

**STATE OF VERMONT
GREEN MOUNTAIN CARE BOARD**

CERTIFICATE OF NEED APPLICATION
by
THE UNIVERSITY OF VERMONT MEDICAL CENTER INC.
for the
PURCHASE OF THE FANNY ALLEN CAMPUS
January 22, 2024
Docket no.

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SECTION I: PROJECT OVERVIEW

A. PROJECT SUMMARY

The University of Vermont Medical Center Inc. (“UVM Medical Center” or “the applicant”) submits this Certificate of Need (“CON”) application to the Green Mountain Care Board (“GMCB” or “the Board”) pursuant to 18 V.S.A. §§ 9440(c)(2)(B), 9434(b)(1), and GMCB Rule 4.000. The applicant is seeking a CON to purchase the 22-acre Fanny Allen Campus, located in the Town of Colchester, from Covenant Health, a Catholic health care system that currently holds the property through Fanny Allen Holdings (“FAH”).

The Fanny Allen Campus, and Fanny Allen Hospital in particular, are steeped in Vermont history. The hospital was named in honor of Frances (“Fanny”) Margaret Allen, an American nun, nurse, and the daughter of revolutionary war hero Ethan Allen. Founded in 1894 by the Religious Hospitallers of St. Joseph, it has operated continuously as a hospital since its founding. In the early 1990s, Fanny Allen Hospital became part of Fletcher Allen Health Care, an academic medical center now known as the University of Vermont Medical Center, which began to lease the hospital to deliver an array of vital health care services.

Given the important role the Fanny Allen Campus plays in delivering health care services to patients, UVM Medical Center has, for many years, expressed its interest in purchasing the property. Only recently has FAH informed the applicant of its interest in selling the campus, either to the applicant or to an alternative interested party. The applicant believes this is a one-time opportunity that will provide a financial benefit by converting the lease to ownership—the cost to own will be less than the cost to lease—and by ensuring uninterrupted access to care for patients receiving services on the campus. Conversely, if the applicant declines the offer to purchase the property and the campus were to be sold to another buyer, UVM Medical Center would be unprotected against future rent increases and would not be guaranteed the continued use of the property beyond September 2026, when the current lease expires.

After extensive negotiations, UVM Medical Center and FAH in November 2023 entered into a Purchase and Sale Agreement (“Agreement”) under which FAH will transfer its entire interest in the campus—which includes the Fanny Allen Hospital, the former Convent, certain condominium units in the Fanny Allen Medical Office Building (MOB), and the Training Center Building (formerly known as the “Nurse School”)— to UVM Medical Center for \$17.3M. Under the Agreement, the closing will take place after all contract terms are met, including the issuance of a final and non-appealable CON by the GMCB, no later than September 30, 2024.

UVM Medical Center plans to finance the cost of this project. Assuming a 15-year loan at 5%, the project would produce a positive incremental cash flow in Year 2, and a savings of approximately \$6.1M over 15 years. The applicant identified the project as a capital investment in its FY24 annual budget submission to the GMCB.

UVM Medical Center requests that the Board approve the project based on the information provided in this application. The project’s scope is limited; it does not propose new construction or the development of buildings or improvements. It does not propose the acquisition of new equipment, the creation of new health care facilities, the initiation of new health care services, or

even a change in the health care services currently offered. The project is a strictly financial transaction that will, as discussed in this application, produce financial savings while securing patient access to essential health care services.

Because the project will not substantially alter services and is unlikely to be contested, UVM Medical Center requests expedited review of the application pursuant to 18 V.S.A. § 9440(c)(5).

B. PROJECT NEED

There is a need for the project. The Fanny Allen Campus is a critical component of the UVM Medical Center's care delivery system. By purchasing the campus, the applicant can provide its patients with uninterrupted access to essential health care services, at a location that is both familiar and convenient. The project will also reduce the applicant's expenses over time.

UVM Medical Center has expressed its interest in purchasing the property for many years. Only recently has FAH informed the applicant that it wishes to sell the property, whether to the applicant or to an alternative buyer. Sale of the campus to an alternative buyer would jeopardize patient access to services because there is no guarantee that a new owner would continue to lease the property to UVM Medical Center, much less on favorable terms, when the current lease agreement expires in 2026. Purchasing the campus will financially benefit the applicant—it will be less expensive to own than to lease the property—while ensuring continued patient access to health care services at this site.

Access: The purchase of the Fanny Allen Campus will enable the applicant to provide its patients with uninterrupted access to high quality health care services. Currently, the campus houses a variety of essential services including Inpatient Rehab, Outpatient Rehab, Urgent Care, Outpatient Radiology (General and CT), Retail Pharmacy, Outpatient Lab, Memory Care Center, Continence Center, Urology, Technology Training Center, and Outpatient Surgery.¹ In 2022, the campus hosted approximately 110k unique patient encounters (excluding Outpatient Surgery and Urgent Care Clinic) and its pharmacy served approximately 6k patients.

The location of the hospital is familiar and convenient for patients. The Fanny Allen Hospital has been in continuous operation for more than a century, and UVM Medical Center has leased and operated the hospital for decades. The campus is strategically located within four miles from the UVM Medical Center Main Campus, and less than five minutes from Interstate I-89 North (Exit 15) and ten minutes from I-89 South (Exit 16). There is parking for patients, staff and visitors with 542 parking spaces for the Hospital and MOB and 150 additional "commuter" spaces that are used by UVM Medical Center employees who work on the Main Campus, where parking is limited. The site is served by public transportation seven days a week; Green Mountain Transit's Essex Junction route runs from the Downtown Transit Center in Burlington to Essex via the applicant's Main Campus, then along Route 15 with a stop directly in front of the Fanny Allen Campus that is served by a signalized pedestrian crossing for return trips back to Burlington. Bus

¹ As stated in our CON application for an Outpatient Surgery Center (OSC), *see* Docket No. GMCB-004-23con, UVM Medical Center will continue to use the operating rooms (ORs) at the Fanny Allen location for some procedures, pending CON approval and completion of the OSC. The ORs and perioperative space comprise 11.6% of currently leased space on the Fanny Allen Campus, and 8.9% of the total square footage to be conveyed upon transfer of the property.

service runs every twenty minutes from 6:00 a.m. to 6:30 p.m. Monday through Friday, with four evening buses between 7:00 p.m. and 10:30 p.m. On Saturdays, the bus runs every thirty minutes from 6:30 a.m. to 7:00 p.m. with three evening buses until 10:30 p.m., and on Sunday, the bus runs every 45 minutes from 8:00 a.m. to 6:30 p.m.

Lastly, the applicant has identified the need for the continued use of the property to house essential services through its long-range planning processes. While there are currently no specific plans for renovations or changes on the campus, the 22-acre parcel includes open land that has the potential to support additional development and provision of services if needed in the future.²

Financial Savings: The project will reduce the applicant's long-term operating expenses, consistent with requests from the GMCB and the overall UVM Health Network initiative to reduce expense growth. Although financing terms will not be finalized until closer to the time of transfer, the expense of occupancy is estimated at approximately \$6.1M less over 15 years if the applicant purchases, rather than continues to lease the property (assuming a 15-year P&I loan at 5%, which is a standard method to compare "lease versus buy"), and will result in a positive incremental cash flow beginning in Year 2. Section D, below, and Exhibit 1 (Financial Tables) outline the project finances in greater detail.

C. PROJECT DESCRIPTION

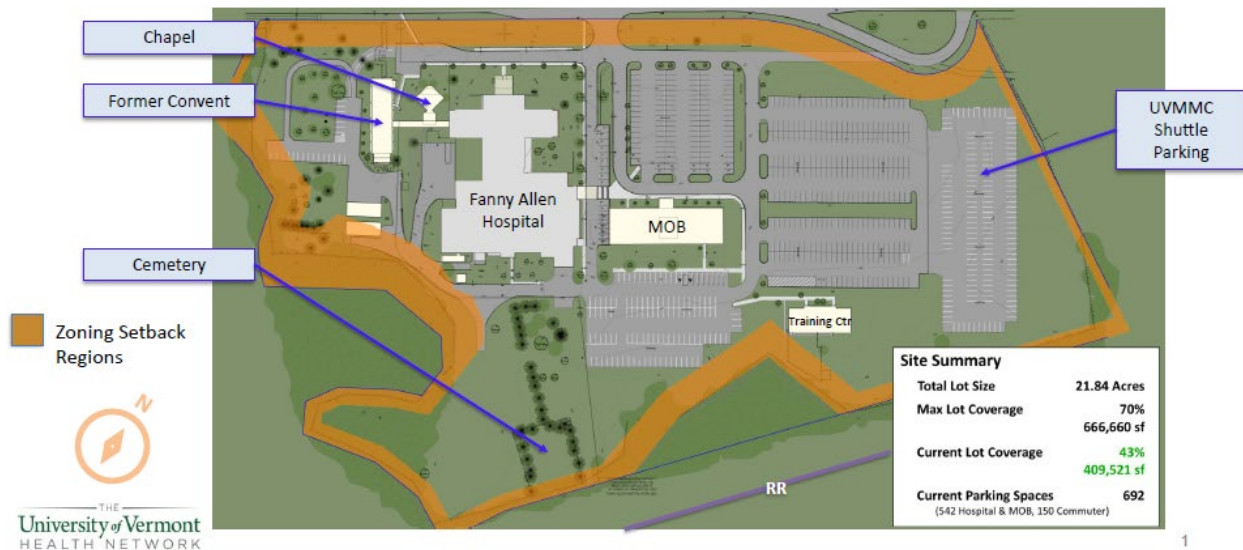
UVM Medical Center currently leases space on the Fanny Allen Campus in Colchester pursuant to a triple net lease, which is set to expire at the end of September 2026. Although the applicant has expressed an interest in purchasing the campus for many years, FAH only recently informed the applicant of its interest in selling the property, whether to the applicant or to an alternative buyer. Following lengthy negotiations, the applicant and FAH entered into a Purchase and Sale Agreement, effective November 13, 2023, to transfer the entirety of the seller's holdings in the 22-acre Fanny Allen Campus, land and buildings, to UVM Medical Center. The property to be transferred includes the Fanny Allen Hospital, the former Convent,³ the Training Center Building, and certain condominium units in the Fanny Allen Medical Office Building (MOB). The MOB is a condominium association on land currently leased from FAH; upon transfer of the property, the applicant will become lessor of the land and would receive nominal fees from the condominium association.⁴ See Exhibit 2 (MOB ownership document). The property includes

² For the reasons outlined in Docket no. 004-23-CON, Development of an Outpatient Surgery Center, the campus is unsuited for construction of the pending OSC project. See Q.008 Response 004, c (filed Jan. 16, 2024).

³ The applicant does not currently lease the former Convent, which was recently vacated by another lessee. While the applicant intends to maintain the building after the transaction, it has no plans for its near-term use.

⁴ Since 1994, the applicant has consistently leased or owned 73% of the net square footage of the MOB. The remaining units are owned by three private physicians/physician groups, and this transaction will not affect their ownership. Each member of the condominium association contributes in proportion to its ownership share to the \$10,000 annual land lease fee, with UVM Medical Center contributing approximately \$7,300. Because the condominium ownership ratio will not change as a result of the project, each owner's contribution will remain the same, as will the membership voting distribution.

692 parking spaces comprised of 542 spaces for the hospital and MOB, and 150 commuter spaces.



The project does not propose new construction or development of buildings or improvements, the acquisition of new equipment, the creation of new health care facilities or the initiation of new health care services, or a change to any of the health care services currently provided on the campus. The project is purely a financial transaction. By owning property it currently leases, the applicant can reduce its long-term operating expenses, consistent with UVM Health Network initiatives and requests by the GMCB, while maintaining access to care for its patients.

D. PROJECT FINANCES

The UVM Medical Center has entered into an Agreement with Fanny Allen Holdings to purchase its interest in the Fanny Allen Campus for \$17.3M. The applicant intends to finance the cost of the project and has deposited \$230K in earnest money towards the purchase price.

The cost of the project is broken down below:

Purchase price:	\$17,300,000.00
Closing costs:	
Vermont Property Transfer Tax:	250,850.00
Earnest Money in Escrow (to be applied to Purchase Price)	(230,000.00)
Title Insurance	15,570.00
Escrow Agent for Proceeds	500.00
Recording Fees	120.00
Funds required from Purchaser	\$17,337,040.00

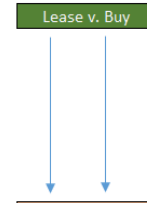
Converting leased property to owned property will produce financial savings for UVM Medical Center. Annual payments to continue to lease the property would be approximately \$1.7M. While financing terms will not be finalized until closer to the property transfer, the applicant has performed a standard “lease versus buy” analysis that assumes it would finance the entire cost of the project over 15 years—with a 5% interest rate and annual inflation of 3%—resulting in annual loan payments of approximately \$1.66M, a positive cash flow beginning in Year 2, and total savings of \$6.1M over the 15-year term. *See Lease-vs-Buy Analysis* (first table), below. The applicant has also modeled the analysis assuming an equity contribution of \$2.3M and \$15M in debt financing, and loan repayment of interest-only in Years 1-9, with principal and interest payments for Years 10-15. *Id.* (second table). In the second scenario, the early years of the loan produce larger savings than in the first scenario, but less in overall savings over the 15-year period. *Id.* Note, however, that the applicant currently anticipates that the financing of both this project and the OSC will be part of a long-planned \$150 million tax-exempt bond issuance that will also be used to replace short term financing on the 350 Tilley Drive project, already approved by the GMCB. *See* Docket no. GMCB-004-23con, Development of Outpatient Surgery Center, Q.008, Response to Q. 004, b; note 1 (filed Jan. 16, 2024) (referencing Sept. 13, 2003, implementation report in 350 Tilley Drive docket GMCB-003-22con). Under any reasonable assumptions regarding the financing that will attend the project, the purchase will generate savings for the UVM Medical Center.

Lease			15 Yr P&I Financing \$17.3M plus loan costs				Lease v. Buy																
Annual Lease Payment (2024)	\$	1,717,457	Total Purchase Price	\$	17,300,000		<div style="text-align: center;"> ↓ ↓ Cash Flow Delta ↓ ↓ </div> <table border="1"> <thead> <tr> <th>Cash Flow Delta</th> </tr> </thead> <tbody> <tr><td>\$ (389,126)</td></tr> <tr><td>\$ 78,753</td></tr> <tr><td>\$ 131,117</td></tr> <tr><td>\$ 185,052</td></tr> <tr><td>\$ 240,605</td></tr> <tr><td>\$ 297,825</td></tr> <tr><td>\$ 356,762</td></tr> <tr><td>\$ 417,466</td></tr> <tr><td>\$ 479,992</td></tr> <tr><td>\$ 544,393</td></tr> <tr><td>\$ 610,727</td></tr> <tr><td>\$ 679,050</td></tr> <tr><td>\$ 749,423</td></tr> <tr><td>\$ 821,908</td></tr> <tr><td>\$ 896,567</td></tr> </tbody> </table>	Cash Flow Delta	\$ (389,126)	\$ 78,753	\$ 131,117	\$ 185,052	\$ 240,605	\$ 297,825	\$ 356,762	\$ 417,466	\$ 479,992	\$ 544,393	\$ 610,727	\$ 679,050	\$ 749,423	\$ 821,908	\$ 896,567
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Estimated Annual Inflation		3%	Loan Amount	\$	17,300,000																		
			Closing Costs	\$	267,040																		
			Loan Origination Fees	\$	150,000																		
			Interest Rate		5.00%																		
			Loan Term		15 Yrs																		
Year	Lease	Total	Debt Payments	Estimated Closing Costs	Convent Carrying Costs ¹	Total																	
Year 1	\$ (1,717,457)	\$ (1,717,457)	\$ (1,666,722)	\$ (417,040)	\$ (22,822)	\$ (2,106,583)																	
Year 2	\$ (1,768,981)	\$ (1,768,981)	\$ (1,666,722)		\$ (23,506)	\$ (1,690,228)																	
Year 3	\$ (1,822,050)	\$ (1,822,050)	\$ (1,666,722)		\$ (24,211)	\$ (1,690,933)																	
Year 4	\$ (1,876,712)	\$ (1,876,712)	\$ (1,666,722)		\$ (24,938)	\$ (1,691,659)																	
Year 5	\$ (1,933,013)	\$ (1,933,013)	\$ (1,666,722)		\$ (25,686)	\$ (1,692,407)																	
Year 6	\$ (1,991,003)	\$ (1,991,003)	\$ (1,666,722)		\$ (26,456)	\$ (1,693,178)																	
Year 7	\$ (2,050,733)	\$ (2,050,733)	\$ (1,666,722)		\$ (27,250)	\$ (1,693,972)																	
Year 8	\$ (2,112,255)	\$ (2,112,255)	\$ (1,666,722)		\$ (28,068)	\$ (1,694,789)																	
Year 9	\$ (2,175,623)	\$ (2,175,623)	\$ (1,666,722)		\$ (28,910)	\$ (1,695,631)																	
Year 10	\$ (2,240,892)	\$ (2,240,892)	\$ (1,666,722)		\$ (29,777)	\$ (1,696,499)																	
Year 11	\$ (2,308,119)	\$ (2,308,119)	\$ (1,666,722)		\$ (30,670)	\$ (1,697,392)																	
Year 12	\$ (2,377,362)	\$ (2,377,362)	\$ (1,666,722)		\$ (31,590)	\$ (1,698,312)																	
Year 13	\$ (2,448,683)	\$ (2,448,683)	\$ (1,666,722)		\$ (32,538)	\$ (1,699,260)																	
Year 14	\$ (2,522,144)	\$ (2,522,144)	\$ (1,666,722)		\$ (33,514)	\$ (1,700,236)																	
Year 15	\$ (2,597,808)	\$ (2,597,808)	\$ (1,666,722)		\$ (34,520)	\$ (1,701,241)																	
	\$ (31,942,835)				\$ (25,842,321)	\$ 6,100,514																	

¹ The convent building has been until recently leased by, and operating costs covered by, another organization. Upon acquisition, UVMCMC will pay operating costs for this building.

Lease	
Annual Lease Payments (2024)	\$ 1,717,457
Estimated Annual Inflation	3%

15 Yr Financing \$15M Interest Only for Yrs 1-9 plus loan costs	
Total Purchase Price	\$ 17,300,000
Loan Amount	\$ 15,000,000
Equity Contribution	\$ 2,300,000
Closing Costs	\$ 267,040
Loan Origination Fees	\$ 150,000
Interest Rate	5.00%
Loan Term	15 Yrs



	Lease	Total
Year 1	\$ (1,717,457)	\$ (1,717,457)
Year 2	\$ (1,768,981)	\$ (1,768,981)
Year 3	\$ (1,822,050)	\$ (1,822,050)
Year 4	\$ (1,876,712)	\$ (1,876,712)
Year 5	\$ (1,933,013)	\$ (1,933,013)
Year 6	\$ (1,991,003)	\$ (1,991,003)
Year 7	\$ (2,050,733)	\$ (2,050,733)
Year 8	\$ (2,112,255)	\$ (2,112,255)
Year 9	\$ (2,175,623)	\$ (2,175,623)
Year 10	\$ (2,240,892)	\$ (2,240,892)
Year 11	\$ (2,308,119)	\$ (2,308,119)
Year 12	\$ (2,377,362)	\$ (2,377,362)
Year 13	\$ (2,448,683)	\$ (2,448,683)
Year 14	\$ (2,522,144)	\$ (2,522,144)
Year 15	\$ (2,597,808)	\$ (2,597,808)

Debt Payments	Estimated Closing Costs	Equity Contribution	Convent Carrying Costs ¹	Total
\$ (750,000)	\$ (417,040)	\$ (2,300,000)	\$ (22,822)	\$ (3,489,862)
\$ (750,000)			\$ (23,506)	\$ (773,506)
\$ (750,000)			\$ (24,211)	\$ (774,211)
\$ (750,000)			\$ (24,938)	\$ (774,938)
\$ (750,000)			\$ (25,686)	\$ (775,686)
\$ (750,000)			\$ (26,456)	\$ (776,456)
\$ (750,000)			\$ (27,250)	\$ (777,250)
\$ (750,000)			\$ (28,068)	\$ (778,068)
\$ (750,000)			\$ (28,910)	\$ (778,910)
\$ (3,250,000)			\$ (29,777)	\$ (3,279,777)
\$ (3,125,000)			\$ (30,670)	\$ (3,155,670)
\$ (3,000,000)			\$ (31,590)	\$ (3,031,590)
\$ (2,875,000)			\$ (32,538)	\$ (2,907,538)
\$ (2,750,000)			\$ (33,514)	\$ (2,783,514)
\$ (2,625,000)			\$ (34,520)	\$ (2,659,520)

Cash Flow Delta
\$ (1,772,405)
\$ 995,474
\$ 1,047,839
\$ 1,101,774
\$ 1,157,327
\$ 1,214,547
\$ 1,273,483
\$ 1,334,188
\$ 1,396,713
\$ (1,038,885)
\$ (847,552)
\$ (654,228)
\$ (458,855)
\$ (261,371)
\$ (61,712)

\$ (31,942,835)

\$ (27,516,497)

\$ 4,426,338

¹ The convent building has been until recently leased by, and operating costs covered by, another organization. Upon acquisition, UVMMC will pay operating costs for this building.

As also shown in the above tables, the applicant will incur only a nominal increase in operating expenses, post-transaction, relating to acquisition of the former Convent, recently vacated by another organization that paid these expenses during its leasehold. The expenses include the costs of utilities and maintenance of the grounds and building. *See Lease-vs.-buy Analyses, above (Convent Carrying Costs); see also Attachment 1, Financial Tables (Cash Flow Analysis).*⁵ The applicant already carries these expenses on the remainder of the property to be transferred pursuant to its triple net lease with FAH.

SECTION II: CONSISTENCY WITH STATUTORY CRITERIA

The project meets all relevant statutory criteria in 18 V.S.A. § 9437, each of which is addressed below. In addition, based on the information provided, the applicant has shown that the project serves the public good.

1. The proposed project aligns with statewide health care reform goals and principles because the project:

- (A) takes into consideration health care payment and delivery system reform initiatives;

⁵ The applicant has included as an exhibit all of the CON financial tables and information relevant to this purely financial transaction, including Tables 1 and 2, and an incremental pro forma. It has not included Tables 3-8, as they are unnecessary to a full evaluation of the application and would require substantial staff effort and time to complete.

- (B) addresses current and future community needs in a manner that balances statewide needs, if applicable; and**
- (C) is consistent with appropriate allocation of health care resources, including appropriate utilization of services, as identified in the HRAP pursuant to section 9405 of this title.**

The Fanny Allen Campus is an integral component of UVM Medical Center’s care delivery system, and continued use of this site benefits patients and the community at large. The project secures the use of the property for years to come and safeguards patients’ uninterrupted access to essential services. In addition, the project will reduce expenses over time, consistent with the applicant’s mission and goals, and GMCB directive.

The project meets the single applicable HRAP standard:

CON Standard 3.4: Applicants subject to budget review shall demonstrate that a proposed project has been included in hospital budget submissions or explain why inclusion was not feasible.

UVM Medical Center included the project in its FY24 hospital budget submission in July 2023. The project was budgeted for \$16.5M in FY25 and identified in a secondary submission as “OP Real Estate Strategy” due to its confidential nature and ongoing negotiations regarding the purchase price.

- 2. The cost of project is reasonable, because each of the following conditions is met:**
 - (A) The applicant’s financial condition will sustain any financial burden likely to result from completion of the project.**
 - (B) The project will not result in an undue increase in the costs of medical care or an undue impact on the affordability of medical care for consumers. In making a finding under this subdivision, the Board shall consider and weigh relevant factors, including:**
 - (i) the financial implications of the project on hospitals and other clinical settings, including the impact on their services, expenditures and charges; and**
 - (ii) whether the impact on services, expenditures, and charges is outweighed by the benefit of the project to the public.**
 - (C) Less expensive alternatives do not exist, would be unsatisfactory, or are not feasible or appropriate.**
 - (D) If applicable, the applicant has incorporated appropriate energy efficiency measures.**

The project cost is reasonable. The project will create financial savings, while protecting the applicant from future rent escalation.

The project will not create a financial burden nor adversely impact the applicant’s financial health. UVM Medical Center engaged in months of rigorous negotiations to reach the agreed-upon purchase price of \$17.3M for the campus, which it intends to finance over a 15-year term. The cost of owning the property will be less than if the applicant continued to lease, with the project producing a positive cash flow in Year 2 and total savings of approximately \$6.1M over

the life of the loan, assuming a 5% interest rate and 3% annual inflation. *See* Section I, D, above. Again, UVM Medical Center will see only a nominal increase in its operating costs (all of which are offset by the savings) related to the acquisition of the former Convent; it already assumes these costs (utilities, maintenance, taxes, etc.) on the portion of the campus it leases, pursuant to its triple net lease agreement with FAH. The favorable impact on UVM Medical Center's operating costs, as compared to leasing, also serves to confirm the reasonableness of the purchase price.

The project will not drive an increase in the costs of care or unduly impact affordability for consumers. To the contrary, the project will produce savings that represent a financial benefit to the applicant and its patients by freeing up funds that would otherwise have been used to lease the property. And because the project does not add or eliminate any health care services or equipment, and includes no construction, renovation or creation of new facilities, it will have no impact on existing services, expenditures or charges.

There are no less expensive or feasible alternatives to the project. As discussed throughout this application, continuing to rent the property from FAH once the current lease expires—which, considering FAH's expressed interest in selling the property, is not guaranteed—will be more expensive than owning the property. Similarly, if an alternative purchaser were to acquire the property instead of the applicant, UVM Medical Center would likely be subject to escalating rental payments going forward and risk nonrenewal of the lease.

The applicant is also unaware of any comparable sites, whether in Chittenden County or the State of Vermont, that would be suitable to relocate the collection of services now housed on the Fanny Allen Campus.⁶ The site is unique and not replicable; it is strategically located and convenient for staff and patients, and the Fanny Allen Hospital is a licensed hospital facility. Building anew, at a different location, would certainly be more expensive, and would jeopardize continuity of care for UVM Medical Center patients.

3. There is an identifiable, existing, or reasonably anticipated need for the proposed project that is appropriate for the applicant to provide.

This project is needed for two reasons. First, by purchasing the Fanny Allen Campus, the applicant will reduce expenses by approximately \$6.1M over 15 years (assuming a 15-year P&I loan at 5%), with a positive incremental cash flow beginning in Year 2. The project is thus consistent with the applicant's own cost-savings initiatives and goals, and the GMCB's directives regarding reductions in hospital spending.

Second, the potential loss of the Fanny Allen Campus would be detrimental to UVM Medical Center and most importantly, its patients. If another buyer were to purchase the property, the applicant would need to renegotiate the lease with the new owner, and would have no protection against escalating lease payments and the possibility of non-renewal. If the lease was not renewed, the applicant would need to find space to relocate the range of services offered on the

⁶ As explained in Docket no. 004-23-CON, Development of an Outpatient Surgery Center, UVM Medical Center will continue to utilize the surgical rooms and pre-and post-operative space at the Fanny Allen Hospital pending completion of the Outpatient Surgery Center. The applicant is continuing to explore options to use the space, once vacated, for nonsurgical services as part of its ongoing long range facility planning process. *Id.*, p. 4.

campus or to construct a new facility; both options would be challenging at best, and surely more costly.

Finally, as the current provider of health care services on the Fanny Allen Campus, the project is appropriate for the applicant to provide.

4. The project will improve the quality of health care in the State or provide greater access to health care for Vermont's residents, or both.

The project is for the purchase of property that UVM Medical Center already uses to deliver health care services, which will not change once the property is transferred. By purchasing the property, the applicant can protect Vermonters' access to uninterrupted health care and essential services.

5. The project will not have an undue adverse impact on any other existing services provided by the applicant.

The project will not have an undue adverse impact on existing services. No services are being added by the project, nor any discontinued. The project will enable the applicant to provide patients with the same essential health care services now delivered at this site, without interruption.

6. [Repealed.]

7. The applicant has adequately considered the availability of affordable, accessible transportation services to the facility, if applicable.

The site is served by public transportation seven days a week; Green Mountain Transit's Essex Junction route runs from the Downtown Transit Center in Burlington to Essex via the applicant's Main Campus, then along Route 15 with a stop directly in front of the Fanny Allen Campus that is served by a signalized pedestrian crossing for return trips back to Burlington. Bus service runs every twenty minutes from 6:00 a.m. to 6:30 p.m. Monday through Friday, with four evening buses between 7:00 p.m. and 10:30 p.m. On Saturdays, the bus runs every thirty minutes from 6:30 a.m. to 7:00 p.m. with three evening buses until 10:30 p.m., and on Sunday, the bus runs every 45 minutes from 8:00 a.m. to 6:30 p.m.

8. If the application is for the purchase or lease of new Health Care Information Technology, it conforms with the Health Information Technology Plan established under section 9351 of this title.

Not applicable to this project.

9. The project will support equal access to appropriate mental health care that meets standards of quality, access, and affordability equivalent to other components of health care as part of an integrated, holistic system of care, as appropriate.

Not applicable to this project.

CONCLUSION

Based on the information contained in this application, and for all the foregoing reasons, UVM Medical Center respectfully requests approval of the application and issuance of a CON for the project.

INDEX OF EXHIBITS

Exhibit 1: Financial Tables

Exhibit 2: MOB Ownership Document

**University of Vermont Medical Center
Fanny Allen Purchase**

TABLE 1
PROJECT COSTS

Construction Costs	
1. New Construction	\$ -
2. Renovation	\$ -
3. Site Work	\$ -
4. Fixed Equipment	\$ -
5. Design/Bidding Contingency	\$ -
6. Construction Contingency	\$ -
7. Construction Manager Fee	\$ -
8. Other (please specify)	\$ -
Subtotal	\$ -
Related Project Costs	
1. Major Moveable Equipment	\$ -
2. Furnishings, Fixtures & Other Equip.	\$ -
3. Architectural/Engineering Fees	\$ -
4. Land Acquisition	\$ -
5. Purchase of Buildings	\$ 17,300,000
6. Administrative Expenses & Permits	\$ -
7. Debt Financing Expenses (see below)	\$ 150,000
8. Debt Service Reserve Fund	\$ -
9. Working Capital	\$ -
10. Other (Transfer Tax, Recording Fees, Title Insurance)	\$ 267,040
Subtotal	\$ 17,717,040
Total Project Costs	\$ 17,717,040

* Land and Buildings Combined



Debt Financing Expenses	
1. Capital Interest	\$ -
2. Bond Discount or Placement Fee	\$ -
3. Misc. Financing Fees & Exp. (issuance costs)	\$ 150,000
4. Other	\$ -
Subtotal	\$ 150,000
Less Interest Earnings on Funds	
1. Debt Service Reserve Funds	\$ -
2. Capitalized Interest Account	\$ -
3. Construction Fund	\$ -
4. Other	\$ -
Subtotal	\$ -
Total Debt Financing Expenses	\$ 150,000
feeds to line 7 above	

**University of Vermont Medical Center
Fanny Allen Purchase**

TABLE 2
DEBT FINANCING ARRANGEMENT, SOURCES & USES OF FUNDS

Sources of Funds	
1. Financing Instrument	Bond
a. Interest Rate	5.0% (estimated)
b. Loan Period	Aug 2024 To: Jul 2039
c. Amount Financed (net proceeds from financing)	\$ 15,000,000
2. Equity Contribution	2,717,040
3. Other Sources	
a. Working Capital	-
b. Fundraising	-
c. Grants	-
d. Other	-
Total Required Funds	\$ 17,717,040

Uses of Funds	
<u>Project Costs (feeds from Table 1)</u>	
1. New Construction	\$ -
2. Renovation	-
3. Site Work	-
4. Fixed Equipment	-
5. Design/Bidding Contingency	-
6. Construction Contingency	-
7. Construction Manager Fee	-
8. Major Moveable Equipment	-
9. Furnishings, Fixtures & Other Equip.	-
10. Architectural/Engineering Fees	-
11. Land Acquisition	-
12. Purchase of Buildings	17,300,000
13. Administrative Expenses & Permits	-
14. Debt Financing Expenses	150,000
15. Debt Service Reserve Fund	-
16. Working Capital	-
17. Other (Transfer Tax, Recording Fees, Title Insurance)	267,040
Total Uses of Funds	\$ 17,717,040

Total sources should equal total uses of funds.

Incremental Pro-Forma: Fanny Allen Purchase

Est. FY25

	Y1	Y2	Y3	Y4	Y5	5 Yr. Total
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Incremental Volume

# Cases	0	0	0	0	0	\$ -
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Incremental Net Revenue

Net Revenue	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
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Total Revenue

Incremental Expenses

Salaries/Wages	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Physicians	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Staff	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Benefits	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Depreciation & Amortization	\$ 660,075	\$ 660,075	\$ 660,075	\$ 660,075	\$ 660,075	\$ 3,300,373
Lease of Fanny Allen Property	\$ (1,717,457)	\$ (1,768,981)	\$ (1,822,050)	\$ (1,876,712)	\$ (1,933,013)	\$ (9,118,212)
Carrying Costs for Convent Bldg	\$ 22,822	\$ 23,392	\$ 23,977	\$ 24,576	\$ 25,191	\$ 119,958
Interest Expense (15 Yr. Int only yrs 1-9)	\$ 750,000	\$ 750,000	\$ 750,000	\$ 750,000	\$ 750,000	\$ 3,750,000
Total Expenses	\$ (284,561)	\$ (335,514)	\$ (387,999)	\$ (442,061)	\$ (497,748)	\$ (1,947,881)

Incremental Contribution Margin

Total Incremental Contribution Margin	\$ 284,561	\$ 335,514	\$ 387,999	\$ 442,061	\$ 497,748	\$ 1,947,881
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Incremental Cash Flow and Net Present Value (NPV): Fanny Allen Purchase

Est. FY25

	Y1	Y2	Y3	Y4	Y5	TOTAL
Contribution Margin	\$ 284,561	\$ 335,514	\$ 387,999	\$ 442,061	\$ 497,748	\$ 1,947,881
Depreciation	\$ 660,075	\$ 660,075	\$ 660,075	\$ 660,075	\$ 660,075	\$ 3,300,373
Principle Payments	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Capital Expense	\$ (17,717,040)	\$ -	\$ -	\$ -	\$ -	\$ (17,717,040)
Debt	\$ 15,000,000					\$ 15,000,000
Cash Flow (Including up front capital)	\$ (1,772,405)	\$ 995,589	\$ 1,048,073	\$ 1,102,135	\$ 1,157,822	\$ 2,531,215
Cash Flow (Excluding up front capital)	\$ 944,635	\$ 995,589	\$ 1,048,073	\$ 1,102,135	\$ 1,157,822	\$ 5,248,255

5 Yr Net Present Value @ 5%

\$4,521,959.36

MEDICAL OFFICE BUILDING OWNER/OCCUPANT SUMMARY

OWNER: OCCUPANT	CONDO FEE PAYEE	MAILING ADDRESS	SUITES OCCUPIED	OCCUPIED NSF	% OF NSF
UVM Med Ctr: Drivers Rehab & Pelvic Health	UVM Med Ctr	102	101, 102, 103	3,904	13.32%
Fanny Allen Holdings: UVMHC Health Center Pharmacy	UVM Med Ctr	103	104	746	2.54%
Fanny Allen Holdings: UVMHC Laboratory Services	UVM Med Ctr	105	105	1,203	4.10%
UVM Med Ctr: Pelvic Health	UVM Med Ctr	106	106	1,481	5.05%
UVM Med Ctr: Pelvic Health	UVM Med Ctr	107/108	107/108	1,695	5.78%
UVM Med Ctr: Work Enhancement Rehab Center	UVM Med Ctr	201	201, 202, 203, 204	4,698	16.03%
Champlain Valley Hematology Oncology, PC	CVHO	202	206, 207, 208	3,786	12.91%
Fanny Allen Holdings: UVMHC Memory Center	UVM Med Ctr	205	205	1,686	5.75%
Fanny Allen Holdings: UVM Med Ctr Urology	UVM Med Ctr	301	301	1,054	3.60%
RTG, LLC: UVM Med Ctr Urology	UVM Med Ctr	302	302	1,685	5.75%
Dr. Nepveu	Dr. Nepveu	303	303, 303A	1,461	4.98%
Fanny Allen Holdings: UVM Med Ctr Pulmonary	UVM Med Ctr	305	304, 305, 306(part)	2,740	9.35%
Fanny Allen Holdings: UVM Med Ctr Memory Center	UVM Med Ctr	306	306(part of)	630	2.15%
Dr. Hardy	Dr. Hardy	308	307	1,292	4.41%
Dr. Hardy	Dr. Hardy	308	308	1,255	4.28%
Totals				29,316	100.00%

Occupied SF	29,316
Common SF	<u>6,839</u>
Total SF	36,155