



State of New Jersey
DEPARTMENT OF HEALTH

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JEFFREY A. BROWN
Acting Commissioner

May 15, 2025

VIA U.S. FIRST CLASS & ELECTRONIC MAIL

Michael T. Nestico
Managing Member
Hurstmont Estate Operating, LLC
14 Doty Road, Unit B
Haskell, New Jersey 07420

Re: Hurstmont Estate Residences
CN #ER 2023-09334-14;01
Establish a 97-Bed Assisted Living Residence
Total Project Cost: \$26,825,000
Expiration Date: May 15, 2030

Dear Mr. Nestico:

Please be advised that the Department of Health (Department) is approving the Expedited Review Certificate of Need (ERCN) application by Hurstmont Estate Operating, LLC (Applicant), submitted on September 1, 2023, pursuant to N.J.A.C. 8:33-5.1(a)(4), for the establishment of Hurstmont Estate Residences, a new 97-bed assisted living residence to be located at 679 Mt. Kemble Avenue in Harding Township, Morris County. This application is being approved at the total project cost as noted above.

The Department has reviewed the applicable regulations for services subject to expedited review, specifically N.J.A.C. 8:33-5.3. The Department finds that Hurstmont Estate Operating, LLC, the proposed licensed operator, has provided a suitable project description (N.J.A.C. 8:33-5.3(a)). This description includes details about the total project cost of \$26,825,000 for constructing the new assisted living facility. The projected operating costs and revenues provided by the Applicant indicate that by the second year of operation, the total expected revenue would be \$7,205,268, with total expected expenses of \$6,552,902, resulting in a profit of \$652,366.

The Applicant asserts that this facility will enhance access to care for residents in the service area and will not negatively impact other existing long-term care facilities

nearby. The proposed facility is designed to offer independent living and memory care services within an assisted living setting, addressing the growing demand in a geographic area with an increasing senior population. The facility is proposed to be located in Harding Township, Morris County. According to estimates from the New Jersey Department of Labor and Workforce, the population aged over 65 in Morris County is projected to grow by more than 10% over the next decade. With this continued growth, the Applicant suggests that the senior population may soon exceed 85,000 individuals. Regarding the proposed Memory Care unit, the Applicant notes that in 2022, the Alzheimer's Association estimated that over 190,000 individuals aged 65 and above in New Jersey had Alzheimer's Disease, with projections indicating this number will rise to 210,000 by 2025. Based on the statistics provided, the Department concludes that the proposed facility will not adversely impact the viability of other assisted living facilities locally or statewide.

No specialized equipment is involved, as this is an assisted living facility offering supportive services, including a memory care unit, double occupancy units, and single occupancy units for a primarily independent population. The funding sources include private equity and a mortgage loan. Utilization statistics project a 21.4% occupancy rate after one year of operation, a 57.8% occupancy rate after two years, and a 93.6% occupancy rate after three years.

The justification for the proposed project (N.J.A.C. 8:33-5.3(a)(1)) referenced that the facility will promote aging in a homelike setting with supportive health and social services that will maintain independence, individuality, privacy, and dignity for residents. The facility will provide alternatives to nursing home care in Morris County, including for frail and disabled persons and those with dementia, through individual and group programming tailored to residents' individual needs. The Applicant assures that all residents of the area, particularly the medically underserved, will have access to services (N.J.A.C. 8:33-5.3(a)(2)), and states that this residence will operate in compliance with the regulatory requirement for admission of Medicaid residents and will provide services to the memory impaired. Documentation that the Applicant will meet appropriate licensing and construction standards (N.J.A.C. 8:33-5.3(a)(3)(i)) is shown by the project narrative, which contains information on the facility services and includes a statement that appropriate licensing and construction standards shall be met. Architectural plans will be submitted for review by the Department and the Department of Community Affairs. In addition, the Applicant has no track record compliance issues with the Department's licensing standards (N.J.A.C. 8:33-5.3(a)(3)(ii)) as it does not own, manage, or operate other licensed healthcare facilities in New Jersey.

As a condition of this approval, a double-bedded room can only be occupied by married couples or civil union partners, relatives, individuals related by blood or adoption, or those who have consented in writing as part of the admission agreement to the living arrangement. The admission agreement should note that the resident is aware that he or she may share a single toilet/bath in the unit and acknowledge that there are higher health risks associated with shared occupancy and cohabitation. Under no

circumstances shall any resident be coerced or compelled to agree to a double-bedded room.

Please be advised that this approval is limited to the application as presented and reviewed. The application, related correspondence, and any completeness questions and responses are incorporated and made a part of this approval. An additional review by the Department may be necessary if there is any change in scope, as defined at N.J.A.C. 8:33-3.9. However, a change in the cost of an approved certificate of need is exempt from certificate of need review subject to the following:

1. The Applicant shall file a signed certification as to the final total cost expended for the project at the time of the application for licensure for the beds/services with the Certificate of Need and Healthcare Facility Licensure Program.
2. Where the actual total project cost exceeds the Certificate of Need approved total project cost and is greater than \$1,000,000, the Applicant shall remit the additional certificate of need application fee due to the Certificate of Need and Healthcare Facility Licensure Program. The required additional fee shall be 0.25 percent of the total project cost in excess of the Certificate of Need approved total project cost.
3. The Department will not issue a license for beds/services until the additional fee is remitted in full.

Furthermore, pursuant to N.J.S.A. 26:2H-12.16 and N.J.A.C. 8:36.5.1(h), a new facility that is licensed to operate as an assisted living residence or comprehensive personal care home shall have a Medicaid occupancy level of 10 percent within three years of licensure. The 10 percent Medicaid occupancy level shall be met through the conversion of residents who enter the facility as private paying persons and subsequently become eligible for Medicaid, or through direct admission of Medicaid-eligible persons. The 10 percent Medicaid occupancy level shall be continuously maintained by a facility once the three-year licensure period has elapsed. The Department will monitor that this condition threshold is met and maintained during the duration of licensure.

The Department, in approving this application, has relied solely on the facts and information presented. The Department has not undertaken an independent investigation of such information. If material facts have not been disclosed or have been misrepresented as part of this application, the Department may take appropriate administrative regulatory action to rescind the approval or refer the matter to the Office of the New Jersey Attorney General.

Any approval granted by this Department relates to Certificate of Need and/or licensing requirements only and does not imply acceptance by a reimbursing entity. This

letter is not intended as an approval of any arrangement affecting reimbursement or any remuneration involving claims for health care services.

This approval is not intended to preempt in any way the authority to regulate land use within its borders and shall not be used by the applicant to represent that the Department has made any findings or determination relative to the use of any specific property.

Please be advised that services may not commence until a license has been issued by Certificate of Need and Healthcare Facility Licensure Program to operate this facility. A survey by Department staff will be required prior to commencing services.

The Department looks forward to working with the applicant to provide high quality of care to the assisted living residents. If you have any questions concerning this Certificate of Need approval, please do not hesitate to contact Michael J. Kennedy, Executive Director, Division of Certificate of Need and Licensing at Michael.Kennedy@doh.nj.gov.

Sincerely,



Stefanie Mozgai
Assistant Commissioner
Certificate of Need & Licensing
New Jersey Department of Health

- c: S. Mozgai, DOH (Electronic mail)
- M. Kennedy, DOH (Electronic mail)
- K. Morris, DOH (Electronic mail)
- A. McCray-Reid, DOH (Electronic mail)
- A. Ventura, DOH (electronic mail)
- J. Kasko, DOH (Electronic mail)
- F. Gigliotti, DOH (Electronic mail)
- S. Joshi, Archer & Greiner (electronic mail)