



State of New Jersey
DEPARTMENT OF HEALTH

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June 15, 2023

VIA U.S. FIRST CLASS & ELECTRONIC MAIL

Joseph F. McElwee
Vice President
CSH Long Hill Lessee, LLC
1275 Pennsylvania Avenue NW
Second Floor
Washington, D.C. 20004

Re: Long Hill Township Assisted Living
CN# ER 2022-06287-14;01
Establish a new Assisted Living Residence
Total Project Cost: \$36,500,000
Expiration Date: June 15, 2028

Dear Mr. McElwee:

Please be advised that the Department of Health (Department) is approving the Expedited Review Certificate of Need application by CSH Long Hill Lessee, LLC (Applicant), submitted on June 1, 2022, pursuant to N.J.A.C. 8:33-5.1(a)(4), for the establishment of a new 100-bed assisted living residence to be located at 1050 Valley Road, Long Hill, NJ in Morris County. This application is being approved at the total project cost as noted above.

The Department has taken into consideration the applicable regulations for the services subject to expedited review (i.e., N.J.A.C. 8:33-5.3 and 8:33H-1.16). The Department finds that CSH Long Hill Lessee, LLC, the proposed licensed operator, has provided an appropriate project description. The project description includes information as to the total project cost of \$36,500,000 for the construction of this new assisted living facility. The operating costs and revenues were provided, which reflect that by the second year of operation, total expected revenue would be \$8,468,039 and total expected expenses would be \$5,692,736; therefore, the Applicant would show a profit of \$2,775,303 by the second year. In terms of services affected, there are two assisted living facilities within a 15-mile radius, and they are operating with high occupancy rates of more than 85%. There is no specialized equipment involved as this is an assisted

living facility providing supportive services including a memory care unit, double occupancy units, and single occupancy units for a largely independent population. The source of funds is listed as a mix of bank loans and private investor equity, including the ultimate owner/investors of Bain Capital Real Estate, LP. Utilization statistics project an 83.4% occupancy rate will be achieved after two years of operation and a 93% occupancy rate after three years of operation.

The justification for the proposed project (N.J.A.C. 8:33-5.3(a)(1)) referenced the principals' experience in the development and operation of assisted living facilities in New Jersey and other states, as well as the current and future demand for senior housing in the market area, including the need for the provision of services for the memory impaired. The Applicant will ensure that all residents of the area, particularly the medically underserved, will have access to services in accordance with N.J.A.C. 8:33-5.3(a)(2), and states that this residence will operate in compliance with the regulatory requirement for admission of Medicaid residents and will provide services to the memory impaired. In addition, the Applicant states that the facility design will accommodate those with disabilities and will be accessible to public transportation. Documentation that the Applicant will meet appropriate licensing and construction standards pursuant to N.J.A.C. 8:33-5.3(a)(3)(i) is shown by the project narrative, which contains information on the facility services and an attestation that appropriate licensing and construction standards shall be met. In addition, the Applicant has demonstrated a track record of substantial compliance with the Department's licensing standards consistent with N.J.A.C. 8:33-5.3(a)(3)(ii). There are no significant regulatory compliance events reported in either the New Jersey or out-of-state facilities which are owned, managed, or operated by the Applicant.

As a condition of this approval, a semi-private room can only be occupied by married couples or civil union partners, relatives, individuals related by blood or adoption, or friends who have consented in writing as part of the admission agreement to the living arrangement. The admission agreement should note that the resident is aware he or she will share a single toilet/bath in the unit and acknowledges there are higher health risks associated with due shared occupancy and cohabitation. Under no circumstances shall any resident be coerced or compelled to agree to a semi-private room.

Please be advised that this approval is limited to the application as presented and reviewed. The application, related correspondence, and any completeness questions and responses are incorporated and made a part of this approval. An additional review by the Department may be necessary if there is any change in scope, as defined at N.J.A.C. 8:33-3.9. However, a change in cost of an approved certificate of need is exempt from certificate of need review subject to the following:

1. The Applicant shall file a signed certification as to the final total cost expended for the project at the time of the application for licensure for

the beds/services with the Certificate of Need and Healthcare Facility Licensure Program.

2. Where the actual total project cost exceeds the Certificate of Need approved total project cost and is greater than \$1,000,000, the Applicant shall remit the additional certificate of need application fee due to the Certificate of Need and Healthcare Facility Licensure Program. The required additional fee shall be 0.25 percent of the total project cost in excess of the Certificate of Need approved total project cost.
3. The Department will not issue a license for beds/services until the additional fee is remitted in full.

Furthermore, pursuant to N.J.S.A. 26:2H-12.16 and N.J.A.C. 8:36.5.1(h), a new facility that is licensed to operate as an assisted living residence or comprehensive personal care home shall have a Medicaid occupancy level of 10 percent within three years of licensure. The 10 percent Medicaid occupancy level shall be met through conversion of residents who enter the facility as private paying persons and subsequently become eligible for Medicaid, or through direct admission of Medicaid-eligible persons. The 10 percent Medicaid occupancy level shall be continuously maintained by a facility once the three-year licensure period has elapsed. The Department will monitor that this condition threshold is met and maintained during the duration of licensure.

The Department, in approving this application, has relied solely on the facts and information presented. The Department has not undertaken an independent investigation of such information. If material facts have not been disclosed or have been misrepresented as part of this application, the Department may take appropriate administrative regulatory action to rescind the approval or refer the matter to the Office of the New Jersey Attorney General.

Any approval granted by this Department relates to Certificate of Need and/or licensing requirements only and does not imply acceptance by a reimbursing entity. This letter is not intended as an approval of any arrangement affecting reimbursement or any remuneration involving claims for health care services.

This approval is not intended to preempt in any way the authority to regulate land use within its borders and shall not be used by the Applicant to represent that the Department has made any findings or determination relative to the use of any specific property.

Please be advised that services may not commence until a license has been issued by Certificate of Need and Healthcare Facility Licensure Program to operate this facility. A survey by Department staff will be required prior to commencing services.

The Department looks forward to working with the Applicant to provide high quality of care to the assisted living residents. If you have any questions concerning this Certificate of Need approval, please contact Michael J. Kennedy, Executive Director, Division of Certificate of Need and Licensing at Michael.Kennedy@doh.nj.gov.

Sincerely,

Robin C. Ford

Robin C. Ford, MS
Deputy Commissioner
Health Systems

c: Stefanie Mozgai, DOH (Electronic mail)
Michael Kennedy, DOH (Electronic mail)
Lesley Clelland, DOH (Electronic mail)
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