

Brookhaven

Memorial Hospital Medical Center
101 Hospital Road ~ Patchogue, New York 11772

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October 18, 2016

Lisa M. G. Mulligan
Director of Economic Development &
CEO of the Industrial Development Agency
Town of Brookhaven
One Independence Hill
Farmingville, NY 11738

Re: Application of 14 Glover, LLC for Financial Assistance Dated October 18, 2016

Dear Ms. Mulligan:

Attached, please find an Application for Financial Assistance completed by 14 Glover, LLC (the "**Owner**"), in connection with the acquisition, renovation and equipping of the former John J. Foley skilled nursing facility located at 14 Glover Drive, Yaphank, New York (the "**Facility**").

The Parties. The Owner is a New York State limited liability company whose sole member is Brookhaven Health Care Services Foundation (the "**Foundation**"), a New York not-for-profit corporation and a 501(c)(3) organization. For federal and New York State tax purposes the Owner will be treated as a disregarded entity of the Foundation. The Foundation is also the sole member of Brookhaven Memorial Hospital Medical Center ("**BMHMC**"), a full service not-for-profit Hospital, licensed under Article 28 of the New York Public Health Law and located at 101 Hospital Road, Patchogue, New York.

Acquisition of the Facility. The Hospital has entered into a contract with Suffolk County (the "**County**") to acquire the Facility. The Facility is a 5 story approximately 185,574 square foot building located on approximately 14.06 acres of land at 14 Glover Drive, Yaphank, New York, and was formerly operated as a skilled nursing facility by the County.

Proposed Operations. The Owner will lease the first floor of the Facility to BMHMC for use for hospital purposes, including relocating out-patient clinical programs and business offices currently located in Patchogue, New York. It is anticipated that the second and third floors will be leased to a for-profit assisted living/memory care facility operator and that the fourth and fifth floors will be leased to a for-profit substance abuse provider for use as a residential and outpatient treatment facility. The Owner has not entered into leases with any proposed lessees of the Facility. The costs of renovating and equipping of the Facility will be approximately \$23,000,000 to \$25,000,000.

Use of IDA Financing/PILOT Program. The Owner will acquire the Facility from the Hospital, and is applying to the IDA for financial assistance that will be utilized to renovate and equip the Facility for lease to BMHMC and the other tenants. Understanding that the Facility will receive a full or partial assessment for real property taxes, we are concerned that if taxes are too high, it could make leasing portions of the Facility difficult or impossible. In order to mitigate real property taxes, the Owner is requesting that the Town of Brookhaven Industrial Development Agency (the "Agency") enter into a straight lease transaction with the Owner; enter into a long-term Payment-in-Lieu-of-Tax Agreement (a "PILOT Agreement") in accordance with the Agency's Uniform Tax Exemption Policy ("UTEP") for a period of fifteen (15) years as an adoptive reuse project. The Owner requests that the PILOT Agreement grant a full abatement of taxes on the portion of the Facility occupied by BMHMC and any other 501(c)(3) not-for-profit entities and that the PILOT payments apply on a pro-rata basis to the portions of the Facility leased to and occupied by for-profit entities.

The Owner is also requesting that Agency grant sales and use tax-exemptions on the renovation and equipping of the Facility and a mortgage recording tax exemption on the financing and any subsequent refinancing of the Facility.

The following Riders provide additional information to specific sections of the Application:

Rider 1

BMHMC, a sister entity to the Owner, is the recipient of the \$17,500,000 Town of Brookhaven Local Development Corporation Revenue Bonds, Series 2014A, and the \$17,500,000 Town of Brookhaven Local Development Corporation Revenue Bonds, Series 2014B (collectively, the "Series 2014 Bonds") as well as \$20,000,000 Town of Brookhaven Industrial Development Agency, Civic Facility Revenue Refunding Bonds, Series 2006.

Rider 2

Andrea S. Kantor
Senior Vice President
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Rider 3

The Owner is a newly formed New York limited liability company, whose sole member is the Foundation and will be operating out of BMHMC's offices. The only operations of the Owner will be to own and manage the Facility. BMHMC (a user and lessee of the first floor of the Facility) is a 306 bed acute care hospital with a primary location at 101 Hospital Road in Patchogue, New York. The Hospital owns its approximately 35 acre campus, subject to the terms of certain mortgages securing the Series 2014 Bonds. BMHMC employs approximately 2,000 people with an approximate average annual salary of \$55,000.

Rider 4

It has been announced that BMHMC will close space it currently occupies on Main Street in the Village of Patchogue that houses BMHMC's renal dialysis unit and other programs operated by BMHMC. Some or all of those operations may be relocated to Facility.

Rider 5

The project is important to the economic health of BMHMC and the provision of health care to people within BMHMC's services area. Specifically, the consolidation of related services in a single modern facility owned and controlled by the Owner on behalf of BMHMC and the Foundation will result in: (a) better access to patient care that is more conducive to the coordination of care across health care specialties and disciplines; and, (b) efficiencies to BMHMC. The other anticipated lessees of the Facility will provide related health care services to patients and persons that are within BMHMC's services area and are not currently provided by BMHMC, specifically assisted living and residential and outpatient substance abuse treatment. Without the assistance of the Agency, the renovation, equipping and development of the Facility to provide those services would not be possible.

Rider 6

The Facility is owned by Suffolk County and was formerly operated by the County as the John J. Foley Nursing Home. The County ceased operations of the nursing home in 2013 and the Facility is currently vacant. The Hospital is in contract with the County for the purchase of the Facility, with an "on or about" closing date of November 15, 2016. There are several outstanding contingencies to close the on purchase of the Facility, including, the rezoning of the Facility by the Town of Brookhaven for use by BMHMC and the other potential tenants. The Hospital will transfer title to the Facility to the Owner in connection with the straight lease transaction with the Agency.

Rider 7

The Owner will renovate and upgrade the Facility, including to the extent necessary new HVAC systems, plumbing, electrical, lighting, windows, roofing, paving and landscaping. The Owner will substantially renovate the first floor for use by BMHMC, and the Owner and or BMHMC will install significant medical equipment and business office equipment and furniture on the

first floor of the building. The Owner and or the tenants, or a combination of both depending on the final terms of the lease agreements, will substantially renovate the second through fifth floors to be used as an assisted living/memory care facility and as a residential and outpatient substance abuse treatment program, including renovating existing rooms, building new bedrooms, dining areas, nursing stations, commons areas and related healthcare areas. The Owner and or the tenants will install equipment and machinery necessary for the operation of an assisted living/memory care facility and a residential and outpatient substance abuse treatment program provider on the second through fifth floors of the building. To the extent that the potential tenants for the second through fifth floors of the Facility will be responsible for tenant improvements and build outs under their respective leases and to the extent that such potential tenants may need to purchase or lease equipment, such potential tenants may apply separately to the Agency for their own sales tax exemptions.

Rider 8

BMHMC will occupy the first floor of the Facility for hospital purposes, relocating out-patient clinical programs and business offices currently located in Patchogue, New York. It is anticipated that the second and third floors will be leased to a for-profit assisted living/memory care facility operator and that the fourth and fifth floors will be leased to a for-profit substance abuse provider for use as a residential and outpatient treatment facility. Discussions and lease negotiations with the assisted living/memory care provider and the substance abuse provider as potential tenants are in the early stages. The Applicant will update Section 2 (User Data) of the Application with respect to such tenants as details become available.

Approximately 30,000square feet on first floor of the Facility will utilized for clinical care, with approximately 10,000square feet devoted to BMHMC business operations and back office uses. The first floor will also include a small gift shop and coffee shop for visitors and employees in the building. It is anticipated that 100% of the second through fifth floors will be devoted to assisted living/memory care and substance abuse services.

Rider 9

The Owner and BMHMC are in the planning stages for the project. The first use of the renovated facility is anticipated to be during the middle of 2018, with renovations continuing through the third quarter of 2018. The Owner is in the preliminary stages of negotiations with the potential tenants for the second through fifth floors. Renovation, construction and equipment budgets for such floors will be finalized when the lease terms are finalized.

Rider 10

The Hospital has put deposits down totaling \$1,250,000, the remaining \$13,750,000 acquisition cost will be paid by the Hospital to Suffolk County upon closing of the Facility purchase agreement. This amount has been provided to the Hospital by a benefactor. It is anticipated that Owner will seek a conventional mortgage in an amount presently estimated to be \$23,000,000 but not to exceed \$25,000,000. To the extent that the potential tenants of the second through