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1992-2012

June 3, 2013

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 06 2013

CERTIFICATE OF NEED PROGRAM  
DEPARTMENT OF HEALTH

Re: Heron's Key Letter of Intent

Dear Ms. Sigman:

This letter of intent has been prepared 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 owner, Emerald Communities ("EC") and located in Gig Harbor, WA (the "Project"). EC has entered into a Purchase and Sale Agreement with Olympic Property Group for the 17.4 acre parcel where Heron's Key will be constructed. 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 Heron's Key, a Washington nonprofit corporation (the "Corporation"). The purposes of the Corporation are: (1) to develop and operate a continuum of housing specifically designed for residents age 62 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.

Heron's Key is applying to the Internal Revenue Service for 501(c)(3) status and is 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.

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

Ms. Daphne Schneider, Chair/Director  
Mr. Thomas Evert, Vice Chair/Director  
Ms. Lisa Hardy, President/CEO  
Mr. Gary King, Treasurer/Director  
Mr. Robert Crist, Secretary/Director  
Ms. Karen Goroski, Director

The Corporation's sole member is Emerald Communities. Emerald Communities was founded as a private, not-for-profit 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 (or shareholder) of the following affiliated corporations. Please refer to the enclosed organizational chart and the 2011 Annual Report for additional information.

- Eastside Retirement Association, 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 17.4 acres.

As a not-for-profit Life Care retirement community owned and operated by Emerald Communities, Heron's Key will serve residents age 62 and older. The plan is to construct the community in two phases. Phase I construction envisions 180 private residential homes, 14 apartments for assisted living/personal care services, and 45 private rooms in a licensed skilled nursing facility. Phase II, if constructed, envisions the addition of 80 private residential homes, and 12 memory care assisted living apartments.

Heron's Key will also provide four (4) levels of health services that include: (1) residential health services with a focus on preventive care; (2) assisted living services provided in the Assisted Living Center; (3) memory care services in the Health Center and then in the Memory Care Center once constructed in a second phase; and (4) rehabilitative care services and nursing care services in the Health Center. As an option, should the resident not desire to transfer to the Assisted Living Center, Memory Care Center, or Health Center, the resident may elect to receive

in his/her residence at their 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, Memory Care and Health Centers over nonresidents desiring admission. Residents who are unable to return to their private residential home will have the benefit of permanent care in Assisted Living, Memory Care or the Health Center as appropriate to their needs, under the Life Care Program. 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 as determined by Heron's Key.

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 Residence Agreement, Heron's Key will offer to residents (a) lifetime residency, (b) certain services in an available private residential home 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 home every other week
- Parking for guests

- Emergency call system
- Fire detection system

and (c) assisted living, memory care and/or skilled nursing care in the Health Center, 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 Medical Information Form, the Resident Information Record, the Residence Agreement and the Notice of Services.
- (b) The applicant must be 62 years old or older at the time of establishing residency. Heron's Key requires that all primary residents be 62 years old or older in order for Heron's Key to qualify as Housing for Older Persons under the Fair Housing Act.
- (c) 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.
- (d) The applicant must have financial assets and income determined by Heron's Key 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.
- (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, Heron's Key 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 project costs are currently estimated to be \$98 million, including 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. Heron's Key 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, Heron's Key has six (6) months from the date the Department receives this letter to file an application for certificate of need review. We anticipate filing CON application for Heron's Key on or before July 31, 2013.

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. He can be reached at (509) 326-4800.

Very truly yours,



Lisa Hardy  
President and Chief Executive Officer

cc: Randall L. Stamper

Enc: Emerald Communities Organizational Chart  
Emerald Heights 2011 Annual Report

# Emerald Communities Organization Chart

