates by which financing is assured for the project.
    - 3/30/09 Construction loan.
  - d) Date construction will commence
    - 7/01/09
  - e) Length of construction period.
    - 60 days
  - f) Date of completion of the project.
    - 9/01/09
  - g) Date of commencement of operation.
    - 1/01/10 (Allowing 90 days for DOH survey/licensure).

*Please remember that the Agency does monitor the implementation of Certificates approved. Non-implementation of a project as described in your application may result in a fine and/or withdrawal of the Certificate of Need.*

10. **EXECUTIVE SUMMARY:** Please present a brief summary of your project. In addition, provide a description of how your project meets each of the Certificate of Need criteria listed below. If a new location is proposed, please attach an easy to read map that shows your project site.

**Please see page 6**

- a) Relationship to the Hawai'i Health Performance Plan (H2P2), also known as the State of Hawai'i Health Services and Facilities Plan
- b) Need and Accessibility
- c) Quality of Service/Care
- d) Cost and Finances (include revenue/cost projections for the first and third year of operation)
- e) Relationship to the Existing Health Care System
- f) Availability of Resources

## 10. EXECUTIVE SUMMARY

Manoa Cottages, an existing care home in Manoa Valley, is proposing to establish a new 42 bed SNF/ICF (skilled nursing and intermediate care) facility on Winam Street in Kaimuki at a capital cost of \$4,720,000. The site currently has two small apartment buildings on it as well as three small homes. The homes will be demolished. The two apartment buildings will be renovated and, with additional new construction, we will establish a 42 bed SNF/ICF facility. (Please see Exhibit 1 on page 9 for a site plan, and Exhibit 2 on page 10 for an architectural drawing).

The current Manoa Cottages is an Adult Residential Care Home (ARCH), serving private pay residents, in lower Manoa with 15 care home beds and 9 expanded care (SNF/ICF) beds. It is privately owned by SYS Land Corporation with Sandra Shim as the 100% owner of the corporation.

Manoa Cottages consists of 3 homes located on 3 contiguous lots, with the homes situated around a central courtyard with a koi pond and a waterfall. Each home is operated independently with its own staff. A commercial kitchen in one of the homes caters to the other two homes. Residents are free to safely wander from home to home to visit their friends. Market umbrellas and canopies make sitting outdoors comfortable. Two small dogs roam the vegetable garden and the potted fruit trees. Visiting families share the environs. The entire project occupies 21,000 square feet of land, with 9,000 square feet of residents' area on the ground floors of the homes.

Manoa Cottages is a family business with Sandra Shim as the owner and Chief Financial Officer. Daughter Jennifer Shim, a certified Care Home Operator and Certified Nurse Aide, is the Director of Patient Services; while daughter Elizabeth is the Director of Human Resources. Son Christopher, who is also a firefighter, takes care of maintenance. The homes were built with a family compound in mind, with the second floors of the homes housing family members.

Manoa Cottage East will benefit from the experience and the unique elements of Manoa Cottages. The existing one story apartment building will be renovated to accommodate 10 patients. The existing two-story apartment building will be renovated to accommodate 16 patients on the first floor and 16 patients on the second floor. All rooms will be semi-private. One room will be a studio apartment for a live-in Registered Nurse (RN). A new elevator will be added to provide access for the second floor residents to the first floor areas. There will be new construction to connect the two buildings with a light and airy dining room and common area featuring high ceilings and tall glass windows. The

common area will open onto a large fish pond/waterfall area and a dining lanai. All of these elements have been used in the existing homes and have been most effective in providing a pleasant and healthful environment for our residents. Manoa Cottages has such a good reputation as a care provider that we have a waiting list of applicant residents, and receive calls every day for admissions.

#### **A. Relationship to the Hawai'i Health Performance Plan (H2P2).**

This project relates well to the H2P2. Chapter II of the H2P2 provides an occupancy rate of 95% as a capacity threshold for LTC (Long Term Care) beds which must be met before additional beds are added in a service area. In 2006 (the latest year in SHPDA reports) the SNF/ICF occupancy rate on O'ahu was 96.06%. Three SNF/ICF facilities on O'ahu had occupancies below the 95% threshold: Arcadia, 85%; Hale Ho Aloha, 84.34%; and Kahala Senior Living, 83.91%. Even though they were below the threshold, they did have an average occupancy rate of 85%, and the need for additional LTC beds is greater than that which could be met by any vacancies in existing facilities.

This proposal also complies with the vision and guiding principles established in the H2P2

The first priority established in the H2P2 by the Honolulu Subarea Health Planning Council was "increased geriatric care services for the growing elderly population."

#### **B. Need and Accessibility**

There is a need for this proposal, as indicated by the high occupancy of existing facilities, the number of waitlisted patients in acute facilities and the rapidly aging population.

Manoa Cottage East will establish 42 new SNF/ICF beds in urban Honolulu, where it will be accessible to the majority of the population.

#### **C. Quality of Service/Care**

Manoa Cottages currently provides care home and SNF/ICF care to 24 patients in its existing expanded ARCH. We have a track record of providing high quality service, as evidenced by our waitlist. We will expand our existing quality assurance policies and procedures to comply with the State licensure requirements for an SNF/ICF. We belong to the Alliance of Residential Care Home Operators as well as the Hawaii Long Term Care Association.

#### **D. Cost and Finances**

The capital cost of the project will be \$4,720,000, of which \$4,010,000 will be financed through debt or equipment leases. The debt financing will be available through a two year agreement of sale from the seller of the property, a new mortgage loan and through existing lines of credit.

In our utilization and financial projections, we estimate that the facility will be filled and operate at a 97% occupancy level soon after opening in January 2010. We project a \$250 per diem charge, which compares favorably with comparable SNF/ICF bed rates at other facilities. We project that the facility will be financially feasible, i.e., revenues will exceed expenses, from the first year of operation.

#### **E. Relationship to the Existing Health Care System**

This proposal relates well to the existing health care system. Adding more LTC beds to the existing system will enhance the system, mainly by meeting some of the bed deficit.

The facility will benefit existing acute facilities as it will relieve them of some of the burden and expense of caring for waitlisted patients.

It will benefit the waitlisted patients by making it possible for them to be cared for at the appropriate level

#### **F. Availability of Resources**

The financial resources are available to acquire, renovate and operate the new facility. The applicant has the necessary cash, some of the debt financing is committed and other debt financing is being applied for. The operating revenue of the facility will be enough to cover expenses from the first year.

Section's C and D of this application present a staffing pattern. We believe that needed staff will be available. Although there is a statewide shortage of RNs, we will only need 4.2 FTEs. The majority of our nursing staff will be CNAs (Certified Nurse Aides).

Manoa Cottages has a reputation of being a good place to work, and we have no difficulty in filling our positions. We anticipate that this reputation and this ability will continue with the new facility.