

# **COVENTRY HOUSE OF SILER CITY, LLC**

**260 Village Lake Road  
POB 707  
Siler City, North Carolina 27344**

**Received by the  
CON Section**

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May 31, 2011

Craig Smith, Chief  
Certificate of Need Section  
NC Division of Health Service Regulation  
701 Barbour Drive  
Raleigh, North Carolina

Re: Comments on CON application J-8662-11  
Arbor Ridge at Chatham, LLC

Dear Mr. Smith:

These comments on the above referenced CON application are submitted by Coventry House of Siler City, LLC as a party aggrieved by the proposal to relocate 40 adult care home beds within Chatham County.

Arbor Ridge at Chatham, LLC ("the Applicant") seeks to effectively circumvent the Certificate of Need law by in essence "buying" the beds from the bank that held the mortgage of the prior licensee before the facility was closed in 2010. The existing facility (or rather, the formerly existing facility) was known as Hill Forest Rest Home. In 2010, the Division of Health Service Regulation ("DHSR") took steps to close Hill Forest due to repeated licensure issues. The building was closed and all residents relocated. Subsequently, the facility was foreclosed upon and is now owned by First Carolina State Bank ("the Bank").

At a total project cost well in excess of \$100,000 per bed, it is difficult comprehend how the project could possibly be financially viable at such a staggering cost. This is a highly unusual situation in that the Applicant and the Bank appear to have basically conspired to arrange for the sale of licensed adult care home beds. Furthermore, it is questionable whether the 40 beds in question that were at one time licensed to Gold Care are even valid at this point, since no license renewal application was filed by the prior owner and therefore the license should have expired on 12/31/10 since the facility was in fact closed prior to that date. In addition, it is also questionable whether there is even a remaining need within Chatham County for all 40 beds, since the old Hill Forest facility consistently ran at an average occupancy in the 20's for the past several years.

It is interesting that the Applicant wishes to “buy” these beds and relocate them many miles away, just across the Orange County line in an area that with vastly more favorable demographics than the current location of the old Hill Forest facility. While it is true that the proposed new facility would still be in Chatham County, it will clearly not be utilized by primarily Chatham County residents. One has only to look at a map to see that the nearest major population centers are in Orange County. It is obvious what is being attempted here, and that is to buy the beds and move them to a more favorable location that will without question result utilization by a far higher private pay census that would be the case were the beds to remain in their current location.

Perhaps the most telling circumstance of this application is the fact that the Applicant has not demonstrated that it has an acceptable site for the proposed new facility. What it has is a *blank* land lease document that we are asked to believe will be executed between the Applicant and FCSB Real Estate Holdings, LLC.....for the site where the existing facility now sits. The CON Section is urged to read this document closely.....it is highly unusual. Also, under the terms of a “Facility Purchase Agreement”, the Applicant is essentially buying the 40 existing beds for \$301,000 but actually is required to transfer back the assets of the existing facility to the Seller. *This document is also blank.....it has not been executed and as such is not valid or binding in any way.* There is obviously some deal or agreement between the Applicant and the Bank, but there is no documentation to support any claim of what will actually transpire should the CON Section basically approve this application on the Applicant’s unsubstantiated claims that all these agreements and arrangements will actually come to pass.

It appears that what is really going on here is an attempt by the Applicant and the Bank to figure out a way for the Applicant to “buy” the beds and yet allow the Bank to somehow regain control of the old (and very obsolete) Hill Forest property to perhaps sell to another party and cut its losses from having made what unfortunately turned out to be a very bad lending decision. The CON Section is effectively being asked to bail out the bank and also allow the Applicant to benefit greatly from moving the beds far away to a location where the Applicant will be able to operate with little or no Special Assistance residents.

We urge the CON Section to look very closely at this highly unusual proposal.....there are just far too many loose ends and no solid rationale to justify approving this application. There is no site control. There are no executed and binding documents outlining “the deal” between the Applicant and the Bank and FCSB Real Estate Holdings, LLC.....blank documents are worthless. Should the CON Section go far out on a limb and approve this very vague proposal, the end result of the arrangements between the Applicant and the Bank will almost undoubtedly be much different than the terms proposed by the blank documents.

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The CON Section must give careful consideration to approving such a tentative arrangement. What would make infinitely more sense would be for the CON Section to decline to approve this application and thereby allow the beds to go back into the State Medical Facilities Plan where existing facilities would have the ability to apply for them under a competitive review. That approach represents a far more financially viable alternative and a much more sound health planning approach, and is clearly in the public's better interest than to rubber-stamp such an incredibly costly proposal under a questionable arrangement such as this where no party is in any way legally bound to another to perform in any specific way.

Respectfully Submitted,

A handwritten signature in black ink, appearing to read 'C. L. Gross', written over a horizontal line.

C. L. Gross  
Member/Manager  
Coventry House of Siler City, LLC