



VERNON HOMES

A COMMUNITY OF CARING. SEASONED WITH GRACE.

A CONTINUUM OF CARE FOR SENIOR LIVING

DELIVERED ELECTRONICALLY

December 29, 2021

Michael Barber
General Counsel
Green Mountain Care Board
144 State Street
Montpelier, VT 05633-3601

RE: Docket No. GMCB-025-21con, Vernon Homes Septic System Improvement Project.

Dear Attorney Barber:

Responsive to your letter dated December 23, 2021, we offer the following additional information with reference to each of the four (4) items requested.

- 1. Explain whether Vernon Homes would pursue the septic system replacement project even if the New Project did not move forward.**

Yes. Given the failed system circumstances surrounding the Vernon Hall septic system, it requires immediate replacement and is not a discretionary matter. Secondly, the systems serving the other Vernon Home properties have met or exceeded their useful life and present elevated risk of failure and replacement needs as well.

In consultation with Weston & Sampson as well as our other engineering professionals, the single integrated system design to service the full Vernon Homes campus of properties is the optimal solution. In communications with the State of Vermont Department of Environmental Conservation, State officials have been strong proponents of a single wastewater treatment system under a single wastewater Indirect Discharge Permit for Vernon Homes. The single integrated system will achieve full and current compliance with Vermont rules, regulations and oversight associated with wastewater management.

The design and engineering attributes of the new system will breed notable efficiencies of operations and property management contrasted with the existing antiquated and deficient systems. Moreover, the more current and progressive system will achieve the desired quality standards of water management “best practices” and represent environmental safeguards.



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Given the broader capital initiatives being undertaken by Vernon Homes, there exists ideal opportunity to fund the new system. In the absence of the New Project, Vernon Homes would have to revert to a phased and incremental development approach to replace Vernon Hall and defer on the full system development and integration. This would result in the sustained risk of successive failures attendant to the other systems and would likely heighten the capital cost of deferred solutions.

2. Briefly describe the rationale for the New Project and the need it is expected to meet.

The existing conditions of the now aged properties of Vernon Homes are not sustainable absent replacement or capital reinvestment. Further, property conditions are not supportive of cost effective and efficient operations, nor do they present appeal for prospective residents or the recruiting and retaining of key employees. The need for the New Project is critical to the sustainability of continuing operations. Vernon Homes has embarked on a comprehensive strategic business plan to revitalize and reposition its property interests and operations. Absent these initiatives, continuing operations are not viable.

The Vernon Green nursing home is not a candidate for capital reinvestment. The existing facility represented by Vernon Green will be demolished and replaced by a newly developed skilled nursing center representing sixty (60) licensed replacement beds in a three-story building of non-combustible construction. The existing site of the Vernon Green building will accommodate site improvements and parking areas contemplated by the community master plan.

The Vernon Green replacement nursing center will comply with the Green House Project® model and Design Guide. As such, the new building will represent three (3) levels and a total of approximately 55,000 square feet of building space housing five (5) Green House Model Homes with each representing twelve (12) private bedrooms with full bathrooms. In addition, the building will include administrative areas to support operations. Of the five Green House Homes, four will be designated for long-term-care residents while one will be dedicated to short-stay and rehabilitative services.



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The Green House Project® is a proven replacement model for the traditional skilled nursing center. It is a progressive operating model that replicates a home environment while delivering more “person-centered” care programming for residents – absent the institutional setting and evidencing more cost effective and efficient operations. Vernon Green represents an ideal candidate for the Green House Project and would represent the first being introduced in the State of Vermont.

The need being met by the New Project is the sustainability of a longstanding and valued community healthcare services provider in the Town of Vernon. For now over 100 years, Vernon Homes has supported the needs of its community residents through the delivery of high-quality services for long-term and rehabilitative healthcare services. The vision of the New Project is exemplified by the key tenets of the The Green House Project® operating philosophy – “Real Home,” “Meaningful Life” & “Empowered Staff.”

3. At a high level, compare the time frames for the septic system replacement project and the New Project.

Given the emergency circumstances surrounding the Vernon Hall septic system, its replacement is being undertaken in an accelerated fashion. The system design & engineering is advancing where construction development is planned during the Summer of 2022 with completion anticipated by early Fall 2022. The capital plan for this Project contemplates full funding through the State of Vermont Clean Water SRF Program. Vernon Homes is progressing through the state review, approval, and regulatory processes to qualify for this Funding Program. All indications of committed funding to commence construction development are favorable. A financing commitment is anticipated during Q2 2022.

The pre-development planning, design and entitlement work associated with the New Project has been ongoing for three (3) years. Given the scope and intensity of regulatory review and permitting processes in the State of Vermont, continuing pre-development to secure all required permits and approvals is anticipated to extend through most of 2022. Primary among these being the GMCB Certificate of Need Approval, the State of Vermont ACT 250 Environmental Approvals and the construction and permanent financing commitments attendant to the Capital Plan.



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The time frames for the septic system replacement project and the New Project are sequential. A key objective to achieve development efficiencies is to complete the septic system replacement project during 2022 prior to commencement of the New Project construction development.

There is potential for the New Project early site development work to commence prior to the end of 2022 should permitting and winter conditions allow. Full construction development of the New Project is likely to commence in the Spring 2023 and extend to Q4 2024 for a Certificate of Occupancy and transfer of residents from Vernon Green. Thereafter, the existing Vernon Green building will undergo planned demolition and final site development work will be undertaken.

The following outlines a general guide for the overall timeline pending our engagement of the Construction Management services provider for the New Project. Resulting from a Construction Management Request for Proposal underway, we anticipate the engagement of the Construction Manager during Q1 2022 and further validation and refinement of the overall timeline.

- 2022: Design & Permitting
- 2023: Bidding, Construction start of Vernon GHP & Vernon Hall Addition
- 2024: Construction completion of Vernon GHP & Vernon Hall Addition
- 2024: Certificate of Occupancy targeting resident transfers prior to year-end
- 2025: Demolition of Vernon Green, construction of Maintenance Building
- 2025: Final site development -parking, stormwater infrastructure
- 2026: New Project completion and closeout

4. Briefly describe any financial interrelationships between the septic system replacement project and the New Project.

The Capital Plan for the septic system replacement project and the New Project are separate and distinct and subject to independent review and underwriting by the respective project capital providers. The septic system replacement project is planned to be funded by the State of Vermont Clean Water SRF Program while the New Project is planned to be funded by the USDA Rural Facilities Financing Program. In both instances, 100% financing of the projects is contemplated. Vernon Homes has been funding pre-development soft costs



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associated with the projects with the expectation that such costs will be recoverable as qualified project costs in connection with the respective financing transactions. There are no other financial interrelationships between the projects.

The USDA Rural Financing Program will represent the ultimate sole and permanent lender for Vernon Homes. Proceeds from the USDA financing will be utilized to retire the debt realized through the Vermont Clean Water SRF Program.

Thank you for your responsive attention to this matter on behalf of Vernon Homes. We would be pleased to provide any further information or clarification you may require.

Sincerely,

M. Bradford Ellis
Executive Director

cc. Donna Jerry, Senior Health Policy Analyst, GMCB
Laura Beliveau, Staff Attorney, GMCB