

June 26, 2014

Ms. Janis Sigman  
Program Manager  
Certificate of Need Program  
Washington Department of Health  
P.O. Box 47852  
Olympia, WA 98504-7852

**R E C E I V E D**

JUN 30 2014

CERTIFICATE OF NEED PROGRAM  
DEPARTMENT OF HEALTH

Re: Letter of Intent by Emerald Communities,  
sole member of Heron's Key

Dear Ms. Sigman:

This letter of intent is provided to comply with requirements set forth in WAC 246-310-080 regarding Heron's Key, a proposed continuing care retirement community sponsored by the sole Member, Emerald Communities (also hereinafter "EC", "Corporation" or "Sponsor"), and located in Gig Harbor, WA (the "Project"). EC entered into a Purchase and Sale Agreement with Olympic Property Group for the 17.97 acre parcel where Heron's Key will be constructed. As part of the financing, the property will be deeded from Emerald Communities to Heron's Key so that Heron's Key can obtain bond financing for the project. Final purchase of the property will occur when permanent financing for the Heron's Key community is secured. The sections of this letter set forth the following as they relate to the Project:

- Description of the applicant
- Project location, overview and description of services proposed
- Estimated cost of the Project
- An identification of the service area

(Please note that all unit counts, square footage and construction values are preliminary and subject to change as architectural drawings and budgets for the Project are finalized.)

**Applicant:**

The applicant is Emerald Communities, a Washington nonprofit corporation, the sole Member of Heron's Key. The purposes of the Corporation are: (1) to develop and operate a continuum of housing specifically designed for residents age 55 and over, for their support and health care services, and otherwise to promote the interests and serve the needs of the residents, provided that such activities are consistent with the Corporation's exempt purpose; and 2) to engage in any other activities that further such purpose.

Emerald Communities holds IRS 501(c)(3) status and was organized to be operated exclusively for charitable purposes, operating within the guidelines of Section 501(c)(3) of the Code. The registered office of the Corporation is located at 10901 - 176th Circle NE, Redmond, WA 98052-7218.

Heron's Key is also a Washington nonprofit corporation. Heron's Key applied to the Internal Revenue Service for 501(c)(3) status and was organized to be operated exclusively for charitable purposes, operating within the guidelines of Section 501(c)(3) of the Code. The registered office of Heron's Key is located at 10901 - 176th Circle NE, Redmond, WA 98052-7218.

The affairs of the Corporation are governed by the following Board of Directors/Officers:

Ms. Daphne Schneider, Chair/Director  
Mr. Gary King, Treasurer/Director  
Ms. Lisa Hardy, President/CEO  
Mr. Thomas Evert, Vice Chair/Director  
Mr. Robert Crist, Secretary/Director  
Ms. Karen Goroski, Director  
Mr. Al Chambard, Vice President of Finance/CFO  
Ms. Kay H. Wallin, Vice President of Marketing and Public Relations

The sole Member of Heron's Key is Emerald Communities. Emerald Communities was founded as a private, nonprofit 501(c)(3) community-based organization to provide support, services, and to sponsor programs for residents, including residential facilities and health programs.

Emerald Communities is also the sole Member of the following affiliated corporation. Please refer to the attached organizational chart for additional information.

- Eastside Retirement Communities, d/b/a Emerald Heights, Redmond, Washington

**Project Location, Overview and Proposed Services:**

The Project will be located in Gig Harbor, Pierce County, Washington. The Project site comprises approximately 17.97 acres.

As a nonprofit Life Care retirement community owned and operated by Emerald Communities, Heron's Key will serve residents age 55 and older. EC plans to construct the community in two phases. Phase I construction includes 194 private residential units, 36 apartments for assisted living/personal care services, and 45 private rooms in a licensed skilled nursing facility. Phase II will consist of the addition of 88 private residential units, and up to 32 memory care assisted living suites.

Four (4) levels of health services will be available for residents at Heron's Key that include: (1) residential health services with a focus on preventive care; (2) assisted living services provided in an Assisted Living wing; (3) memory care services once constructed in a second phase; and (4) rehabilitative care services and nursing care services in the Skilled Nursing wing. As an option, should the resident not desire to transfer to the Assisted Living wing, Memory Care

assisted living suites, or Skilled Nursing wing, the resident may elect to receive in his/her residence at his/her own cost, home care services, as long as the health or safety of the resident or that of others is not jeopardized.

Assisted Living, memory care, and skilled nursing services will be available to all residents of Heron's Key. Residents of Heron's Key will have priority access to the Assisted Living wing, Memory Care assisted living suites and Skilled Nursing wing over nonresidents desiring admission. Under the Life Care program, Residents who are unable to return to their private residential home will have the benefit of permanent care in Assisted Living, Memory Care assisted living suites or Skilled Nursing as appropriate to their needs. Residents who enter into a Residency Agreement enter into an agreement providing a promise of services and care for their lifetime.

Additional services will also be available to residents for an extra charge. It will be the policy of Heron's Key that it will not terminate a Residency Agreement solely on the basis that a resident is not able to fully pay the monthly service fee if the resident establishes facts that justify financial assistance through Heron's Key as determined by Sponsor.

Heron's Key will provide opportunities for residents and staff to interact within the Heron's Key community, the city and beyond, by establishing joint resident/staff committees, establishing close ties with community facilities, and developing community outreach services and programs consistent with our mission.

Heron's Key will recruit, develop and retain competent and caring staff who share our principles, values and standards by maintaining open communication and stressing teamwork that builds the spirit of community, providing opportunities and programs for continual personal and professional development of staff at all levels, developing standards of performance for evaluation based on position descriptions, and providing fair, competitive compensation and benefits.

Under the Heron's Key Residence Agreement, residents will be offered (a) lifetime residency, (b) certain services in an available private residential unit of the resident's choice and financial capability including:

- Monthly dining allocation
- Basic cable television service
- Building and grounds maintenance
- All utilities except telephone
- Scheduled transportation services
- Use of all common and activity areas and private dining room
- Wellness program – social, cultural, vocational, physical, environmental, recreational and spiritual
- Standard cleaning of private residential unit every other week
- Surface parking
- Emergency call system
- Fire detection system

and (c) assisted living, memory care and/or skilled nursing care, as required, all as explained more fully in the General Conditions for Residence.

To be eligible to become a resident at Heron's Key participating in the Life Care program, each Applicant must meet **all** of the following minimum eligibility requirements:

- (a) The Applicant must complete and update as required, the Confidential Data Application, the Residence Agreement and the Notice of Services.
- (b) No longer than six months prior to establishing residency, the Applicant must provide current and complete medical records to Sponsor and meet with a licensed medical provider, designated by Sponsor, for an assessment of the Applicant's ability to live in a Private Residential Home, with or without reasonable accommodation.
- (c) The Applicant must be 55 years of age or older at the time of establishing residency. Heron's Key requires that all residents be 55 years of age or older.
- (d) Residency at Heron's Key must not adversely affect the health and safety of the Applicant or of the other residents at Heron's Key, as determined by Heron's Key.
- (e) The Applicant must have financial assets and income determined by Emerald Communities to be sufficient (i) to pay the entrance fee, and (ii) to provide for future payment of the monthly service fees and other personal expenses not provided for under the Residency Agreement.
- (f) The Applicant must maintain coverage under Medicare parts A and B, or equivalent insurance coverage that provides reimbursement to Sponsor, and a supplementary health insurance policy, or a comparable health maintenance organization or other managed care plan that provides reimbursement to Sponsor. Resident agrees not to seek assistance from any public benefit programs while a Resident of Heron's Key, consistent with applicable Washington regulations. These programs include Medicaid and other "individual provider" services funded by the State of Washington.
- (e) If an Applicant requires care or services in addition to those described in the Notice of Services, provision of that care or services must not fundamentally alter the nature of or unduly burden Heron's Key, as determined by Heron's Key.

Based on the above, Emerald Communities will be seeking Certificate of Need review and approval for Phase I Type A skilled nursing beds only.

**Estimated Cost of the Project:**

Total Phase I overall project costs are currently estimated to be \$120,229,610, which includes \$9,552,710 for the skilled nursing facility, exclusive of funded interest, financing costs and reserve fund requirements.

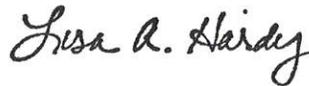
**Identification of the Service Area:**

The Project will primarily serve residents of Pierce County, Washington, the primary market area (the "PMA"). We anticipate that approximately 70% of the Project's residents will originate from within this PMA. Emerald Communities has engaged the services of professional public relations and advertising agencies and plans direct mail marketing to identified zip codes in market areas ranging from Olympia (Thurston County) to Sequim (Clallam County). Informational meetings are planned in the areas of Gig Harbor, Port Ludlow, Bremerton, Tacoma, Seattle and Olympia.

We understand that by submitting this letter of intent, Emerald Communities has until July 31, 2014 to file an application for certificate of need review. Corporation enters into the concurrent review period for CCRC nursing home beds specified under WAC 246-310-130(5)(a). We anticipate filing the Certificate of Need application for Emerald Communities on or before July 31, 2014.

We appreciate your prompt consideration of this matter. Should you have any questions or require any additional information, please do not hesitate to contact me at (425) 556-8111 or Al Chambard at (425) 556-8110. Our attorney for this Certificate of Need application will be Randall L. Stamper, who can be reached at (509) 326-4800.

Very truly yours,



Lisa Hardy  
President & Chief Executive Officer

cc: Randall L. Stamper

Attachments: Emerald Communities Organizational Chart

H:\Clients\Emerald Communities\Gig Harbor\Certificate of Need-#2\ltrCon-LOI-clean061614.docx

# Emerald Communities - Organization Chart

