

ATTACHMENT - REQUIRED STATE AGENCY FINDINGS

FINDINGS

C = Conforming

CA = Conditional

NC = Nonconforming

NA = Not Applicable

DECISION DATE: May 2, 2012
PROJECT ANALYST: Paula Quirin
SECTION CHIEF: Craig R. Smith

PROJECT I.D. NUMBER: R-8782-12 /Gates Health Investors, LLC, Lessor and Gates House, LLC, Lessee/ Add 30 adult care beds to a previously approved 40-bed adult care facility for a total of 70 adult care beds which includes a 40-bed special care unit / Gates County

REVIEW CRITERIA FOR NEW INSTITUTIONAL HEALTH SERVICES

G.S. 131E-183(a) The Department shall review all applications utilizing the criteria outlined in this subsection and shall determine that an application is either consistent with or not in conflict with these criteria before a certificate of need for the proposed project shall be issued.

- (1) The proposed project shall be consistent with applicable policies and need determinations in the State Medical Facilities Plan, the need determination of which constitutes a determinative limitation on the provision of any health service, health service facility, health service facility beds, dialysis stations, ambulatory surgical operating rooms, or home health offices that may be approved.

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The 2012 State Medical Facilities Plan (SMFP) provides a methodology for determining the need for additional adult care home (ACH) beds in North Carolina. The 2012 State Medical Facilities Plan established the need for 30 adult care home beds in Gates County. Gates Health Investors, LLC (lessor) and Gates House, LLC (lessee) propose to add 30 adult care beds to a previously approved 40 bed adult care facility for a total of 70 adult care beds which will include a 40-bed special care unit (SCU) in Gatesville, North Carolina. The applicants do not propose to develop more adult care home beds than are determined to be needed in Gates County and thus are conforming to the need determination in the 2012 SMFP. The lessee, Gates House, LLC intends to contract with Meridian Senior Living, LLC for the management of the facility.

The 2012 SMFP Policy GEN-3 and GEN-4 are applicable to this review. There are no other policies applicable to this review.

Policy GEN-3: Basic Principles of the 2011 SMFP states:

“A certificate of need applicant applying to develop or offer a new institutional health service for which there is a need determination in the North Carolina State Medical Facilities Plan (SMFP) shall demonstrate how the project will promote safety and quality in the delivery of health care services while promoting equitable access and maximizing healthcare value for resources expended. A certificate of need applicant shall document its plans for providing access to services for patients with limited financial resources and demonstrate the availability of capacity to provide these services. A certificate of need applicant shall also document how its projected volumes incorporate these concepts in meeting the need identified in the State Medical Facilities Plan as well as addressing the needs of all residents in the proposed service area.”

Conformity with the 2011 SMFP need determination for Adult Care Home Beds (“ACH beds”) and Policy GEN-3 is discussed below.

Promote Safety and Quality

In Section I.12(b), page 9, the applicants state in regard to quality:

“The proposed facility will be operated by Meridian Senior Living, LLC under contract to Gates House. Meridian’s leadership team includes a Chief Operating Officer, multiple Regional Executives, a Coordinator of Special Care Services, and a Vice President of Quality Assurance (QA), who between them have more than 50 years experience in assisted living, long-term care, and related health care services. Additionally, there are 3 QA Associates (all Registered Nurses) who report to the Vice President of Quality Assurance --herself a registered Nurse.

In Section II.2, page 13, the applicant the following in regard to quality assurance services:

“An ongoing commitment to ‘best practices’ in the areas of Personal Care Services, Pharmacy Services & Medication Administration, as well as overall resident care, will be supported by an experienced Quality Assurance team whose only goal is the provision if the absolute finest in resident care and services. QA staff will make regular monthly visits to the facility to assure compliance with State regulations, and to check delivery systems to ensure ongoing safety and quality of care. QA staff will provide consultation and staff training on a continuous basis.”

In Section II.3, pages 14-15, the applicants state:

“The Administrator, Special Care Coordinator, and all facility staff will undergo rigorous training in the special needs and care of Alzheimer’s/ related dementia-afflicted residents. This training will be ongoing, and designed to exceed all regulatory requirements for Special Care Unit employee training.

...

The Special Care Unit will operate a program and services designed to be delivered on an individualized basis to the greatest extent feasible. Through constant support & continuous training of SCU staff, the Applicants will provide the best care and services possible by monitoring new treatment modalities; participating in continuing educational opportunities; and requiring intensive, ongoing training of staff on how to provide quality care to the individuals living in the Unit.”

The SCU Coordinator along with the resident care coordinator, Activities Director (with advice and consent from the consultant Registered Nurse, the Alzheimer’s Association, the Regional Executive, and the Chief operating Officer), will be responsible for planning and facilitating all aspects of care in the Special Care Unit.”

In Section II.5, pages 19-20, the applicant states the following in regard to the methods it plans to use to measure and maintain quality care:

“A commitment to quality resident care is the cornerstone to success. The Applicants Adult Care Home facility begins and ends with a commitment to the delivery of the highest quality long-term care and services. Quality Assurance is a team effort that includes the Administrator, department heads, and, most importantly, the front line staff delivering the care and services. Competent leadership is the foundation upon which the Applicants’ proposed operation is based.

The applicants are committed to employing, training, supervising, directing and leading the best qualified and dedicated personnel. The staff is charged with the responsibility and authority to carry out resident care and services in a timely and consistent manner in accordance with the rules. In addition, through Meridian Senior Living, LLC the Applicants:

- *Employ a consultant Registered Nurse to monitor care and services in accordance with residents needs, policies & procedures ad in accordance with the rules.*
- *Will develop a working relationship with the regional chapter of the Alzheimer’s Association to work closely in the development of a state-of-the-art program and will assist in monitoring the care & services on an ongoing basis.*
- *Monitor results on an ongoing basis through ongoing resident feedback, Resident Council meetings and Family Council meetings.*
- *Manage the quality of services and care on an ongoing basis through a Quality Assurance committee consisting of 3 registered nurses with extensive long-term care experience and diverse professional credentials; and made of on-site staff and department heads, overseen by the consultant Registered Nurse, the staff Pharmacist, the Chief Operating Officer, and Regional Executive, along with the Vice President of Quality Assurance.”*

In Section II.3, pages 16-17, the applicants state the following in regard to safety:

“Safety measures for the SCU residents will include:

- *Secure MagLock door system.*
- *Handicapped access in bathrooms.*
- *Special diets as ordered by a physician, including mechanically soft (ground food) and thickeners for swallowing issues (as ordered by a physician).*
- *Aggressive behavior monitoring and management by trained staff.*
- *Supervision by staff trained in Alzheimer’s/dementia care.*
- *CPR training by at least one member of each staff/shift.*
- *Call bell system in each room and bath.*
- *Two-way communication system between staff members.*
- *Fire/smoke alarms throughout the building.*

The applicant adequately demonstrated its ability to promote safety and quality care.

Promote Equitable Access

In Section V.4, page 39, the applicants discuss the how the proposed project will positively impact access of underserved groups to the proposed services:

“The facility will meet the needs of underserved residents including those with Special Assistance as a payor source and those needing a higher level of care.

The facility will offer services to those with any payor source – whether Special Assistance, insurance or private pay without regard to race, creed, religion or gender.

...

The location in Gates County is easily accessible to residents of Gates County as well as residents from Perquimans County.

The Applicants have carefully balanced resident care and design considerations in proposing a project that provides quality care but still provides access to the medically underserved by keeping costs low through economies of scale and utilization of a flexible physical plant design.”

In Section III.4, page 27, the applicants state, *“the proposed facility will accept Medicaid reimbursement for services rendered.”*

The applicants adequately demonstrate that medically underserved groups would have access to the proposed services.

Maximize Healthcare Value

In Section III.4, page 27, the applicants state:

“This application, by increasing professional coverage, addresses the needs of the residents of Gates County, the applicants’ PMA, and other residents of North Carolina in providing adequate access and availability to quality health care at a reasonable cost and is consistent with the State Medical facilities Plan. Furthermore, as indicated in EXHIBIT H, the gradient of disability across the socioeconomic spectrum is inversely proportionate to household wealth or income; showing up to 600% greater incidence of disability among those below the poverty level; thereby increasing access to needed services for the lower income residents of applicants’ PMA, particularly given the fact that the proposed facility will accept Medicaid reimbursement for services rendered.”

The applicants adequately demonstrate that this project will maximize healthcare value. Thus, the application is conforming to this criterion.

Policy GEN-4: Energy Efficiency and Sustainability for Health Service Facilities of the 2012 SMFP states:

“Any person proposing a capital expenditure greater than \$2 million to develop, replace, renovate or add to a health service facility pursuant to G.S. 131E-178 shall include in its certificate of need application a written statement describing the project’s plan to assure improved energy efficiency and water conservation.

In improving a certificate of need proposing an expenditure greater than \$5 million to develop, replace, renovate or add to a health service facility pursuant to G.S. 131E-178, the Certificate of Need Section shall impose a condition requiring the applicant to develop and implement an Energy Efficiency and Sustainability Plan for the project that conforms to or exceeds energy efficient and water conservation standards incorporated in the latest editions of the North Carolina State Building Codes. The plan must be consistent with the applicant’s representation in the written statement as described in paragraph one of Policy GEN-4.

Any person awarded a certificate of need for a project or an exemption from review pursuant to G.S. 131E-184 are required to submit a plan for energy efficiency and water conservation that conforms to the rules, codes and standards implemented by the Construction Section of the Division of Health Service Regulation. The plan must be consistent with the applicant’s representation in the written statement as described in paragraph one of Policy GEN-4. The plan shall not adversely affect patient or resident health, safety or infection control.”

In Section XI.13 and 14, pages 77-79, the applicants describe the measures that will be used to promote energy efficient operations which include: providing individual HVAC units in each bedroom, zoning public spaces with 7 day programmable thermostats, use of energy recovery

ventilators to reclaim energy from exhausted air, installing equipment that meets the NC Energy Code for the SEER ratings, heating water by natural gas or propane, insulating all piping and using recirculating pumps to minimize water consumption, and installing lighting that meets the NC energy requirements.

The application is consistent with the need determination in the 2012 SMFP. The applicants adequately demonstrate that the proposal is consistent with Policy Gen-4 and Policy Gen-3. Therefore, the application is conforming to this criterion.

- (2) Repealed effective July 1, 1987.
- (3) The applicant shall identify the population to be served by the proposed project, and shall demonstrate the need that this population has for the services proposed, and the extent to which all residents of the area, and, in particular, low income persons, racial and ethnic minorities, women, handicapped persons, the elderly, and other underserved groups are likely to have access to the services proposed.

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The applicants, Gates Health Investors, LLC (lessor) and Gates House, LLC (lessee), propose to add 30 adult care beds to a previously approved 40-bed adult care facility (Project I.D.#R-8635-11) for a total of 70 adult care beds which will include a 40-bed special care unit (SCU) designed to serve residents with Alzheimer and other dementia related illnesses in Gatesville, North Carolina. The proposed 30 additional ACH beds is the subject of this review. The applicants proposal is for the 30 additional beds to be comprised of 14 private beds and 16 semi private beds. Upon completion the proposed 29,133 square foot facility will have 70 adult care beds, 22 beds in private rooms and 48 beds in semi-private rooms. The applicants provide floor plans for the proposed facility in Exhibit V.

Population to Be Served

In Section III.7(a), page 28, the applicants project that 57% of patients will be from Gates County and 43% will be from Perquimans during the first full federal fiscal year of operation following completion of the project.

<i>COUNTY</i>	<i>PERCENT OF TOTAL ACH ADMISSIONS</i>
<i>Gates</i>	<i>57%</i>
<i>Other</i>	<i>43%</i>
<i>Total</i>	<i>100%</i>

In Section III.7, page 28, the applicants state:

“Applicant [sic] identifies the Primary Market Area as Gates County and Perquimans County and has evaluated both demand and convenience factors (as well as economic efficiencies) in determining the demand/need for assisted living and special care services within the delineated PMA. Applicants’ marketing will exclusively target the defined PSA. The described PSA results in sufficient demand/need for the proposed facility. SEE EXHIBIT H.”

On page 29, the applicants provide their assumptions and methodology for projecting patient origin as follows:

“The origin projections are based upon the current demographic composition of Gates County and Perquimans County (together, the PSA). Furthermore, sufficient demand/need is evidenced in EXHIBIT H to support resident origins in the percentages projected from among the existing population. Sufficient demand exists in the PMA to generate 100% resident origins from the PSA.”

The applicants adequately identified the population to be served.

Need for the Proposed Project

In Section III.1(a), pages 22-23, the applicants state the following in regard to the need to add 30 more adult care home beds to the previously approved 40-bed Gates House adult care home facility to create a 70-bed adult care home to serve Gates and Perquimans County residents.

“The basis for the need and components of the project are [sic] as follows:

- *The State Medical Facilities Plan (SMFP) identified the need for 30 ACH beds in Perquimans County.*
- *Subsequent to the SMFP designation of 30 adult care home beds in Perquimans County, in response to a petition by the Count Commissioners of both Gates and Perquimans Counties, the SHCC approved the transfer of the 30-bed need determination from Perquimans to Gates County.*
- *...*
- *For the five-year period 2010 to 2015, the population age 65+ age population in PSA is projected to grow 17.47%; from the current 18.0% of the total population, to 19.8% of the 2015 total population². SEE EXHIBIT H.*
- *Years 2000, 2010 and projected 2015 growth in the 55+ population for the county are summarized in the following chart.³*

<i>Age Range</i>	<i>2000 #/% Total Population</i>	<i>2010 #/% Total Population</i>	<i>2015 #/% Total Population</i>
<i>55-59</i>	<i>700 /16.6%</i>	<i>973 / 17.9%</i>	<i>1,150 /18.4%</i>
<i>60-64</i>	<i>627/ 14.9%</i>	<i>920 / 16.9%</i>	<i>1,065 /17.0%</i>
<i>65-69</i>	<i>562/13.4%</i>	<i>760/ 13.9%</i>	<i>928/ 14.8%</i>
<i>70-74</i>	<i>509/ 12.1%</i>	<i>581 / 10.7%</i>	<i>725 /11.6%</i>
<i>75-79</i>	<i>435/10.3%</i>	<i>445/ 8.2%</i>	<i>506 / 8.1%</i>
<i>80-84</i>	<i>326/ 7.70%</i>	<i>334/ 6.1%</i>	<i>342/5.8%</i>
<i>85+</i>	<i>284 / 6.87%</i>	<i>377 / 6.9%</i>	<i>384 / 6.1%</i>
<i>65+</i>	<i>3,706 / 16.9%</i>	<i>4,556 / 18.0%</i>	<i>5,348 / 19.8%</i>
<i>75+</i>	<i>1,680 / 7.7%</i>	<i>1,961 / 7.7%</i>	<i>2,147 / 7.9%</i>

²Age 50+ Profile Report, ESRI Demographics; U.S. Bureau of Census, 2000 Census of Population and Housing, ESRI forecasts for 2010 and 2014.

³Ibid

- *These charts show a consistent rate of growth in 65+ population between 2000 and 2010, projected to accelerate between 2010 and 2015.*
- *Among the 65+ population of the two-county PSA, approximately 56.8%⁴ have either 1 or more disabilities (those most likely to require assistance with Activities of Daily Living (ADLS) and Instrumental Activities of Daily Living (IADLs)). SEE EXHIBIT H.*
- *There are no adult care homes in Gates County, and two adult care homes in Perquimans County, for a total of 48 licensed beds. This leaves approximately 2,540 individuals 65+ with either 1 or more disabilities (those most likely to require assistance with ADLs and IADLs) without an adult care home bed available within their home county. Subtracting the demand for Alzheimer’s care (232 individuals), there is still a significant unmet demand of 2,308 potential residents in the PSA.*
- *The community has endorsed the Applicants’ proposed project for Gates County. The comments from the community relative to the need for the SCU bed are found in Exhibit I.*

In Section III, pages 24-27, the applicants provide the assumptions and methodology used in their determination of need for the proposed project. The applicants referenced the 2011 SMFP’s identified need for 40 adult care home beds in Gates County and the 2012 SMFP’s identified need for 30 adult care home beds in Gates County (transferred from Perquimans County subsequent to a petition to the SHCC by Gates County Commissioners and Perquimans County Commissioners).

Exhibit L contains the applicants’ assumptions concerning utilization and fill-up. The applicants state that the facility will begin with 20 patients, 10 adult care home (ACH) patients and 10

special care unit SCU) patients on October 1, 2014 and fill up at a rate of 8 ACH and 8 SCU patients per month. The applicants assume that ACH patient occupancy will reach 93.3% with 28 out of 30 beds occupied by the fourth month of the first full year, January 2015. The applicants assume that SCU patient occupancy will reach 95% with 38 out of 40 beds occupied by the fifth month of the first full year, February 2015. The applicants assume that the facility will be considered stable at 94.3% occupancy with 66 out of 70 beds occupied. In Section IV.2, page 31, the applicants state that they will begin marketing the adult care facility in the months prior to licensure and anticipate 10 ACH residents and 10 SCU residents will have reserved beds prior to licensure of the proposed facility and be residing in the facility at the end of the first month of operation, October 31, 2014. On page 31, the applicants state the following un regard to assumptions and methodology used to make utilization projections:

“The Assumptions and methodology are based on the following:

- *the experiences of the Regional Executive, the Chief Operating Officer and the VP of Quality Assurance Services in opening at least 20 assisted living facilities and 12 Alzheimer’s and Dementia facilities.*
- *health care providers and the community leadership recognized need for additional beds, especially SCU beds.*
- *the need identified in the 2011 and 2012 State Medical Facilities Plans.*
- *See EXHIBIT L for Assumptions.”*

In Section IV, page 32-33, the applicants provide projected utilization projections for the first three years of operation, as summarized in the table below.

Gates House Projected Utilization Summary Years 1- 3

	FFY 2014	FFY2015	FFY2016
# ACH Beds	30	30	30
ACH Patient Days	9,300	10,220	10,220
ACH % Occupancy	84.9%	93.3%	93.3%
# SCU Beds	40	40	40
SCU Patient Days	11,906	13,870	13,870
SCU % Occupancy	81.5%	95.0%	95.0%
Total Facility	21,206	24,090	24,090

Total Facility Patient Days	83.0%	94.3%	94.3%
Total Facility % Occupancy	83.0%	94.3%	94.3%

In Section IV.2, pages 32-33, the applicants provide projected utilization for each quarter for the Full Federal Fiscal Years 1-3, as shown in the tables below.

Gates House First Full Federal Fiscal Year Utilization (10/1/2014-9/30/2015)

	1st Quarter 10/1/14-12/31/14	2nd Quarter 1/1/15-3/31/15	3rd Quarter 4/4/15-6/30/15	4th Quarter 7/1/15-9/30/15	1st FFY 10/1/14-9/30/15 Total
# ACH Beds	30	30	30	30	30
ACH Patient Days	1,656	2,520	2,458	2,576	9,300
ACH % Occupancy	60.0%	93.3%	93.3%	93.3%	84.9%
# SCU Beds	40	40	40	40	40
SCU Patient Days	1,656	3,296	3,458	3,496	11,906
SCU % Occupancy	45.0%	91.6%	95.0%	95.0%	81.5%
Total Facility Beds	70	70	70	70	70
Total Facility Patient Days	3,312	5,816	6,006	6,072	21,206
Total Facility % Occupancy	51.4%	92.3%	94.3%	94.3%	83.0%

Gates House Second Full Federal Fiscal Year Utilization (10/1/2015-9/30/2016)

	1st Quarter 10/1/15-12/31/15	2nd Quarter 1/1/16-3/31/16	3rd Quarter 4/4/16-6/30/16	4th Quarter 7/1/16-9/30/16	1st FFY 10/1/16-9/30/16 Total
# ACH Beds	30	30	30	30	30
ACH Patient Days	2,576	2,520	2,458	2,576	10,220
ACH % Occupancy	93.3%	93.3%	93.3%	93.3%	93.3%
# SCU Beds	40	40	40	40	40
SCU Patient Days	3,496	3,420	3,458	3,496	13,870
SCU % Occupancy	95.0%	95.0%	95.0%	95.0%	95.0%
Total Facility Beds	70	70	70	70	70
Total Facility Patient Days	6,072	5,940	6,006	6,072	24,090
Total Facility % Occupancy	94.3%	94.3%	94.3%	94.3%	94.3%

Gates House Third Full Federal Fiscal Year Utilization (10/1/2016-9/30/2017)

	1st Quarter 10/1/16-12/31/16	2nd Quarter 1/1/17-3/31/17	3rd Quarter 4/4/17-6/30/17	4th Quarter 7/1/17-9/30/17	1st FFY 10/1/17-9/30/17 Total
# ACH Beds	30	30	30	30	30
ACH Patient Days	2,576	2,520	2,458	2,576	10,220
ACH % Occupancy	93.3%	93.3%	93.3%	93.3%	93.3%
# SCU Beds	40	40	40	40	40
SCU Patient Days	3,496	3,420	3,458	3,496	13,870
SCU % Occupancy	95.0%	95.0%	95.0%	95.0%	95.0%

Total Facility Beds	70	70	70	70	70
Total Facility Patient Days	6,072	5,940	6,006	6,072	24,090
Total Facility % Occupancy	94.3%	94.3%	94.3%	94.3%	94.3%

In Section III, page 23, the applicants provide the combined estimated populations of Gates County and Perquimans County by age segments for the following years: 2000, 2010 and 2015, as illustrated below:

Age Segment	2000		2010		2015	
	Population Number	% of Total Population	Population Number	% of Total Population	Population Number	% of Total Population
65-69	562	13.4%	760	13.9%	928	14.8%
70-74	509	12.1%	581	10.7%	725	11.6%
75-79	435	10.3	445	8.2%	506	8.1%
80-84	326	7.70%	334/	6.1%	342	5.8%
85+	284	6.87%	377	6.9%	384	6.1%
65+	3,706	16.9%	4,556	18.0%	5,348	19.8%
75+	1,680	7.7%	1,961	7.7%	2,147	7.9%

The applicants adequately identified the population to be served and the need for the proposed project. Therefore, the application is conforming to this criterion.

- (3a) In the case of a reduction or elimination of a service, including the relocation of a facility or a service, the applicant shall demonstrate that the needs of the population presently served will be met adequately by the proposed relocation or by alternative arrangements, and the effect of the reduction, elimination or relocation of the service on the ability of low income persons, racial and ethnic minorities, women, handicapped persons, and other underserved groups and the elderly to obtain needed health care.

NA

- (4) Where alternative methods of meeting the needs for the proposed project exist, the applicant shall demonstrate that the least costly or most effective alternative has been proposed.

C

In Section III.2, page 25, the applicants described the alternatives considered as follows:

1. *“Build a 70 Bed facility of all Regular ACH Beds.*
2. *Build a 70 Bed facility of all SCU beds.*

3. *Build a 70 Bed state-of-the-art facility containing both ACH and SCU beds to meet the needs of residents with Alzheimer's and related Dementias as well as the needs of other residents needing adult care home services.*

Given recent developments and the transfer of the adult care home need determination for the 30 beds from Perquimans County to Gates County, Option 3 is the most viable and economical alternative to meet the current and future needs of Gates County and Perquimans County given the needs, demographics, and growth of the older population in general, and Alzheimer's population specifically in applicants' PSA. (and particularly in applicants' PMA), given the needs, demographics, and growth of the older population in general, and Alzheimer's population specifically in applicants' PMA.

... the rate of growth of the older population in the PMA has increased, and is projected to increase at a very steady rate over the next five years. In fact, the rate of this population is projected to grow at a rate of nearly 8 times the projected population increase of the general population of the PMA.

Given the absence of any local SCU beds and the absence of an adequate supply of regular Adult Care Home beds to serve the population of the PSA, the need for both SCU and adult care home services is undoubtedly best served by a split facility. Demonstrated by increased demand for special care services among the growing older segment and the articulated unmet demand for adult care home services translates into an identifiable consistent need for the proposed facility on an ongoing basis. The proposed facility will not only address the accelerating demand but will also provide the local alternative to families wishing to keep their loved ones close by."

Further, the application is conforming, or conditionally conforming, to all other applicable statutory and regulatory review criteria. See discussion in Criteria (1), (3), (5), (6), (7), (8), (12), (13), (14), (18a) and 10A NCAC 14C .1100. The applicants adequately demonstrated that its proposal is an effective alternative. Therefore, the application is conforming with this criterion subject to the following conditions:

- 1. Gates Health Investors, LLC (Lessor) and Gates House, LLC (Lessee) shall materially comply with all representations in Project I.D. R-8635-11 as amended by this certificate of need application except as modified by any supplemental information submitted upon request of the agency. In those instances where the representations in the supplemental information differ from those in the application, the applicant shall materially comply with the representations in the later document.**
- 2. Gates Health Investors, LLC (Lessor) and Gates House, LLC (Lessee) shall add 30 adult care beds to an approved adult care home with a 40-bed special care unit for a total of 70 adult care beds upon completion of the project.**

- 3. For the first two years of operation following completion of the project, Gates Health Investors, LLC (Lessor) and Gates House, LLC (Lessee) shall not increase actual private pay charges more than 5% of the projected private pay charges provided in Section X of the application without first obtaining a determination from the Certificate of Need Section that the proposed increase is in material compliance with the representations in the certificate of need application.**
 - 4. Gates Health Investors, LLC (Lessor) and Gates House, LLC (Lessee) shall acknowledge acceptance of and agree to comply with all conditions stated herein to the Certificate of Need Section, in writing prior to issuance of the certificate of need.**
- (5) Financial and operational projections for the project shall demonstrate the availability of funds for capital and operating needs as well as the immediate and long-term financial feasibility of the proposal, based upon reasonable projections of the costs of and charges for providing health services by the person proposing the service.

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In Section VIII.1, page 54, the applicants project the total capital expenditure for the proposed facility to be \$4,493,871, which includes \$666,204 in site costs, \$2,884,167 in construction costs, \$450,000 in equipment and furniture costs, \$138,500 architect and engineering fees and \$943,500 in miscellaneous costs. In Section VIII.2, page 55, the applicants state that the capital costs of the project will be financed through a commercial loan to Gates House Investors, LLC. Exhibit N contains a letter dated February 13, 2012 and signed by the Senior Vice President of NorthStar Realty Finance, which states:

“NRF Healthcare Management, LLC (“NRF”) hereby expresses its interest in providing construction and permanent financing for your proposed new facility in Gates County. ... NRF is comfortable with and is eager for the opportunity to fund 100% of the Gates House project.

The following is a summary of the terms and conditions that would apply to this transaction:

Borrower: Gates Health Investors, LLC

Purpose: To provide 100% financing for the development, construction, and permanent financing of a 70 bed Adult Care Facility of which 40 beds will a Special Care Unit in Gates County, NC. .

Amount: \$4,493,871

Interest Rate: 10.00%

Term/Repayment: 60 monthly payments of principal and interest based on a twenty-five year amortization, with all accrued interest and principal due at maturity.

Collateral: Senior Deed of Trust on the proposed facility, located on property selected in Gates County, NC.”

In Section IX, page 60, the applicants project total start-up expenses of \$155,000 during the nine month start-up period, and initial operating expenses of \$90,853 for a total working capital cost of \$245,853 which is to be funded through a commercial loan from NorthStar Healthcare Management, LLC to Gates House, LLC. In Exhibit P, the applicants provide a letter dated February 12, 2012 and signed by the Senior Vice President of NorthStar Realty Finance, which states:

“NRF Healthcare Management, LLC (“NRF”) hereby expresses its interest in providing working capital financing for your proposed new facility in Gates County. ... Capital Bank is comfortable with and is eager for the opportunity to fund 100% of the Gates House project.

The following is a summary of the terms and conditions that would apply to this transaction:

Borrower: Gates House, LLC

Purpose: To provide working capital financing inclusive of initial operating costs as well as start-up expenses for 70 bed Adult Care Facility of which 40 beds will a Special Care Unit in Gates County, NC. .

Amount: \$245,853

Interest Rate: 12.00%

Term/Repayment: Interest only for 60 month term. All accrued interest and principal due at maturity.

Collateral: Senior Lien on Accounts Receivable

The applicants documented the availability of adequate funds to develop the proposed project. The table below compares per diem costs provided by the applicants in Form C of the Pro Forma Operating Expense Statement with cost data provided by the NC Department of Health and

Human Services, Office of the Controller Report-Adult Care Homes Comparison of Actual Costs Reported for FFY 2009. The state data are provided for direct and indirect cost centers as cost per resident day. The following table illustrates that the applicants' projected costs compared with the FFY 2009 state average. The projected average per diem cost for direct expenses is \$61.28, which is 49% higher than the FFY 2009 state average. The projected per diem cost for indirect expenses is \$47.69, which is 27% higher than the state average. As shown in the table below, the applicants' cost per diem projections vary from the FFY 2009 state average costs per diem.

**Gates House FFY Two (10/1/2015 – 9/30/2016)
 Selected Per Diem Cost Comparison**

Cost Center	Gates House Cost	Gates House Resident Days of Care	Gates House Resident Cost Per Diem*	NC/DHHS ** Statewide Data 2009 Direct Daily Cost Per Diem
Direct Cost Centers				
Total Direct Expense	\$957,443		\$61.28 (49%↑)	\$41.24
Indirect Cost Center				
Total Indirect Expense	\$689,918		\$47.69(27%↑)	\$39.03
Total Operating Costs	\$1,647,361		\$108.97(48%↑)	\$80.27

* Certificate of Need Application, Project I.D.# R-8782-12, pages 93-96.

** ACH Combined Actual Cost Comparison 2009, NC Department of Health and Human Services, Office of the Controller.

In Section X.4, pages 67-69, the applicants project the following charges/rates for Gates House's first three operating years following project completion. The only existing facility with ACH beds in Gates County is Down East Health and Rehabilitation Center in Gatesville. According to the 2012 Licensed Renewal Application for Nursing Homes, Down East Health and Rehabilitation Center is a licensed nursing facility with 70 general nursing facility beds and 10 general adult care home beds for a total of 80 licensed beds. There are two adult care home facilities in Perquimans County, South Haven Manor in Hertford which has 24 adult care home beds and Country Oaks in Hertford with 24 adult care home beds.

The following table compares the projected per diem reimbursement rates for Gates House with the current reimbursement rates reported in the 2012 License Renewal Application for Down East Health and Rehabilitation Center and the two licensed adult care homes in Perquimans County, Country Oaks and South Haven Manor.

**Gates House Projected Per Diem Reimbursement Rate/Charges
 October 1, 2014 to September 30, 2017**

GATES HOUSE	PRIVATE ROOM	SEMI-PRIVATE ROOM
ACH (excludes special care unit)		
Private Pay	\$144.66	\$101.92

State/County Special Assistance with Medicaid Enhanced Care	\$58.38	\$58.38
SCU Bed Rate		
Private Pay	\$180.82	\$138.08
State/County Special Assistance	\$117.27	\$117.27
Medicaid Enhanced Care Avg.		
DOWN EAST HEALTH AND REHABILITATION CENTER*		
ACH Bed Rate		
Private Pay	\$131.00	\$102.00
SOUTH HAVEN MANOR		
ACH Bed Rate		
Private pay	\$62.46	\$59.18
COUNTRY OAKS		
ACH Bed Rate		
Private pay	\$60.82***	\$59.17***

* Down East Health and Rehabilitation Center Rates from 2012 Licensure Renewal Application are actual for October 2011.
 South Haven Manor **and Country Oaks*** Rates from 2012 Licensure Renewal Application are actual for October 2011.

In Form B, the applicants provide the projected operating results and retained earnings for the first three years of operation. The applicants project that they will realize revenue in excess of expenses in Years 2-3 of operation. The table below illustrates the revenue, expenses and profit/loss for the first three years following completion of the project.

Gates House Financial Projections

	FFY 2015	FFY 2016	FFY 2017
Revenue	\$2,361,013	\$2,694,796	\$2,694,796
Expenses	\$2,410,629	\$2,625,193	\$2,622,127
Profit /(Loss)	(\$49,616)	\$69,603	\$72,669

In summary, the applicants adequately demonstrate the availability of funds for the capital and operating needs of the proposal and demonstrate that the financial feasibility of the proposal is based upon reasonable projections of costs and revenues. Therefore, the application is conforming to this criterion.

- (6) The applicant shall demonstrate that the proposed project will not result in unnecessary duplication of existing or approved health service capabilities or facilities.

C

The 2012 SMFP identifies a need for 30 additional ACH beds in Gates County which is the result of a petition endorsed by the County Commissioners of both Gates County and Perquimans County and approved by the SHCC and the Governor to allow the 30-bed need

determination from Perquimans County to be developed in Gates County. The subject of this review is the proposed project to add 30 more adult care home beds to a previously approved 40 bed adult care home Project I.D. #R-8635-11 to result in a 70-bed adult care home facility located in Gatesville to serve residents of Gates County and Perquimans County. The proposed facility will include 40 special care unit beds and 30 adult care home beds. Gates County has 10 ACH beds located in a nursing facility, Down East Health and Rehabilitation Center, and the 40 previously approved ACH beds. Perquimans County has two adult care home facilities, South Haven Manor in Hertford which has 24 adult care home beds and Country Oaks in Hertford with 24 adult care home beds. There are no Special Care Unit beds currently in Gates County or in Perquimans County. The applicants project that in 2015 there will be 5,348 residents age 65 and over in Gates County and Perquimans County combined. The applicants state that based on information from the NC Division of Aging, 56.8% of the projected population of residents age 65 and older in the two county service area have one or more disability .

The applicants state that they expect to start with 20 residents, of which 10 are expected to be adult care home residents and 10 special care unit residents. The applicants assume that the ACH beds will fill up at a rate of 8 per month until 93.3% occupancy, or 28 out of 30 beds are occupied, which is projected to be reached in the fourth month of the first year, January 2015. The applicants assume that the SCU will fill up at a rate of 8 residents per month until 95% occupancy is achieved with 38 out of 40 SCU beds occupied in the fifth month of the first year, February, 2015.

The applicants adequately demonstrate that the development of 30 additional adult care home beds will not unnecessarily duplicate existing health services and facilities. Therefore, the application is conforming to this criterion.

- (7) The applicant shall show evidence of the availability of resources, including health manpower and management personnel, for the provision of the services proposed to be provided.

C

In Section VII.4(b), page 51, the applicants project 2.71 direct care staff hours per patient day for the 30-bed adult care unit and 2.83 direct care staff hours per patient day for the 40 bed special care unit. In table VII.3, page 44, there will be 22.0 total direct care FTEs allocated for the Special Care Unit and 16.4 total direct care FTEs allocated for the adult care home beds. Table VII.3, page 50 indicates there are 38.4 total FTE positions proposed for the second full federal fiscal year (10/1/15 – 9/30/16), as illustrated in the following table.

Gates House Proposed Staff Second Full Federal Fiscal Year (10/1/14-9/31/15)

	Adult Care Home Beds	Special Care Unit FTEs	Total Facility FTEs	Annual Salary/Hourly Rate

Routine Services				
Supervisor Direct Care	4.20	4.20	8.40	\$10.50
Personal Care Aide	8.40	12.60	21.00	\$9.50
Med Tech Direct Care	2.80	4.20	7.00	\$10.00
Care Coordinator	1.00	1.00	2.00	\$16.00
Dietary				
Supervisor	0.43	0.57	1.00	\$14.00
Cooks	1.40	1.90	3.30	\$9.50
Dietary Aides	1.40	1.90	3.30	\$8.75
Activity Services				
Director	1.00	1.00	2.00	\$15.00
Activity Aide	1.00	1.00	2.00	\$8.00
Patient Transportation				
Driver	0.50	0.50	1.00	\$9.00
Housekeeping/Laundry				
Housekeeping Supervisor	0.50	0.50	1.00	\$11.00
Housekeeping Aides	1.00		2.00	\$8.75
Laundry Aides	0.50	0.50	1.00	\$8.50
Operations & Maintenance				
Maintenance Supervisor		1.00	1.0	\$16.00
Admin & General				
Administrator	0.43	0.57	1.00	\$70,000
Bookkeeper	0.43	0.57	1.00	\$12.00
Total Positions	25.41	32.59	58.00	

In Section VII.2, page 46, the applicants provide the following table illustrating the proposed direct care staffing for each shift in a 24-hour day during the second year of operation.

Proposed Staff by Shift For Second FFY (10/1/2015—9/30/16)	
Day Shift	
ACH Bed (excluding Special care Units)	5.0
Special Care Unit	6.0
Total Adult Care Home Day Shift	11.0
Evening Shift	
ACH Bed (excluding Special care Units)	4.0
Special Care Unit	5.0
Total Adult Care Home Evening Shift	9.0
Night Shift	
ACH Bed (excluding Special care Units)	4.0
Special Care Unit	5.0
Total Adult Care Home Night Shift	9.0

Total for the Day	
ACH Bed (excluding Special care Units)	13.0
Special Care Unit	16.0
Total Adult Care Home per 24 Hour Shift	29.0

Adequate costs for the health manpower and management positions proposed by the applicants in Table VII.3 are budgeted in the pro forma financial statements. The applicant adequately demonstrates the availability of sufficient health manpower and management personnel to provide the proposed services. Therefore, the application is conforming to this criterion.

- (8) The applicant shall demonstrate that the provider of the proposed services will make available, or otherwise make arrangements for, the provision of the necessary ancillary and support services. The applicant shall also demonstrate that the proposed service will be coordinated with the existing health care system.

C

In Section II.2, pages 11-13, the applicants list the ancillary and support services that will be made available, including: activities/recreation; beauty/barber services; dentistry services; dietary services; emergency medical services; family support groups; housekeeping/laundry services; personal care services; community volunteer services; pharmacy services and medication administration; physician services; quality assurances services; respite care; therapies; and transportation services. Exhibit X includes a letter of interest from Patricia Jenkins, RN concerning nursing consultant services, as well as a letter of interest from Stanley Lab, Inc., for pharmacy services; and a letter of interest from Sysco for food services. Exhibit J includes a letter of interest to enter into a transfer agreement between the proposed management service, Meridian Senior Living Management, and Roanoke-Chowan Hospital, Chowan Hospital and Albemarle Hospital. The applicants provide letters of support and referral from the following sources: the Director of Perquimans County Social Services, The Director of the Area Agency on Aging for the Albemarle Commission, Gates County Commissioners, a NC State Senator, a NC State Representative, the Perquimans County Board of Commissioners and the pastor of New Middle Swamp Missionary Baptist Church.

The applicants adequately demonstrated that the proposed service will be coordinated with the existing health care community. Therefore, the application is conforming to this criterion.

- (9) An applicant proposing to provide a substantial portion of the project's services to individuals not residing in the health service area in which the project is located, or in adjacent health service areas, shall document the special needs and circumstances that warrant service to these individuals.

NA

(10) When applicable, the applicant shall show that the special needs of health maintenance organizations will be fulfilled by the project. Specifically, the applicant shall show that the project accommodates:

(a) The needs of enrolled members and reasonably anticipated new members of the HMO for the health service to be provided by the organization; and

NA

(b) The availability of new health services from non-HMO providers or other HMOs in a reasonable and cost-effective manner which is consistent with the basic method of operation of the HMO. In assessing the availability of these health services from these providers, the applicant shall consider only whether the services from these providers:

- (i) would be available under a contract of at least 5 years duration;
- (ii) would be available and conveniently accessible through physicians and other health professionals associated with the HMO;
- (iii) would cost no more than if the services were provided by the HMO; and
- (iv) would be available in a manner which is administratively feasible to the HMO.

NA

(11) Repealed effective July 1, 1987.

(12) Applications involving construction shall demonstrate that the cost, design, and means of construction proposed represent the most reasonable alternative, and that the construction project will not unduly increase the costs of providing health services by the person proposing the construction project or the costs and charges to the public of providing health services by other persons, and that applicable energy saving features have been incorporated into the construction plans.

C

The applicants propose to build a 29,133 square foot adult care home facility, which upon completion, will house 14 private rooms beds of 201 square feet each and 56 semi-private rooms of 206 square feet each, for a total of 70 beds. Forty of the beds will be dedicated to an Alzheimer's Special Care Unit. Exhibit V contains the proposed floor plan.

Exhibit W contains a letter dated February 10, 2012, from James B. Stewart, AIA, which states:

“I have reviewed the concept planning for this project and it appears that the cost for the building construction only (Table VIII.1 Line B.7) would be \$99.00 per square foot. This price was quoted and verified by the owner’s selected general contractor.”

The construction cost of \$2,884,167 is based on the architect’s estimate of cost per square foot which is consistent with the subtotal construction contract cost in table VIII.1, page 54.

In Section XI.13 and 14, pages 82-83, the applicants describe the measures that will be used to contain costs and maintain efficient energy operations. The applicants state that each bedroom will have individual HVAC units and that public spaces will be zoned with 7 day programmable thermostats for maximum energy efficiency, and that the facility will make use of energy recovery ventilators to reclaim energy from exhausted air, as well as install equipment that meets the NC Energy Code for the SEER ratings, heat water by natural gas or propane, insulate all piping and using recirculating pumps to minimize water consumption, and install lighting that meets the NC Energy requirements.

The applicants adequately demonstrate that the cost, design and means of construction are reasonable and that the construction costs will not unduly increase the costs and charges of providing adult care home services in Gates County. Therefore, the application is conforming to this criterion.

(13) The applicant shall demonstrate the contribution of the proposed service in meeting the health-related needs of the elderly and of members of medically underserved groups, such as medically indigent or low income persons, Medicaid and Medicare recipients, racial and ethnic minorities, women, and handicapped persons, which have traditionally experienced difficulties in obtaining equal access to the proposed services, particularly those needs identified in the State Health Plan as deserving of priority. For the purpose of determining the extent to which the proposed service will be accessible, the applicant shall show:

(a) The extent to which medically underserved populations currently use the applicant's existing services in comparison to the percentage of the population in the applicant's service area which is medically underserved;

NA

(b) Its past performance in meeting its obligation, if any, under any applicable regulations requiring provision of uncompensated care, community service, or access by minorities and handicapped persons to programs receiving federal assistance, including the existence of any civil rights access complaints against the applicant;

NA

- (c) That the elderly and the medically underserved groups identified in this subdivision will be served by the applicant's proposed services and the extent to which each of these groups is expected to utilize the proposed services; and

C

In Section VI.(2), page 41, the applicants project 94.7% of Special Care Unit resident days would receive Special Assistance as a percent of total days for the second full federal fiscal year (10/1/15 to 9/30/16) of operation following the completion of the project.

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Payor Source	SCU Residents	Adult Care Home Residents (excluding SCU)
Private Pay	5.3%	57.1%
Special Assistance with Basic Medicaid	94.7%	42.9%
Special Assistance with Enhanced Medicaid	0.0%	7.3%
Total	100.0%	100%

The applicants demonstrated that they intend to provide adequate access to medically underserved populations and are conforming to this criterion.

- (d) That the applicant offers a range of means by which a person will have access to its services. Examples of a range of means are outpatient services, admission by house staff, and admission by personal physicians.

C

In Section VI.6, page 41 the applicants state:

“The facility will allow admission into the facility only on the written order of a physician. Persons whose health, habilitative, or rehabilitative needs cannot be met by the services offered by the facility will not be admitted. Otherwise, all persons will be admitted to the facility without regard to their race, color, creed, age, national origin, sex, or source of payment. Also, all routine and specialized services are available to patients regardless of their race, color, creed, age, national origin, handicap, sex or source of payment. Exhibit M contains the admission policies that will be used by the facility.”

Therefore, the application is conforming to this criterion.

- (14) The applicant shall demonstrate that the proposed health services accommodate the clinical needs of health professional training programs in the area, as applicable.

C

Exhibit K contains letters documenting the applicants' willingness to serve as a training site for nursing assistant students from Roanoke-Chowan Community College and College of the Albemarle. The applicants adequately demonstrate that the proposed facility would accommodate the clinical needs of area health professional training programs. Therefore, the application is conforming to this criterion.

- (15) Repealed effective July 1, 1987.
(16) Repealed effective July 1, 1987.
(17) Repealed effective July 1, 1987.
(18) Repealed effective July 1, 1987.
- (18a) The applicant shall demonstrate the expected effects of the proposed services on competition in the proposed service area, including how any enhanced competition will have a positive impact upon the cost effectiveness, quality, and access to the services proposed; and in the case of applications for services where competition between providers will not have a favorable impact on cost-effectiveness, quality, and access to the services proposed, the applicant shall demonstrate that its application is for a service on which competition will not have a favorable impact.

C

See Sections II, III, V, VI and VII. In particular, see Section V.4, pages 38-39, in which Gates House Investors, LLC and Gates House, LLC discuss the impact of the project as it relates to promoting cost-effectiveness, quality and access. Approval of a new facility in the Gates and Perquimans areas will add another adult care home facility. The information provided by the applicants in those sections is reasonable and credible and adequately demonstrates that the expected effects of the proposal on competition include a positive impact on cost-effectiveness, quality and access to adult care home services in Gates and Perquimans County. This determination is based on the information in the application, and the following:

- ◆ The applicants adequately demonstrate the need to develop a 70 bed adult care home with 40 special care unit beds and that it is a cost-effective alternative;
- ◆ The applicants propose to provide quality services; and states:

“A commitment to quality resident care is the cornerstone to success. The Applicants Adult Care Home facility begins and ends with a commitment to the delivery of the

highest quality long-term care and services. Quality Assurance is a team effort that includes the Administrator, department heads, and, most importantly, the front line staff delivering the care and services. Competent leadership is the foundation upon which the Applicants' proposed operation is based.

- ◆ The applicants propose to provide adequate access to medically underserved populations.

“The facility will meet the needs of underserved residents including those with Special Assistance as a payor source and those needing a higher level of care.

The facility will offer services to those with any payor source – whether Special Assistance, insurance or private pay without regard to race, creed, religion or gender.

...

The location in Gates County is easily accessible to residents of Gates County as well as residents from Perquimans County.

The Applicants have carefully balanced resident care and design considerations in proposing a project that provides quality care but still provides access to the medically underserved by keeping costs low through economies of scale and utilization of a flexible physical plant design.”

In Section VI.(2), page 41, the applicants project 94.7% of special care unit resident days would receive Special Assistance and 50.2% of adult care home resident days would receive Special Assistance as a percent of total days during the second full federal fiscal year of operation, following the completion of the project.

Therefore, the application is conforming to this criterion.

- (19) Repealed effective July 1, 1987.
- (20) An applicant already involved in the provision of health services shall provide evidence that quality care has been provided in the past.

NA

- (21) Repealed effective July 1, 1987.
- (b) The Department is authorized to adopt rules for the review of particular types of applications that will be used in addition to those criteria outlined in subsection (a) of this section and may vary according to the purpose for which a particular review is being conducted or the type of

health service reviewed. No such rule adopted by the Department shall require an academic medical center teaching hospital, as defined by the State Medical Facilities Plan, to demonstrate that any facility or service at another hospital is being appropriately utilized in order for that academic medical center teaching hospital to be approved for the issuance of a certificate of need to develop any similar facility or service.

C

The application is conforming to all applicable *Criteria and Standards for Nursing Facility or Adult Care Home Services* in 10A NCAC 14C Section .1100. Therefore, the application is conforming to this criterion.

.1101 INFORMATION REQUIRED OF APPLICANT

(a) *An applicant proposing to establish new nursing facility or adult care home beds shall project an occupancy level for the entire facility for each of the first eight calendar quarters following the completion of the proposed project. All assumptions, including the specific methodologies by which occupancies are projected, shall be stated.*

-C- The applicants project the first eight quarters occupancy levels in Section IV, Table IV.2, pages 32-33, and project 94.3% occupancy by the third quarter of FFY 2015. The assumptions are provided in Exhibit L. See Criterion (3) for discussion of the reasonableness of the projections and assumptions.

(b) *An applicant proposing to establish new nursing facility or adult care home beds shall project patient origin by percentage by county of residence. All assumptions, including the specific methodology by which patient origin is projected, shall be stated.*

-C- In Section III.7(a), page 28, the applicants project patient origin by county of residence. The applicants state that 57% of admissions will originate from Gates County and 43% from Perquimans County. The applicants' assumptions and methodology are provided in Section III.7, pages 28-29 and Exhibit H.

(c) *An applicant proposing to establish new nursing facility or adult care home beds shall show that at least 85 percent of the anticipated patient population in the entire facility lives within a 45 mile radius of the facility, with the exception that this standard shall be waived for applicants proposing to transfer existing certified nursing facility beds from a State Psychiatric Hospital to a community facility, facilities that are fraternal or religious facilities, or facilities that are part of licensed continuing care facilities which make services available to large or geographically diverse populations.*

-C- In Exhibit D the applicants state that all residents are projected to live within Gates County prior to admission.

(d) *An applicant proposing to establish a new nursing facility or adult care home shall specify the site on which the facility will be located. If the proposed site is not owned by or under the control of the applicant, the applicant shall specify at least one alternate site on which the services could be operated should acquisition efforts relative to the proposed site ultimately fail, and shall demonstrate that the proposed and alternate sites are available for acquisition.*

-C- In Section XI.2, page 73, the applicants identify a primary site. In Section XI.3 page 76, the applicants identify a secondary site. See Exhibit R for documentation that both sites are available for acquisition.

(e) *An applicant proposing to establish a new nursing facility or adult care home shall document that the proposed site and alternate sites are suitable for development of the facility with regard to water, sewage disposal, site development and zoning including the required procedures for obtaining zoning changes and a special use permit after a certificate of need is obtained.*

-C- Exhibit S contains a letter from the Planning Director of Gates County which addresses the zoning issues and states that a special use permit is required. Exhibit U contains a letter from Gates County Water Department Supervisor stating that Gates County has the capabilities of providing county and water and sewer to the proposed development. The letter states that “*the county water system has an eight inch main that operates an average of 60 psi*” and that the sewer system “*is currently operating under a twenty five thousand GPD ...operating at 3,500 to 4,000 GPD, leaving 21,000 GPD availability for economic development.*” A subsoil inspection was not completed. The applicants state that “*on-site observation*” was the methodology used to determine the acceptability of the proposed site.

(f) *An applicant proposing to establish new nursing facility or adult care home beds shall provide documentation to demonstrate that the physical plant will conform with all requirements as stated in 10A NCAC 13D or 10A NCAC 13F, whichever is applicable.*

-C- In Section II.2, page 11, the applicants’ state:

“Gates House will provide a comprehensive range of long-term care services to its residents, and will operate in accordance with T10A NCAC 13 B and 13F ‘Rules for the Licensing of Adult Care Homes,’ and North Carolina G.S. Chapter 131 D ‘Inspection and Licensing of Facilities.’ The applicants are committed to meet, or exceed all resident care and life services needs of those whom the facility is privileged to serve.”

Exhibit W includes a letter from the applicants’ architect, James B. Stewart, AIA, which states:

“to the best of our knowledge and ability, we will develop construction documents complying with applicable federal, state, local construction and licensure codes for this type of construction.”

.1102 PERFORMANCE STANDARDS

- (a) *An applicant proposing to add nursing facility beds to an existing facility, except an applicant proposing to transfer existing certified nursing facility beds from a State Psychiatric Hospital to a community facility, shall not be approved unless the average occupancy, over the nine months immediately preceding the submittal of the application, of the total number of licensed nursing facility beds within the facility in which the new beds are to be operated was at least 90 percent.*

-NA- The applicants propose to develop new ACH beds not add NF beds.

- (b) *An applicant proposing to establish a new nursing facility or add nursing facility beds to an existing facility, except an applicant proposing to transfer existing certified nursing facility beds from a State Psychiatric Hospital to a community facility, shall not be approved unless occupancy is projected to be at least 90 percent for the total number of nursing facility beds proposed to be operated, no later than two years following the completion of the proposed project. All assumptions, including the specific methodologies by which occupancies are projected, shall be clearly stated.*

-NA- The applicants propose to develop new ACH beds not NF beds.

- (c) *An applicant proposing to add adult care home beds to an existing facility shall not be approved unless the average occupancy, over the nine months immediately preceding the submittal of the application, of the total number of licensed adult care home beds within the facility in which the new beds are to be operated was at least 85 percent.*

-NA- The applicants propose to develop a new ACH facility.

- (d) *An applicant proposing to establish a new adult care home facility or add adult care home beds to an existing facility shall not be approved unless occupancy is projected to be at least 85 percent for the total number of adult care home beds proposed to be operated, no later than two years following the completion of the proposed project. All assumptions, including the specific methodologies by which occupancies are projected, shall be stated.*

-C- The applicants, in Section IV, Table IV.2, page 32, state that occupancy at the end of the second full year of operation will be 94.30%. All assumptions are set forth in Exhibit L and supplemental information.