

**HAWAII STATE HEALTH PLANNING AND DEVELOPMENT AGENCY**

**ADMINISTRATIVE APPLICATION - CERTIFICATE OF NEED PROGRAM**

Application Number: # 15-22A Date of Receipt:  
To be assigned by Agency

**APPLICANT PROFILE**

Project Title: Acquisition of Kaumana Drive Partners, LLC

Project Address: 516 Kaumana Drive  
Hilo, HI 96720

Applicant Facility/Organization: Regency Venture Fund, LLLP

Name of CEO or equivalent: Benjamin Meeker

Title: Managing Member of Hawaiian Islands Regional Center, LLC  
(General Partner of Regency Venture Fund, LLLP)

Physical Address: 2187 San Elijo Ave., Suite B  
Cardiff-by-the-Sea, CA 92007

Mailing Address: P.O. Box 369  
Cardiff-by-the-Sea, CA 92007

Phone Number: 949-940-6929 Fax Number: 760-820-9040

Contact Person for this Application: Benjamin Meeker

Title: Attorney

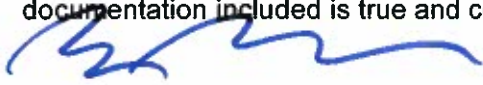
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**CERTIFICATION BY APPLICANT**

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.

  
\_\_\_\_\_  
Signature

12-9-15  
\_\_\_\_\_  
Date

Benjamin Meeker  
\_\_\_\_\_  
Name (please type or print)

Managing Member of General Partner  
\_\_\_\_\_  
Title (please type or print)

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

Public	_____
Private	_____X_____
Non-profit	_____
For-profit	_____X_____
Individual	_____
Corporation	_____
Partnership	_____
Limited Liability Corporation (LLC)	_____
Limited Liability Partnership (LLP)	_____
Other: Limited Liability Limited Partnership	_____X_____

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) **Not applicable. The location of Kaumana Drive Partners, LLC's skilled nursing facility approved by Certificate of Need Application No. 08-08 is not changing. See Attachment (authorization of acquisition).**
- 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.) **Not applicable. This Application is for a change in the ownership of Kaumana Drive Partners, LLC only.**
- C. Your governing body: list by names, titles and address/phone numbers **See Attachment B**
- D. If you have filed a Certificate of Need Application this current calendar year, you may skip the four items listed below. All others, please provide the following:
  - Articles of Incorporation (Certificate of Limited Partnership)
  - **See Attachment C**
  - By-Laws (Operating Agreement) **Not applicable**
  - Partnership Agreements **See Attachment D**
  - Tax Key Number (project's location) **2-5-006-012, 2-5-007-001, 2-5-007-008, 2-5-007-046 and 2-5-007-047**

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 Service	Change in Beds
Inpatient Facility				X Change in ownership	
Outpatient Facility					
Private Practice					

5. **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. **Not applicable.**

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

**6. PROJECT COSTS AND SOURCES OF FUNDS**

**A. List All Project Costs:**

**AMOUNT:**

1.	Land Acquisition	_____
2.	Construction Contract	_____
3.	Fixed Equipment	_____
4.	Movable Equipment	_____
5.	Financing Costs	_____
6.	Fair Market Value of assets acquired by lease, rent, donation, etc.	_____
7.	Other: <u>Fair Market Value of interest acquired in Kaumana Drive Partners, LLC</u>	<u>\$5,703,564.52</u>

**TOTAL PROJECT COST: \$5,703,564.52**

**B. Source of Funds**

1.	Cash	<u>5,703,564.52</u>
2.	State Appropriations	_____
3.	Other Grants	_____
4.	Fund Drive	_____
5.	Debt	\$ _____
6.	Other:	\$ _____

**TOTAL SOURCE OF FUNDS: \$5,703,564.52**

7. **CHANGE OF 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 reference the 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.

Not applicable.

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8. **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. **Not applicable.**
- b) Dates by which other government approvals/permits will be applied for and received. **Not applicable.**
- c) Dates by which financing is assured for the project. **Not applicable.**
- d) Date construction will commence. **Not applicable.**
- e) Length of construction period. **Not applicable.**
- f) Date of completion of the project. **June 25, 2015. (See Attachment G.) The change of ownership will occur upon approval of this Application by SHPDA.**
- g) Date of commencement of operation. **October 1, 2015. (See Attachment I.)**

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.

9. **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 7 through 10 below.**

- a) Relationship to 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. Eligibility to file for Administrative Review.** This project is eligible to file for Administrative review because: (Check all applicable)

It involves bed changes, which will have a capital expense of \$1,000,000 or less, and which will have an increased annual operating expense of less than \$500,000.

It involves service changes which will have a capital expense of \$1,000,000 or less, and which will have an increased annual operating expense of less than \$500,000.

It is an acquisition of a health care facility or service, which will result in lower annual operating expenses for that facility, or service.

It is a change of ownership, where the change is from one entity to another substantially related entity.

It is an additional location of an existing service or facility.

The applicant believes it will not have a significant impact on the health care system.

## EXECUTIVE SUMMARY

16 JAN 13 AIO :48

**1. Background and Summary of Change of Ownership of Kaumana Drive Partners, LLC**STATE HEALTH PLANNING  
& DEV. AGENCY

Kaumana Drive Partners, LLC ("Kaumana Drive Partners") is a Washington limited liability company formed on July 20, 2007. Kaumana Drive Partners is in good standing with the State of Washington. (See Attachment E.) Kaumana Drive Partners does business in Hawaii under the name Kaumana Drive Partners I and is in good standing with the State of Hawaii. (See Attachment F.)

On February 20, 2009 Certificate of Need Application No. 08-08 filed by Kaumana Drive Partners (the "CON") was approved by the State Health Planning and Development Agency ("SHPDA"). (See Attachment G.) The CON is for the establishment of a 100 bed SNF/ICF facility located at 516 Kaumana Drive, Hilo, HI 96720 (the "Facility"). Kaumana Drive Partners is a single-purpose entity and its only asset is the Facility and related real, personal and other property.

Approval of the CON was based in part on the fact that Regency Pacific, Inc. ("Regency Pacific") will manage the Facility. (Attachment G, ¶¶ 24-28.) In addition to the Facility, Regency Pacific manages three other communities in Hawaii: Regency at Hualalai in Kailua-Kona (assisted living), Regency at Puakea in Lihue (assisted living) and Kauai Care Center in Waimea (skilled nursing and intermediate care).<sup>1</sup>

Kaumana Drive Partners began development of the Facility in December 2011. Construction of the Facility is complete and a Certificate of Occupancy was issued on June 25, 2015. (See Attachment H.) The Facility received its Skilled Nursing and Intermediate Care Facility License on October 9, 2015 (effective October 1, 2015). (See Attachment I.)

In order to acquire and construct the Facility, Kaumana Drive Partners received a loan for \$18,500,000 (the "Loan") from Regency Venture Fund, LLLP, a Hawaii limited liability limited partnership ("Regency Venture Fund"). (See Attachment J.) Regency Venture Fund was formed on September 7, 2011 and is in good standing with the State of Hawaii. (See Attachment C and K.)

Regency Venture Fund has agreed to acquire all ownership interest in Kaumana Drive Partners in lieu of enforcement under the Loan and in exchange for a release of Kaumana Drive Partners of certain obligations under the Loan. (See Attachment A.) In other words, Regency Venture Fund will become the owner of Kaumana Drive Partners. The full transfer of ownership is to take place upon approval of this Application.

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<sup>1</sup> Since the CON application for the facility was filed and approved, Regency Pacific Management, LLC, a Washington limited liability company, acquired the entire operations business of Regency Pacific, Inc, including management of the 3 Hawai'i facilities. The referenc to "Regency Pacific" is to Regency Pacific Management.

**No change to the Facility or its services will take place as a result of the change in ownership of Kaumana Drive Partners. Regency Pacific (approved by SHPDA) will remain as manager of the Facility. Moreover, the ownership and staff of Regency Pacific will not be affected by the change in ownership of Kaumana Drive Partners. Hence, there will be absolutely no disruptions in the location, quality or nature of services provided at the Facility. Approval of this Application will be invisible to the Facility's residents as timely processing of this Application will result in seamless continuity of care, and residents will continue to enjoy the high-quality services that they have come to expect from Regency Pacific.**

## **2. Certificate of Need Criteria**

In its approval of the CON, SHPDA determined that the Facility met all certificate of need criteria. Moreover, the Facility received its Skilled Nursing and Intermediate Care Facility License on October 9, 2015 (effective October 1, 2015). (See Attachment I.)

Nothing relevant to the certificate of need process has changed since the CON was approved, and the proposed change in ownership of Kaumana Drive Partners will not affect the findings previously made by SHPDA.

The Facility still meets each of the certificate of need criteria listed below.

### **A) Relationship to the State of Hawaii Health Services and Facilities Plan**

This Application will advance the State Health Coordinating Council's ("SHCC") priorities by:

- Promoting and supporting the long-term viability of the health care delivery system;
- Maintaining overall access to quality health care at a reasonable cost;
- Facilitating equitable access to health care service; and
- Developing the regional and statewide continuum of care.

This Application will also advance the Hawaii County/Hawaii Subarea Planning Council's ("HSAC") priorities of:

- Increasing the number of and improve access to and the quality of health care facilities;
- Expanding the capacity of and improve the access to long term care facilities and home and community-based services;
- Addressing the fact that Hawaii County has the highest growth rate of older adults (60+) in the state;



- Addressing the fact that Hawaii County has the lowest life expectancy and highest rates of age-related illness such as coronary heart disease, cancer and cerebrovascular disease.

## **B) Need and Accessibility**

The need for the services provided at the Facility is evidenced and established in the CON already approved by SHPDA. The Facility, by and through the manager Regency Pacific, will continue to provide the skilled nursing and intermediate care services described in the CON.

In its approval of the CON, SHPDA determined that the Facility will address the critical need for more long term care beds. (Attachment G, ¶¶ 18-23.) Specifically, SHPDA determined that at the time the CON was approved, there was a shortfall of 532 nursing home beds in Hawaii County. (Attachment G, ¶¶ 20, 23.) SHPDA also determined that the Facility would increase the elderly population's access to nursing care by accepting Medicare and Medicaid patients/residents. (Attachment G, ¶¶ 22-23.)

Since the time the CON was approved, the need for the Facility has not changed. If anything, the need has become more critical. According to SHPDA, Hawaii County has the highest growth rate of older adults (60+) in the state. (HSFP, p. 33.) Hawaii County also has the lowest life expectancy and highest rates of age-related illness such as coronary heart disease, cancer and cerebrovascular disease. (HSFP, p. 33.)

For the residents at the Facility, the change in ownership of Kaumana Drive Partners will be invisible as timely processing of this Application will result in seamless continuity of care, and residents will continue to enjoy the high-quality services that they have come to expect from Regency Pacific. Accessibility to the Facility will not be affected by the change of ownership.

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

Despite change in ownership of Kaumana Drive Partners, Regency Pacific will manage the Facility. SHPDA has determined that Regency Pacific will provide the highest levels of quality in terms of care and environment at the Facility. (Attachment G, ¶¶ 24-28.) Perhaps most importantly, the ownership and staff of Regency Pacific will not be affected by the change in ownership of Kaumana Drive Partners. Hence, there will be absolutely no disruptions in the location, quality or nature of services provided at the Facility.

The Facility already has a Skilled Nursing and Intermediate Care Facility License. (See Attachment I.) Hence, the quality of the environment and care to be provided at the Facility cannot be at issue.

**D) Cost and Finances**

The estimated revenue and cost projections for the Facility for the first and third full years of operation have been prepared by Regency Pacific and are included in Attachment L.

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

The proposed change in ownership of Kaumana Drive Partners is not expected to have any negative effect on other providers or impair the public's access to services. The change in ownership will not result in any changes to Regency Pacific's ownership or staffing. The change in ownership will not result in any change to the location, quality or nature of services provided by Regency Pacific at the Facility. The physicians currently providing service at the facility will continue to do so. Accordingly, the proposed transaction will not have any impact on the existing health care system.

**F. Availability of Resources**

Because of the nature of the change in ownership of Kaumana Drive Partners, there are no financial obstacles to this Application. In other words, there is no debt financing or similar arrangements that must be secured.

This Application will not result in any change in the ownership or staff of Regency Pacific.

At present, Regency Venture Fund has deposited \$543,094.78 with Regency Pacific to fund upstart operations at the Facility. (See Attachment M.) This figure is based on Regency Pacific's experience in managing three other facilities in Hawaii and dozens more in the western United States. Hence, sufficient resources are available to ensure the Facility's success as it begins to admit residents.