REQUIRED STATE AGENCY FINDINGS

FINDINGS
C = Conforming
CA = Conforming as Conditioned
NC = Nonconforming
NA = Not Applicable

Decision Date:	June 16, 2026
Findings Date:	June 16, 2026
Project Analyst:	Yolanda W. Jackson
Co-Signer:	Gloria C. Hale
Project ID #:	O-12760-26
Facility:	The Landings of New Hanover
FID #:	260093
County:	New Hanover
Applicants:	New Hanover Opco II, LLC New Hanover Propco II, LLC
Project:	Develop a new 64-bed ACH facility by relocating no more than 64 ACH beds from Castle Creek Memory Care, including 24 SCU beds

REVIEW CRITERIA

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, operating rooms, or home health offices that may be approved.

C

New Hanover Opco II, LLC and New Hanover Propco II, LLC. (referred to as "the applicant") propose to develop a new 64-bed adult care home (ACH) by relocating 64 ACH beds from Castle Creek Memory Care located in Castle Hayne, New Hanover County, including 24 special care unit (SCU) beds. Castle Creek Memory Care was sold for different use (substance abuse) in April 2025 and the license for the facility was relinquished. The new ACH facility will be known as The Landings of New Hanover in Wilmington, New Hanover County. The project includes the development of 40 Assisted Living beds and 24 SCU beds for a total capacity of 64 beds.

Need Determination

The proposed project does not involve the addition of any new health service facility beds, services, or equipment for which there is a need determination in the 2026 State Medical Facilities Plan (SMFP). Therefore, there are no need determinations applicable to this review.

Policies

There is one policy in the 2026 SMFP which is applicable to this review: Policy GEN-4: Energy Efficiency and Sustainability for Health Service Facilities, on page 30 of the 2026 SMFP states:

> "*Any person proposing a capital expenditure greater than $4 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 approving 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, Certificate of Need 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 efficiency 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 is 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.*"

The projected capital cost for the project is over $5 million. In Section B, page 26, the applicant states:

> "*Each bedroom will have individual HVAC units for individual resident comfort and personalized control. All public spaces will be zoned with 7-day programmable thermostats which allows for units to be set back to save energy during times the spaces are unused. The construction will utilize energy recovery ventilators (ERV) which are used to reclaim energy from exhausted air. All equipment will meet the requirements of the 2024 NC Energy Conservation Code.*
>
> *Water heating will be accomplished by natural gas or propane with all piping insulated and utilize recirculating pumps to maintain constant hot water temperatures. All fixtures will follow water usage requirements per the 2018 NC Plumbing Code.*

Lighting will be LED and Fluorescent and installed per the requirements of the 2024 NC Energy Conservation Code. Outside lighting will use photocells and timers to operate only after dark or at programed times."

Conclusion

The Agency reviewed the:

- Application
- Exhibits to the application

Based on that review, the Agency concludes that the application is conforming to this criterion because the applicant adequately demonstrates that the proposal is consistent with Policy GEN-4 by adequately describing how they will ensure energy efficiency and water conservation.

(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, … persons [with disabilities], the elderly, and other underserved groups are likely to have access to the services proposed.

C

The applicant proposes to develop a new 64-bed ACH facility by relocating no more than 64 ACH beds from Castle Creek Memory Care.

Patient Origin

On page 175, the 2026 SMFP defines the service area for ACH beds as *"… the county in which the adult care home bed is located. Each of the 100 counties is a separate service area."* Thus, the service area for this facility is New Hanover County. Facilities may also serve residents of counties not included in their service area.

Castle Creek Memory Care closed in 2022 but relinquished its facility license on April 23, 2025. However, pursuant to G.S. 131E-184(a)(8), the facility is considered an existing health services facility. The applicant submitted its application for the March 1, 2026 CON review period which is less than 12 months from the date the facility relinquished its license.

The applicant reported the historical patient data for Castle Creek Memory Care's final complete fiscal year of operation in 2021. The following tables illustrate the historical and projected patient origin.

Castle Creek Memory Care ACH Beds Historical Patient Origin CY2021		
County	**# of Patients**	**% of Total**
New Hanover	36	58.06%
Pender	5	8.06%
Brunswick	7	11.29%
Columbus	1	1.61%
Bladen	0	0.00%
Onslow	5	8.06%
Other/Unknown	8	12.90%
Total	**62**	**100.00%**

Source: Section C, page 30.

The Landings of New Hanover ACH Beds Projected Patient Origin						
County	**1st Full FY**		**2nd Full FY**		**3rd Full FY**	
	10/01/2030–09/30/2031		**10/01/2031–09/30/2032**		**10/01/2032–09/30/2033**	
	# of Patients	**% of Total**	**# of Patients**	**% of Total**	**# of Patients**	**% of Total**
New Hanover	24	64.29%	38	64.29%	39	64.29%
Pender	2	5.71%	3	5.71%	3	5.71%
Brunswick	7	18.57%	11	18.57%	11	18.57%
Columbus	1	2.86%	2	2.86%	2	2.86%
Bladen	1	1.43%	1	1.43%	1	1.43%
Onslow	1	2.86%	2	2.86%	2	2.86%
Other/Unknown	2	4.29%	3	4.29%	3	4.29%
Total	**37**	**100.00%**	**59**	**100.00%**	**60**	**100.00%**

Source: Section C, page 31.

In Section C, pages 31–35, the applicant provides the assumptions and methodology used to project its patient origin. On page 32, the applicant states:

> "*The analysis was based on two core principles: (1) geographic proximity to a facility strongly influences origin patterns, as families seek convenient placement options for regular visitation, and (2) counties with significant ACH bed surpluses retain more residents locally, while counties with deficits experience increased outmigration to neighboring counties.*"

The applicant's assumptions are reasonable and adequately supported based on the following:

- The applicant assumes that residents originating from within New Hanover County will continue to be at or above 64% based on two data sources: the North Carolina Office of State Budget & Management which projects that from 2022 to 2037, New Hanover

County's population age 65+ is expected to grow by 34.8%, and resident origin data for all New Hanover Counties' ACH facilities from 2022-2024 License Renewal Applications.

- The applicant assumes that a notable percentage of Brunswick County residents will seek ACH placement in neighboring New Hanover County since there is a significant deficit of ACH beds in Brunswick County.
- The applicant assumes that although Pender County borders New Hanover County, Pender County will contribute a minimal percentage because it has a substantial surplus of ACH beds and residents have adequate local placement options.
- The applicant assumes that a minimal percentage of residents will originate from Bladen, Columbus, and Onslow counties because these counties are geographically distant from the proposed project and their residents have local options because there are large surpluses of ACH beds in the counties.

Analysis of Need

In Section C, pages 36–47, the applicant explains why it believes the population projected to utilize the proposed services needs the proposed services, as summarized below.

- The applicant states that while the 2026 SMFP identifies a surplus of ACH beds in New Hanover County, the ACH beds are unutilized because they are unavailable to the public since the licensed ACH beds exist only on paper.
- The applicant states that the vast majority of ACH beds are occupied by individuals age 65 and older. According to the Office of North Carolina State Budget and Management (NCOSBM), between 2020 and 2025, the New Hanover County population for age segments 65 and older grew at significant higher rates, far outpacing the younger age segments. The 75–84 age group experienced the highest growth rate at 39.6%.
- The applicant states that many of the New Hanover County ACH facilities occupy aging buildings and do meet the expectations of today's residents and their families of single occupancy private rooms. The applicant states that these facilities frequently suffer from poor utilization because they are often licensed for more beds than they can realistically fill in today's market.
- The applicant states that despite a relatively large number of facilities in New Hanover County, there remains few choices available to New Hanover residents who are not able to qualify for Medicaid/Special Assistance or able to afford the more exclusive facilities. The applicant states that it proposes more moderate private payor rates and to devote a significant portion of the beds to the care of Medicaid and Special Assistance recipients.

The information is reasonable and adequately supported based on the following:

- The applicant provides reasonable information on the need for affordable ACH beds in New Hanover County for those residents who do not qualify for Medicaid/Special Assistance or cannot afford the more exclusive facilities.
- The applicant provides reliable data, makes reasonable statements about the data, and uses reasonable assumptions about the data to demonstrate the projected population growth and aging in the service area and the need to maintain ACH bed capacity.

Projected Utilization

In Section Q, on Form C.1b, the applicant provides projected utilization, as illustrated in the following table.

	1st Full FY	2nd Full FY	3rd Full FY
	10/01/2030–09/30/2031	10/01/2031–09/30/2032	10/01/2032–09/30/2033
ACH – All Beds			
Total # of Beds	64	64	64
# of Admissions	33	6	6
# of Patient Days	13,404	21,690	21,725
Average Length of Stay	400.85	3,567.45	3,573.16
Occupancy Rate	57.4%	92.9%	93.0%
ACH Beds – SCU Beds			
Total # of SCU Beds	24	24	24
# of Admissions	21	11	11
# of Patient Days	5,553	8,140	8,147
Average Length of Stay	259.82	715.75	716.37
Occupancy Rate	63.4%	92.9%	93.0%

Source: Section Q, page 101.

In Section Q, pages 102–106, the applicant provides the assumptions and methodology used to project utilization, which is summarized below.

- The applicant used data provided by ALG Senior LLC (ALG) showing historical move-in rates for 14 brand new adult care homes across various markets in North Carolina from 2013 to 2020 to project census growth at The Landings of New Hanover. ALG was able to fill the 14 adult care homes at an average rate of 4.4 net move-ins per month from opening through stabilization (85% occupancy).
- The applicant assumes a census of zero residents at opening and a gain of 4.4 residents on Month 1. The applicant states that based on ALG's experience, some residents will normally be pre-registered and have made pre-opening deposits.
- The applicant projects that The Landings of New Hanover will reach 93% capacity using 4.4 net move-ins per month by Year 2 (Month 14).

Projected utilization is reasonable and adequately supported based on the following:

- The fill rate is based on ALG's experience opening and managing brand new adult care homes across the state in various markets.
- The applicant's utilization projections are supported by the projected population growth for the 65+ population in New Hanover County.
- The applicant does not propose to develop new ACH beds but will relocate 64 existing ACH beds from Castle Creek Memory Care which closed in April 2022.

Access to Medically Underserved Groups

In Section C, page 51, the applicant states:

> "*All persons will be admitted to the Project upon the written order of a physician without regard to their actual or perceived race, color, creed, age, national origin, handicap, sex, or source of payment.*"

The applicant provides the estimated percentage for each medically underserved group, as shown in the following table.

Medically Underserved Groups	Percentage of Total Patients
Low-income persons	40.0%
Racial and ethnic minorities	25.4%
Women	75.0%
Persons with disabilities	100.0%
Persons 65 and older	89.0%
Medicare beneficiaries*	0.0%
Medicaid recipients	40.0%

Source: Section C, page 52.
*Not applicable. Adult Care Homes are not reimbursed by Medicare.

The applicant adequately describes the extent to which all residents of the service area, including underserved groups, are likely to have access to the proposed services based on the following:

- The projections are based on the demographics of New Hanover County and recent data from New Hanover House, an ACH facility in New Hanover County.
- The applicant provides a written statement demonstrating that it will offer access to all residents of the service area, including underserved groups.

Conclusion

The Agency reviewed the:

- Application
- Exhibits to the application

Based on that review, the Agency concludes that the application is conforming to this criterion for the reasons described above.

(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, … persons [with disabilities], and other underserved groups and the elderly to obtain needed health care.

C

The applicant proposes to develop a new 64-bed ACH facility by relocating no more than 64 ACH beds from Castle Creek Memory Care.

In Section D, pages 56–57, the applicant explains why it believes that the needs of the population presently served will be met adequately by the proposed relocation, as follows:

- The applicant proposes to relocate 64 licensed ACH beds associated with Castle Creek Memory Care to a new location, The Landings of New Hanover. Castle Creek Memory Care ceased operations as an adult care home in 2022 and was sold in April 2025 to a buyer that repurposed the building for substance abuse treatment.
- No residents or underserved groups will be displaced or experience a lapse in care due to the proposed relocation because no residents or underserved groups are currently receiving ACH services at Castle Creek Memory Care.
- The applicant proposes to re-establish the provision of ACH services to meet the needs of New Hanover County residents.

The applicant adequately demonstrates that the needs of medically underserved groups that had used Castle Creek Memory Care will be adequately met following completion of the project for the following reasons:

- The existing beds to be relocated have not been serving residents and the relocation will not change the ability of medically underserved groups to have access to ACH beds in New Hanover County.
- The proposed site for the new facility is located within the same county.

Conclusion

The Agency reviewed the:

- Application
- Exhibits to the application

Based on that review, the Agency concludes that the application is conforming to this criterion for the following reasons:

- There is not a population currently using the beds to be relocated.
- The applicant adequately demonstrates that the project will not adversely impact the ability of underserved groups to access these services following project completion for all the reasons described above.

(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.

NC

The applicant proposes to develop a new 64-bed ACH facility by relocating no more than 64 ACH beds from Castle Creek Memory Care.

In Section E, pages 61–62, the applicant describes the alternative it considered and explains why the alternative is more costly or less effective than the alternative proposed in this application to meet the need. The alternative considered was:

Relocate the beds to another ACH facility in New Hanover County - The applicant states that New Hanover House, the only ACH facility in New Hanover County affiliated with the applicant and ALG, cannot reasonably accommodate an additional 64 ACH beds in its footprint or floorplan. Therefore, this is a less effective alternative.

On page 62, the applicant states they have determined that the most effective alternative is to develop a brand new 64-bed facility in Wilmington that is state-of-the art and will provide a high quality of care and affordable and appealing ACH beds to resident of Wilmington and New Hanover County. The applicant states that this alternative is the best choice from a financial, operational, and development standpoint.

However, the applicant does not adequately demonstrate that the alternative proposed in this application is the most effective alternative to meet the need because the application is not conforming to all statutory review criteria. An application that cannot be approved cannot be an effective alternative to meet the need.

Conclusion

The Agency reviewed the:

- Application
- Exhibits to the application

Based on that review, the Agency concludes that the application is not conforming to this criterion for the reasons stated above. Therefore, the application is denied.

(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.

NC

The applicant proposes to develop a new 64-bed ACH facility by relocating no more than 64 ACH beds from Castle Creek Memory Care.

Capital and Working Capital Costs

In Section Q, page 107, on Form F.1a, the applicant projects the total capital cost of the project, as shown in the table below.

Purchase Price of Land	$2,995,000
Closing Costs	$150,000
Site Preparation	$615,000
Construction/Renovation Contracts	$7,781,445
Architect / Engineering Fees	$175,000
Non-Medical Equipment	$200,000
Furniture	$750,000
Financing Costs	$130,000
Interest during Construction	$180,000
Total	**$12,976,445**

In Section Q, page 108, the applicant provides the assumptions used to project the capital cost. The applicant adequately demonstrates that the projected capital cost is based on reasonable and adequately supported assumptions based on the following:

- The applicant states that the assumptions for the capital cost of the project are based on the experience of ALG's development and financing planning and analysis teams.
- The applicant looked at the tax valuation of the proposed selected site to ensure that the price-per-acre estimate was reasonable.
- The applicant states the cost associated with the project size and bed count, such as construction costs, were determined utilizing estimates reflective of current market conditions and consultation with the architect for the project.
- Exhibit K.3 contains a letter dated February 10, 2026, from the project architect verifying construction costs for the project.

In Section F.3, pages 64–65, the applicant projects start-up costs for the proposed project as $135,500, and initial operating costs of $841,133 for a total working capital of $976,633. On page 65, and Section Q, pages 116–117, and 121, the applicant provides the assumptions and methodology used to project the working capital needs of the project. The applicant adequately demonstrates that the projected working capital needs of the project are based on adequately supported assumptions based on the following:

- The applicant identifies the types of costs included in the start-up costs.
- The applicant states that it uses the cost and expense data from substantially similar ACHs and calculates the Per Resident Day (PRD) expense allocation when determining costs and expense projections for a new facility.
- The applicant states that staffing needs were determined using projected census data and mandatory licensure staffing ratios.

Availability of Funds

In Section E, pages 63–64, the applicant states that the capital cost will be funded by a loan to New Hanover Propco II, LLC. In Exhibit F.2, the applicant provides a letter dated February 10, 2026, from the Managing Director of Integrated Asset Advisors, stating that they are interested in providing a loan in the amount of $12,976,445 to the applicant for capital needs of the proposed project. The applicant also provides a projected amortization schedule in Exhibit F.2.

In Section E, pages 65–66, the applicant states that the working capital costs of the project will be funded by a loan to New Hanover Opco II, LLC. In Exhibit F.3, the applicant provides a letter dated February 10, 2026, from the Managing Director of Integrated Asset Advisors, stating that they are interested in providing a loan in the amount of $976,633 to the applicant for the working capital needs of the proposed project. The applicant also provides a projected amortization schedule in Exhibit F.3.

The applicant adequately demonstrates the availability of sufficient funds for the capital and working capital needs of the project based on the following:

- The applicant provides documentation to support its projection of funding $12,976,445 of the projected capital cost with a loan, including an amortization table.
- The applicant provides documentation to support its projection of funding $976,633 of the projected working capital with a loan, including an amortization table.

Financial Feasibility

The applicant provided pro-forma financial statements for the first three full fiscal years of operation following completion of the project. On Form F.2b, the applicant does not include the operating costs from Form F.3b. When the operating costs are added to Form F.2b, operating expenses are projected to exceed total net revenues in each of the first three full fiscal years following completion of the project.

	1st Full Fiscal Year	2nd Full Fiscal Year	3rd Full Fiscal Year
	10/01/2030–9/30/2031	10/01/2031–9/30/2032	10/01/2032–9/30/2033
Total Patient Days	13,404	21,690	21,725
Total Gross Revenue (Charges)	$1,092,164	$1,887,120	$1,903,187
Total Net Revenue	$1,070,739	$1,852,839	$1,868,635
Average Net Revenue per Patient Day	$80	$85	$86
Total Operating Expenses (Costs) (Form F.3b)	$1,692,479	$2,069,859	$2,080,923
Average Operating Expense per Patient Day	$126	$95	$96
Net Income	($621,740)	($217,020)	($212,288)

The assumptions used by the applicant in preparation of the pro-forma financial statements are provided following Forms F.2b and F.3b. However, the applicant does not adequately

demonstrate that the financial feasibility of the proposal is reasonable and adequately supported based on the following:

- Form H Staffing includes projected salary totals. The total amounts budgeted for salaries on Form F.3b Projected Operating Costs do not match the salary totals the applicant provided on Form H Staffing. However, even when the salary amounts from Form H are used in the total operating costs, total operating costs still exceed total net revenues for each operating year.
- The total number of FTEs provided for operating years two and three in Form H Staffing do not equal the sum of the line item FTEs which results in an under count of the total FTEs needed. Therefore, the operating expenses for the project would be even greater. See the discussion found in Criterion (7) which is incorporated herein by reference.
- The applicant does not adequately demonstrate sufficient funds for the operating needs of the proposal and that the financial feasibility of the proposal is based upon reasonable projections of costs and charges.

Conclusion

The Agency reviewed the:

- Application
- Exhibits to the application

Based on that review, the Agency concludes that the application is not conforming to this criterion because the applicant does not adequately demonstrate sufficient funds for the operating needs of the proposal and that the financial feasibility of the proposal is based upon reasonable projections of revenues and operating expenses for all the reasons described above.

(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 applicant proposes to develop a new 64-bed ACH facility by relocating no more than 64 ACH beds from Castle Creek Memory Care.

On page 175, the 2026 SMFP defines the service area for ACH beds as "*... the county in which the adult care home bed is located. Each of the 100 counties is a separate service area.*" The 64 ACH beds were in a facility in New Hanover County and the applicant proposes to relocate the 64 ACH beds and develop a new facility also in New Hanover County. Thus, the service area for this facility consists of New Hanover County. Facilities may also serve residents of counties not included in their service area.

New Hanover County Inventory of ACH Beds	
Facility Name	**ACH Beds**
Autumn Care of Myrtle Grove	20
Brookdale Wilmington	38
Castle Creek Memory Care (Transfer 20 beds to The Luminance at Riverlights)	64
Cedar Cove Assisted Living	64
Champions Assisted Living	148
Liberty Commons Rehabilitation Center	40
Morningside of Wilmington	101
New Hanover House (Transfer 40 beds to The Luminance at Riverlights)	21
Spring Arbor of Wilmington	66
The Commons at Brightmore	201
The Kempton at Brightmore	84
The Luminance at Riverlights (Transfer 40 beds from New Hanover House and transfer 20 beds from Castle Creek Memory Care)	60
Tidewater at Carolina Bay (Transferred 16 beds from Fannie Norwood Memorial Home and transfer 72 beds from multiple Port South Village facilities)	88
Total	**995**

Source: 2026 SMFP, Table 11A.

In Section G, page 73, the applicant explains why it believes its proposal would not result in the unnecessary duplication of existing or approved adult care home services in New Hanover County. The applicant states:

> "*The proposed relocation of 64 ACH beds from a closed facility into a new, purpose-built single-story facility does not duplicate existing services. It transforms beds that are currently completely unutilized into a modern facility designed to meet the specific and growing needs of New Hanover County's rapidly expanding senior population.*"

The applicant adequately demonstrates that the proposal would not result in an unnecessary duplication of existing or approved services in the service area based on the following:

- The proposal would not result in an increase in ACH beds in New Hanover County.
- The applicant adequately demonstrates that the proposed ACH beds are needed in addition to the existing or approved ACH beds in New Hanover County.

Conclusion

The Agency reviewed the:

- Application
- Exhibits to the application

Based on that review, the Agency concludes that the application is conforming to this criterion for all the reasons described above.

(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.

NC

The applicant proposes to develop a new 64-bed ACH facility by relocating no more than 64 ACH beds from Castle Creek Memory Care.

In Section Q, Form H, the applicant provides projected full-time equivalent (FTE) staffing for the proposed services, as illustrated in the following table.

Position	1st Full FY 10/01/2030–9/30/2031	2nd Full FY 10/01/2031–9/30/2032	3rd Full FY 10/01/2032–9/30/2033
Registered Nurses	0.5	0.5	0.5
Certified Nurse Aides/Nursing Assistant	17.5	21.2	21.2
Staff Development Coordinator	1.0	1.0	1.0
Cooks	4.8	5.1	5.1
Activities Director	0.8	1.0	1.0
Laundry & Linen	0.6	0.6	0.6
Housekeeping	1.9	2.1	2.1
Maintenance/Engineering	0.8	0.9	0.9
Administrator/CEO	1.0	1.0	1.0
Business Office	1.3	1.4	1.4
Transportation	0.6	0.9	0.9
Total	**30.8**	**26.3 [35.7]**	**26.2 [35.7]**

Note: Project Analyst calculations are in brackets.

The assumptions and methodology used to project staffing are provided in Section Q, immediately following Form H. In Section H, page 74, the applicant describes the methods to be used to recruit or fill new positions and its proposed training and continuing education programs.

However, the applicant does not adequately demonstrate the availability of sufficient health manpower and management personnel to provide the proposed services because the applicant does not budget adequate operating expenses for the health manpower and management positions it proposes. In Form H Staffing, the applicant under counts its total FTEs for operating years two and three. In addition, the total amounts budgeted for salaries on Form F.3b Projected Operating Costs do not match the salary totals the applicant provided on Form H Staffing. Therefore, the availability of staffing, including health manpower and management personnel, is questionable and not adequately supported.

Conclusion

The Agency reviewed the:

- Application
- Exhibits to the application

Based on that review, the Agency concludes that the application is not conforming to this criterion for all the reasons described above.

(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

The applicant proposes to develop a new 64-bed ACH facility by relocating no more than 64 ACH beds from Castle Creek Memory Care.

Ancillary and Support Services

In Section I, page 76, the applicant identifies the necessary ancillary and support services for the proposed services. On page 76, the applicant explains how each ancillary and support service is or will be made available and provides supporting documentation in Exhibit I.1. The applicant adequately demonstrates that the necessary ancillary and support services will be made available because the applicant states it will have a Management Agreement with ALG and ALG will support the applicant in providing the ancillary and support services.

Coordination

In Section I, pages 77–79, the applicant describes its efforts to develop relationships with other local health care and social service providers. The applicant adequately demonstrates that the proposed services will be coordinated with the existing health care system based on the following:

- The applicant states that they are able to leverage existing relationships that Castle Creek Memory Care had in place with local health care and ancillary care providers within New Hanover County.
- The applicant states that residents of ACH facilities for which ALG provides consulting services have the option to receive primary care , mental health, and psychotherapy services from specialists at Eventus WholeHealth and Eventus WholeHealth is prepared to provide similar services to the future residents of The Landings of New Hanover.

Conclusion

The Agency reviewed the:

- Application
- Exhibits to the application

Based on that review, the Agency concludes that the application is conforming to this criterion for all the reasons described above.

(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

The applicant does not project to provide the proposed services to a substantial number of persons residing in Health Service Areas (HSAs) that are not adjacent to the HSA in which the services will be offered. Furthermore, the applicant does not project to provide the proposed services to a substantial number of persons residing in other states that are not adjacent to the North Carolina county in which the services will be offered. Therefore, Criterion (9) is not applicable to this review.

(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 (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

The applicant is not an HMO. Therefore, Criterion (10) is not applicable to this review.

(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 applicant proposes to develop a new 64-bed ACH facility by relocating no more than 64 ACH beds from Castle Creek Memory Care.

In Section K, page 81, the applicant states that the project involves constructing 31,761 square feet of new space. Line drawings are provided in Exhibit K.1.

On pages 83–84, the applicant identifies the proposed site and provides information about the current owner, zoning and special use permits for the site, and the availability of water, sewer and waste disposal and power at the site. The applicant states that although the site is not zoned for an adult care home, it has contacted the appropriate authorities in order to pursue a change in zoning to allow the development of the facility. Supporting documentation is provided in Exhibit K.4.

On pages 81–82, the applicant adequately explains how the cost, design and means of construction represent the most reasonable alternative for the proposal based on the following:

- The applicant states that the architect has extensive experience designing affordable adult care homes and constructing the facility without material waste or price-increasing change orders.
- The applicant provides a letter from a licensed architect confirming construction plans and estimated costs in Exhibit K.3.

On page 82, the applicant adequately explains why the proposal will not unduly increase the costs to the applicant of providing the proposed services or the costs and charges to the public for the proposed services based on the following:

- The applicant states that while there are construction costs associated with the development of the new facility, the costs incurred will be offset by the ability of the applicant to fully utilize the ACH beds.
- The applicant states that it seeks to provide higher access to ACH services with affordable rates for individuals who are not able to afford higher-tier, higher-priced facilities or qualify for Medicaid/Special Assistance.
- The applicant states that approximately 40% of the 64 ACH beds will be devoted to Medicaid and Special Assistance residents.

In Section K, pages 82–83, and Section B, page 26, the applicant identifies any applicable energy saving features that will be incorporated into the construction plans.

Conclusion

The Agency reviewed the:

- Application
- Exhibits to the application

Based on that review, the Agency concludes that the application is conforming to this criterion for all the reasons described above.

(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 … persons [with disabilities], 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

The Landings of New Hanover is not an existing facility. Therefore, Criterion (13a) is not applicable to this review.

(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 persons with disabilities to programs receiving federal assistance, including the existence of any civil rights access complaints against the applicant;

NA

The Landings of New Hanover is not an existing facility. Therefore, Criterion (13b) is not applicable to this review.

(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 L, page 88, the applicant projects the following payor mix for the proposed services during the third full fiscal year of operation following completion of the project, as shown in the table below.

Payor Source	Percentage of Total Patients Served
Self-Pay	60%
Medicaid	40%
Total	**100%**

Source: Section L, page 88.

As shown in the table above, during the third full fiscal year of operation, the applicant projects that 60% of total services will be provided to self-pay patients and 40% to Medicaid patients.

In Section K, page 82, the applicant provides the assumptions and methodology used to project payor mix during the third full fiscal year of operation following completion of the project. The projected payor mix is reasonable and adequately supported based on the following:

- The applicant states it will devote 40% of the 64 ACH beds to Medicaid/Special Assistance Residents.
- The applicant states it seeks to provide affordable ACH beds to residents who are not able to qualify for Medicaid/Special Assistance or able to afford higher-tier, higher-priced facilities. The applicant states it conducted a competitive analysis in the service area and will charge a private payor rate that is below the average base rate-assisted living maximum.

The Agency reviewed the:

- Application
- Exhibits to the application

Based on that review, the Agency concludes that the application is conforming to this criterion based on the reasons stated above.

(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 L, page 90, the applicant adequately describes the range of means by which patients will have access to the proposed services.

The Agency reviewed the:

- Application

- Exhibits to the application

Based on that review, the Agency concludes that 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.

NC

The applicant proposes to develop a new 64-bed ACH facility by relocating no more than 64 ACH beds from Castle Creek Memory Care.

In Section M, page 91, the applicant states that it will encourage partnerships with local health professional training programs and plans to reach out to local community college nursing programs. However, the applicant does not adequately demonstrate that health professional training programs in the area will have access to the facility for training purposes because the applicant has not provided documentation that an effort has been made to accommodate the clinical needs of health professional training programs in the area at The Landings of New Hanover.

Conclusion

The Agency reviewed the:

- Application
- Exhibits to the application

Based on that review, the Agency concludes that the application is not conforming to this criterion for all the reasons described above.

(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.

NC

The applicant proposes to develop a new 64-bed ACH facility by relocating no more than 64 ACH beds from Castle Creek Memory Care.

On page 175, the 2026 SMFP defines the service area for ACH beds as "*... the county in which the adult care home bed is located. Each of the 100 counties is a separate service area.*" The 64 ACH beds were in a facility in New Hanover County and the applicant proposes to relocate the 64 ACH beds and develop a new facility also in New Hanover County. Thus, the service area for this facility consists of New Hanover County. Facilities may also serve residents of counties not included in their service area.

New Hanover County Inventory of ACH Beds	
Facility Name	**ACH Beds**
Autumn Care of Myrtle Grove	20
Brookdale Wilmington	38
Castle Creek Memory Care (Transfer 20 beds to The Luminance at Riverlights)	64
Cedar Cove Assisted Living	64
Champions Assisted Living	148
Liberty Commons Rehabilitation Center	40
Morningside of Wilmington	101
New Hanover House (Transfer 40 beds to The Luminance at Riverlights)	21
Spring Arbor of Wilmington	66
The Commons at Brightmore	201
The Kempton at Brightmore	84
The Luminance at Riverlights (Transfer 40 beds from New Hanover House and transfer 20 beds from Castle Creek Memory Care)	60
Tidewater at Carolina Bay (Transferred 16 beds from Fannie Norwood Memorial Home and transfer 72 beds from multiple Port South Village facilities)	88
Total	**995**

Source: 2026 SMFP, Table 11A.

Regarding the expected effects of the proposal on competition in the service area, in Section N, page 92, the applicant states:

> "*The Project will have a positive effect on competition in the area, as the demand for these 64 ACH beds may encourage other facilities with poor utilization in New Hanover County to improve their current situations to compete with the Project, thereby encouraging greater efficiencies and better quality of care all around. It will also allow for a truly distinctive ACH placement option within New Hanover County—especially for Medicaid/Special Assistance recipients—and increase choices for area seniors in a county with few existing options. The Applicants also expect that the development of these 64 ACH beds will stimulate utilization of New Hanover County ACH beds by local private payors by providing excellent service and top-notch care at an affordable price that is both competitive and accessible.*"

Regarding the impact of the proposal on cost effectiveness, in Section N, page 93, the applicant states:

> "*… the Applicants expect that their minimum and maximum rates for an Assisted Living Studio will be very competitive, with the minimum rate being $13.67 less than the market average, and the maximum rate being $997 below average.*
>
> *The Project has been designed to minimize construction costs, in an effort to keep rates low while still offering premium services. As discussed, the project proposes to offer a substantial portion of its ACH beds (approximately 40% of the 64 ACH beds, or 26 beds) to Medicaid/Special Assistance residents at Medicaid/Special Assistance room and board rates. The Medicaid/Special Assistance beds are expected to be in high demand, given the high rates of Medicaid utilization in current ACH inventory in New Hanover County. Full bed utilization achieved through reasonable private payor rates and high-demand Medicaid placements will contribute to the overall cost effectiveness of the project.*"

See also Sections B, F, and Q of the application and any exhibits.

Regarding the impact of the proposal on quality, in Section N, pages 93–94, the applicant states:

> "*A commitment to 'best practices' in the areas of Personal Care Services, Pharmacy Services & Medication Administration, as well as overall resident care, will be overseen by an experienced QA team within ALG, whose only goal is the provision of the finest in resident care and services. The QA team is overseen by ALG's Senior Vice President of Clinical Services and performs a comprehensive review of all operating systems at ALG-supported communities, including Administrative, Clinical, Dining, Environmental, Human Resources (Personnel) and Programming. 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.*"

See also Sections C and O of the application and any exhibits.

Regarding the impact of the proposal on access by medically underserved groups, in Section N, page 94, the applicant states:

> "*…the Project will allow admission only on the written order of a physician. Persons whose health, habilitative, or rehabilitative needs cannot be met by the services offered in 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, handicap, sex, or source of payment. The Applicants propose to provide Medicaid/Special Assistance to approximately 26 of the 64 ACH beds proposed in the Project.*"

See also Sections L and C of the application and any exhibits.

However, the applicant does not adequately describe the expected effects of the proposed services on competition in the service area or adequately demonstrate the proposal would have a positive impact on cost-effectiveness, quality, and access because the applicant does not adequately demonstrate that the proposal is cost effective because the applicant did not adequately demonstrate that projected operating costs are reasonable and would enhance competition. A proposal that is not cost-effective cannot be the least costly or most effective alternative. See the discussions found in Criteria (4) and (5) which are incorporated herein by reference.

Conclusion

The Agency reviewed the:

- Application
- Exhibits to the application

Based on that review, the Agency concludes that the application is not conforming to this criterion based on the reason described above.

(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.

C

In Section Q, Form O, pages 122–129, the applicant identifies the adult care homes located in North Carolina owned, operated or managed by the applicant or a related entity. The Landings of New Hanover will be supported by ALG. Form O lists the adult care homes supported by ALG in North Carolina. The applicant identifies a total of 101 of this type of facility located in North Carolina.

In Section Q, pages 130–132, the applicant identified 11 facilities that received the imposition of a Type A unabated violation during the 18 months immediately preceding the submittal of the application. In Section O, page 97, the applicant states that all violations received by the identified facilities have been resolved successfully or are currently under appeal. According to the files in the Adult Care Licensure Section, DHSR, during the 18 months immediately preceding submission of the application through the date of this decision, incidents related to quality of care occurred in 31 of these facilities and eight facilities remain out of compliance. After reviewing and considering information provided by the applicant and by the Adult Care Licensure Section and considering the quality of care provided at all 101 facilities, the applicant provided sufficient evidence that quality care has been provided in the past. Therefore, the application is conforming to this criterion.

(21) Repealed effective July 1, 1987.

G.S. 131E-183 (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.

NA

The applicant proposes to develop a new 64-bed ACH facility by relocating no more than 64 ACH beds from Castle Creek Memory Care.

The Criteria and Standards for Nursing Facility or Adult Care Home Services promulgated in 10A NCAC 14C .1102 are not applicable to this review because the applicant does not propose to develop either nursing home facility beds or adult care home beds pursuant to a need determination.