

# Sandy River

COMPANY



## LETTER OF INTENT

September 21, 2017

Mr. Larry Carbonneau, CPA  
Senior Health Care Financial Analyst  
Department of Health and Human Services  
#11 State House Station  
41 Anthony Avenue  
Augusta, ME 04333-0011

### **RE: Sandy River Company and Genesis Healthcare Corporation – Letter of Intent Proposal to Develop a New Licensed Nursing Care Facility in Sanford, Maine**

Dear Larry:

This correspondence constitutes a Letter of Intent in accordance with Section 71.05(A) of the BEAS Policy Manual, Certificate of Need Regulations for Nursing Facility Level of Care Projects.

On behalf of Sandy River Company (“SRC”) and Genesis Healthcare Corporation, we seek to initiate the Certificate of Need (“CON”) review process to the extent it applies, to seek your advice and guidance on the best way to proceed, and to obtain approval of a new 90 bed licensed nursing care facility in Sanford Maine. We also seek your advice and counsel on how best to satisfy Medicaid Budget Neutrality requirements to the extent they are applicable.

We understand that this filing triggers the need for a Technical Assistance Meeting as the appropriate next step. We welcome the opportunity to meet with you and your staff to further discuss this project.

### **Project Description**

Southern Maine Health Care (“SMHC”) currently owns and operates Newton Center, a 74-bed nursing home located on the SMHC Sanford campus, as well as Hillcrest Gardens, a 14-bed RC program located within the Newton Center main building, and The Pavilion, an attached 24-bed RC facility. SMHC and SRC have entered into Agreement whereby SMHC will convey the associated MaineCare revenue stream from the Newton Center, Hillcrest Gardens, and The Pavillion to SRC (or a new Sandy River affiliated entity), along with land on the SMHC hospital campus in Sanford. SRC will utilize the MaineCare revenue stream and acquired land to construct a new state-of-the-art 90 bed licensed nursing care center that will be leased to Genesis Healthcare Corporation (“Genesis”). Genesis currently leases and operates 11 Sandy River facilities throughout Maine.

Real Estate Services for the Healthcare Industry

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The proposed new facility will consist of 90 dually-licensed NF beds to be built in a one-story design of approximately 61,000 square feet, on approximately 9 acres of land abutting the existing Newton Center. Newton Center, Hillcrest Gardens and The Pavilion will be closed upon completing construction. Newton Center, originally built in 1974, is outdated in today's skilled nursing facility standards.

It is anticipated the new facility will take approximately 14 months to construct with an estimated opening date in the 2<sup>nd</sup> Quarter, 2019 and sooner if possible. Once constructed, the existing residents of Newton Center will be transferred to the new facility if they so choose or into other area facilities. The existing residents of Hillcrest Gardens and The Pavilion that qualify for NF level services will be transferred to the new facility or found appropriate placement in other RC facilities in the area.

Please note that an integral part of the Certificate of Need application is approval of Genesis as an interim manager of Newton Center, Hillcrest Gardens and The Pavilion while the new replacement facility is being constructed. Genesis would enter into a management contract with SMHC and assume management responsibility upon closing on the financing for the construction of the new facility.

#### **Capital Costs and MaineCare Budget Neutrality**

The total project budget is estimated at \$21,000,000. This includes the acquisition of the MaineCare income stream from SMHC and Newton Center to satisfy the need for MaineCare budget neutrality. In addition to the available MaineCare income stream acquired from SMHC, SRC will acquire MaineCare income stream from LincolnHealth.

We seek your guidance on how best to satisfy this requirement.

#### **Next Steps and Technical Assistance Meeting**

We welcome the opportunity to work with you and request a technical assistance meeting to further discuss this project. Please feel free to contact me. My telephone number is 233-8665 and my email is [dmaguire@sandyriver2.com](mailto:dmaguire@sandyriver2.com). Please also include Michael Tyler on any correspondence. His email is [mtyler@sandyriver2.com](mailto:mtyler@sandyriver2.com).

Sincerely,



Daniel J Maguire  
Managing Partner