



HAWAII STATE HEALTH PLANNING AND DEVELOPMENT AGENCY

STANDARD APPLICATION – CERTIFICATE OF NEED PROGRAM

Application Number: #08-08

Applicant: Kaumana Drive Partners, LLC
P.O. Box 2708
Issaquah, Washington

Phone: 425 391 6646

Project Title: Establishment of a 100 bed Skilled Nursing/Intermediate Care
facility (SNF/ICF)

Project Address: 516 Kaumana Drive, Hilo, Hawaii

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

- Public _____
- Private X
- Non-profit _____
- For-profit X
- Individual _____
- Corporation _____
- Partnership _____
- Limited Liability Corporation (LLC) X
- 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: _____
- Honolulu: _____
- Windward O`ahu: _____
- West O`ahu: _____
- Maui County: _____
- Kaua`i County: _____
- Hawai`i County: X

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

- A. Site Control documentation (e.g. lease/purchase agreement, DROA agreement, letter of intent)
- 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.)
- C. Your governing body: list by names, titles and address/phone numbers
- 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
 - By-Laws
 - Partnership Agreements
 - Tax Key Number (project's location)

Please see Attachment 1: Documentation

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	
Outpatient Facility						
Private Practice						

5. **TOTAL CAPITAL COST:** \$18,722,780

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	100	100
TOTAL	0	100	100

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.

Establishment of a 100 Bed SNF/ICF Facility

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

A. List All Project Costs:	AMOUNT:
1. Land Acquisition	<u>\$1,800,000.00</u>
2. Construction Contract	<u>\$8,836,780.00</u>
3. Fixed Equipment	<u>\$210,000.00</u>
4. Movable Equipment	<u>\$1,300,000.00</u>
5. Financing Costs	<u>\$2,126,000.00</u>
6. Fair Market Value of assets acquired by lease, rent, donation, etc.	<u>\$0.00</u>
7. Other: Developer Fees/Permits/Drawings	<u>\$4,450,000.00</u>
TOTAL PROJECT COST:	<u>\$18,722,780.00</u>

B. Source and Method of Estimation

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

Estimates in Item "A" were made using trend analysis of similar construction projects.

C. Source of Funds	AMOUNT:
1. Cash	<u>\$1,500,000.00</u>
2. State Appropriations	_____
3. Other Grants	_____
4. Fund Drive	_____
5. Debt	<u>\$17,222,780</u>
6. Other: _____	_____
TOTAL SOURCE OF FUNDS:	<u>\$18,722,780.00</u>

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,
- b) Dates by which other government approvals/permits will be applied for and received,
- c) Dates by which financing is assured for the project,
- d) Date construction will commence,
- e) Length of construction period,
- f) Date of completion of the project, and
- g) Date of commencement of operation.

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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.

Project Implementation Schedule		
Item	Projected Implementation	Projected Completion
Site Control	Land acquired on 6/08/2007	
Land Use Application	Projected submittal date 10/15/2008	
Design Development	Engineering Design 11/15/2008	1/1/2009
Building Permit	Estimated 1/2009	
Review of Plans by D.O.H.	Estimated 1/2009	
Secure Financing	Estimated 12/2008	
Construction Commencement	Estimated 5/2009	
Completion of Project	Estimated 5/2010	
Commencement of Operation	Estimated 5/2010	

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.

- 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

Executive Summary

A) Relationship to the Hawai'i Health Performance Plan (H2P2), also known as the State of Hawai'i Health Services and Facilities Plan

The proposed project relates to Part C of Chapter II of the Hawai'i Health Performance Plan (H2P2) and the goals and objectives contained therein by increasing access to appropriate and cost-effective health care services through preventative therapy, the minimization of extended stays of long term care patients in acute care settings, and providing much needed long term care opportunities to the residents of Hawai'i County. Stated among the goals in Part C of Chapter II of the H2P2 is to *"to promote a healthy lifestyle among adults to eliminate preventable illness, disability, and premature death."* The proposed skilled nursing facility will not only offer long term care but will also provide essential comprehensive therapy services to residents who are transitioning back home from myocardial events, strokes, cancer therapy, and post hip/knee surgeries ensuring a complete recovery and decreasing the chances of recurrence.

B) Need and Accessibility

The proposed 100 bed skilled/intermediate care facility will be located on Kaumana Drive, Hilo, Hawai'i County. It will serve the island of Hawai'i, and its approx 171,000 residents. Of those 171,000 approximately 23,000 are over the age of 65. According to the most recent SHPDA utilization report in 2005 the occupancy rate for the SNF/ICF category are at 97.26%. With population growth and an aging demographic it is not hard to see the coming need for additional beds. The accessibility of the 100 beds at the proposed Kaumana Drive skilled facility to all members of the community will be a high priority for the facility and its ownership. To accommodate the lower income residents of the island of Hawai'i the facility will be licensed to accept State of Hawai'i Medicare residents as well as Medicaid, and private pay residents. As a skilled nursing facility the primary residents will most likely be elderly residents of Hawai'i. However the facility will accept other residents in need of the specialized care it is designed to provide.

C) Quality of Service/Care

The proposed 100 bed SNF/ICF facility at Kaumana Drive will improve the quality of care for seniors in this service area. The addition of these beds will allow residents who are backed up in the hospital not only an equivalent level of care, but programs that are specifically designed to meet the psycho social needs of both chronically ill, and post-acute seniors. In addition, this building will be available to relieve stress on family caregivers that need help caring for loved ones, but don't currently have access to a skilled facility. Furthermore these facilities often become community resource centers for care givers to get the latest training and information, and respite care; effectively allowing caregivers a chance to regroup and continue providing for their loved ones.

D) Cost and Finances

Financial pro-forma budgets have been created based on estimated demand in the area that project operations at 80% of capacity in 2009 the first year of operation. Assuming these budgets to be correct the facility would have a net operating revenue of \$350,756.00 . In addition to that \$1,000,000.00 of the facility's construction loan would be designated as a "fill up reserve" to cover the debt service until the building becomes self sufficient. The total project cost is estimated to be \$18,722,780.00 this would be financed by a construction loan that would be transferred into permanent building financing upon project completion.

E) Relationship to the Existing Health Care System

The proposed Kaumana Drive 100 bed SNF/ICF facility was conceived out of a perceived need in the surrounding community for additional long-term care beds. This need has been verified by independent research and by the State of Hawai'i's own bed utilization numbers. This facility will help to fill a gap in the health care delivery system by making available to the public 100 state of the art beds and all of the accompanying facilities including a specialized Alzheimer's unit. By increasing the number of skilled nursing beds available to the population of Hawai'i the facility will be increasing the availability of health care not only to the regions senior citizens but also to the residents in need of acute care. By presenting placement alternatives to hospitals for patients in need of transitional or long-term care the proposed 100 beds will free-up acute care beds for residents to receive the appropriate level of care.

F) Availability of Resources

Regency Pacific has a proven track record of providing long term care in Hawai'i. Using a specialized in-house development team Regency has completed successful long-term care projects in Hawai'i, Washington, Oregon, and California. The ability to develop and manage entire projects from within allows Regency to utilize decades of diverse experience gleaned from its history in the long-term care industry.

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