



**HAWAII STATE HEALTH PLANNING AND DEVELOPMENT AGENCY**

**STANDARD APPLICATION - CERTIFICATE OF NEED PROGRAM**

Application Number: # 11-01 Date of Receipt: \_\_\_\_\_  
To be assigned by Agency

**APPLICANT PROFILE**

Project Title: Kalakaua Garden Establishment of a 49 bed SNF/ICF Beds

Project Address: 1723 Kalakaua Avenue, Honolulu, Hawaii 96826

Applicant Facility/Organization: Island Paradise Investments, LP for Kalakaua Garden

Name of CEO or equivalent: Paul Yu

Title: Chief Executive Officer

Address: 3130 La Selva Street, #109, San Mateo, CA 94403

Phone Number: 650-577-1288 Fax Number: 650-577-8822

Contact Person for this Application: Darlene H. Nakayama, RN, NHA

Title: Administrator

Address: 2459 10<sup>th</sup> Avenue, Honolulu, Hawaii 96816

Phone Number: 808-732-0488 Fax Number: 808-737-1754 748-4916

**CERTIFICATION BY APPLICANT**

I hereby attest that I reviewed the application and have knowledge of the content and the information contained herein. I declare that the project described and each statement amount and supporting documentation included is true and correct to the best of my knowledge and belief.

[Handwritten Signature]  
Signature

11/23/10  
Date

Paul Yu

Chief Executive Officer

Name (please type or print)

Title (please type or print)

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

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

2. **PROJECT LOCATION INFORMATION:**

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

Statewide:	_____
O`ahu-wide:	<u>  X  </u>
Honolulu:	<u>  X  </u>
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).
1. Property Summary – The project site is comprised of Tax Map Keys 2-3-22 -49 and 62 and contains a total land area of 30,000 square feet. Parcel 49 is 5,000 square feet and is owned in fee simple by NUHC, Inc. Parcel 62 is comprised of former TMKs 2-3-22-9, 10 & 25 and contains 25,000 square feet of land area. Island Paradise Investments Limited Partnership (IPI) owns the fee simple interest in Parcel 62.
  2. Section 3A - Site Control Documentation – IPI owns the fee simple interest in Parcel 62. IPI has an agreement with the fee owner of Parcel 49 to jointly develop the property via a Joint Development Agreement. Site control is documented via the attached documents, summarized as follows:
    - a. Parcel 62 - Deed dated 9/24/08 for 15,000 sq. ft. of the property (former TMKs 2-3-22-9&10);
    - b. Parcel 62 – Deed dated 1/10/07 for 10,000 sq. ft. of property (former TMK 2-3-22-10);
    - c. Parcel 49 – Letter Agreement dated 9/9/10 between fee owner NUHC, Inc. and IPI for joint development of the properties (Please see attachment A). See attachment B – “Warranty Deed and C - “QuitClaim Deed”.



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	49	49
<b>TOTAL</b>	0	49	49

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.

Addition of 49 SNF/ICF beds.

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

A. List All Project Costs:	AMOUNT:
1. Land Acquisition	\$1,090,025
2. Construction Contract	\$5,330,555
3. Fixed and Movable Equipment	\$ 669,379
4. Financing Costs	\$ 471,186
6. Fair Market Value of assets acquired by lease, rent, donation, etc.	\$ 0
7. Other: Development Costs	\$ 780,384
<b>TOTAL PROJECT COST:</b>	<b>\$8,341,529</b>

**B. Source and Method of Estimation**

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

The cost estimates were based on the percentage of square footage:

<u>Area Allocations:</u>	<u>Sq. ft.</u>	<u>%</u>
Skilled Nursing	17,924	14.780%
Balance	<u>103,346</u>	<u>85.220%</u>
Project Total	121,270	100.000%

**C. Source of Funds**

**AMOUNT:**

1. Cash	\$ 834,153
2. State Appropriations	\$ 0
3. Other Grants	\$ 0
4. Fund Drive	\$ 0
5. Debt	\$7,507,376
6. Other: _____	_____

**TOTAL SOURCE OF FUNDS: \$8,341,529**

**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:

- a) Date of site control for the proposed project, September 1, 2010
- b) Dates by which other government approvals/permits will be applied for and received,
  - 1. Conditional Use Permit – Major (for Elderly Housing): application 12/1/10; approval 3/31/2011
  - 2. Conditional Use Permit – Minor (for Joint Development of multiple lots): application 12/1/10; approval 2/1/2011
  - 3. Building Permit: application 1/1/11; approval 9/30/11
- c) Dates by which financing is assured for the project, September 1, 2011
- d) Date construction will commence, October 1, 2011
- e) Length of construction period, 18 months
- f) Date of completion of the project, March 31, 2013 and
- g) Date of commencement of operation, April 1, 2013.

*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.

See pages 8 of 10; 9 of 10 and 10 of 10.

# INSTRUCTIONS TO THE APPLICANT APPLICATION NARRATIVE

## General Information

Please remember that the responsibility and burden of proof for justifying a proposed project or change rests with the applicant. The application must provide information that demonstrates that a proposal meets the certificate of need criteria established under Section 323D-43 (c), Hawai'i Revised Statutes, and the Certificate of Need rules Section 11-186-15.

To assure a comprehensive and timely review, please be sure that the application is complete before submitting it to SHPDA. By statute, SHPDA shall not accept, review, or act upon an application that does not contain complete information and supporting documentation. Falsifying of information shall be grounds for denial of an application.

Section 11-186-25 of the Hawai'i Administration Rules establishes a fee for each Certificate of Need application. The filing fee, paid in full, must accompany each application.

## General Instructions

In addition to the summary forms, each applicant is required to submit a narrative presenting a detailed description and justification of the proposal. The narrative for an application for Standard Review consists of six (6) sections. These sections address the certificate of need criteria as follows:

1. Relationship to State Plan Criterion
2. Need/Accessibility Criteria
3. Quality Criteria
4. Cost and Financial Criteria
5. Relationship to the Existing Health Care System Criterion
6. Availability of Resources Criterion

To assist in completing the application, instructions for each section, and statement of related criteria from the certificate of need rules, appear on the appropriate pages of the application form that follows.

## EXECUTIVE SUMMARY

### **Brief Summary of the Project**

Kalakaua Garden is a Continuing Care Retirement Community (CCRC) for moderate income seniors living in Hawaii who are looking for an active “city life” living close to Waikiki, Ala Moana, and Downtown Honolulu. Kalakaua Garden will be providing assisted living, rehabilitation services, memory care, long term care and hospice care. The community’s goal is to keep seniors active and independent reducing the need for institutional care and thereby decreasing cost to seniors and the community. Kalakaua Garden will attract younger seniors while independent and allowing them to age in place within the campus.

The Kalakaua Garden’s owner has contracted the Palolo Chinese Home (PCH) to operate and manage its programs and services. The Palolo Chinese Home is Hawaii’s largest and second oldest adult residential care home (ARCH). PCH was originated in 1896 by a group of Chinese businessmen to care for aging immigrant plantation workers. PCH established its permanent residence on 15 acres of land in Palolo Valley in 1917. Today, PCH has 50 licensed adult residential care home beds of which 10 are for expanded care, 61 SNF/ICF beds, and an adult day care center that can accommodate 40 clients per day. PCH also has a community outreach program providing information and referral services, overnight respite care, doctor’s home visits and prepares 10,008 hot meals each year for individuals living at home through its own Meals-to-Go delivery programs.

This Certificate of Need application is for a 49 bed skilled nursing and intermediate care facility (SNF/ICF) which will be located at 1723 Kalakaua Avenue. The 49 SNF/ICF beds will be located on the 5<sup>th</sup> and 6<sup>th</sup> floor within a 17-story high rise building. The 5<sup>th</sup> floor will have 23 residents and the 6<sup>th</sup> floor will have 26 residents.

The 5<sup>th</sup> floor will have the Rehabilitation Center with offices for the interdisciplinary team members. The Rehabilitation Center will have its own simulated kitchen and full bathroom facilities, so that residents can train and practice on their activity of daily living skills. The 6<sup>th</sup> floor will have an outdoor courtyard so that residents and visitors can sit outside. Each room will have a beautiful view to the outside. These SNF/ICF beds will be available to anyone in the facility and from the outside community.

In addition, this high rise campus will also be “home” to 132 assisted living and 32 memory care residents. The residents and visitors will have access to all other amenities in the building such as the library, media room, craft room, and exercise room.

The target population for the 49 SNF/ICF beds will be for residents requiring assistance with activities of daily living, behavior management, health related services, skilled nursing and rehabilitation services. End of life care will also be provided through contracts with hospice companies. The SNF/ICF beds will be State Licensed and Medicare and Medicaid Certified. The focus of care is to assist residents in improving or maintaining their level of care by promoting their independence and their functional abilities.

### **A) Relationship to the State of Hawai‘i Health Services and Facilities Plan**

The addition of the 49 SNF/ICF beds will add to the continuum of long-term care services, especially to the much needed SNF/ICF bed need. The care will be provided at a reasonable cost and will be licensed and certified to cover Medicare and Medicaid services.

Kalakaua Garden's 49 SNF/ICF beds will help fill the need for more long-term care beds. With the increasing number of seniors and the below national average number of nursing home beds it is estimated that statewide, Hawaii is in need of 4,315 long-term care beds with a projected need of 4,812 beds by 2015. In 2010, Honolulu required 2,967 beds and by 2015 will need 3,184 beds. By 2015, there will be a shortfall of about 872 beds for Hawaii and 666 beds for Honolulu.

Kalakaua Garden is a project that will meet the regional and statewide continuum of care needs by meeting the SNF/ICF needs of residents in Hawaii and specifically the County of Honolulu who do not require hospital care, facilitating the transfer of residents from acute care hospitals.

The project will support health education, promotion and prevention initiatives by allowing health care institutions to train in the facility with the goal of promoting health and wellness. A major focus is keeping residents independent and functional. Services will maintain the quality of life of Hawaii's seniors by providing a continuum of care with housing, transportation, nutrition and social support.

81 employees will be hired to provide care and services to these residents. The additional jobs will help with Hawaii's unemployment and employees will also be afforded education and training in caring for SNF/ICF residents. The staff will be a resource to the community and other agencies.

The physician services will be provided in collaboration with the John A. Burns School of Medicine.

## **B) Need and Accessibility**

The proposed 49 SNF/ICF bed unit will be located within a 17-story high rise building in Waikiki. Its location is within the Honolulu area which has the largest number of seniors age 65 and older. The occupancy rate for nursing homes in this area in 2007 was 96%.

Hawaii has one of the largest numbers of residents aged 65 years and older in the nation and has less than half of the national average of nursing home beds. Hawaii has only 23 nursing home beds per 1,000 residents 65 years and above with a national average of 47 beds per 1,000 residents 65 years and above. It is projected that Hawaii will need an additional 872 SNF/ICF beds by 2015.

The 49 SNF/ICF beds will be open to all members in the community in need of nursing home care. The beds will be licensed and certified to accept both Medicare and Medicaid residents. The campus is also centrally located in Waikiki and convenient to connection with many bus routes. The campus is close to major hospitals, physician clinics, Ala Moana Shopping Center and the Convention Center.

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

The proposed project will improve and provide quality of care by ensuring that residents remain as independent and as functional as possible. The project will be managed by PCH, who will ensure that the operations meet all laws and regulatory requirements.

**D) Cost and Finances (include revenue/cost projections for the first and third year of operation)**

The financial pro forma is based on that the 49 beds being filled within 6 months with a 95% occupancy rate. The amount of revenue generated should cover the construction cost and the operational expenses. The total project is estimated to cost \$8,341,529 with a reserve to cover debt until the beds are occupied. The project will be financed by a HUD Loan.

**E) Relationship to the Existing Health Care System**

Due to the high occupancy levels of other SNF/ICF facilities, it is anticipated that there will be no adverse effects on other nursing facilities. This project will fill Oahu's gap for needed SNF/ICF services.

**F) Availability of Resources**

Kalakaua Garden has the financial and human resources to meet the construction and ongoing operational needs of this facility. There is a plan in place to recruit, train and retain the employees for this project. Through the management experience of Palolo Chinese Home the project has the expertise to hire and retain qualified staff. PCH is fully staffed and continues to receive applications for all nursing and other positions.

*Please see attachment F for a Project Site Map and attachment G for Basic Schematic Floor Plans*