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August 11, 2017

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Via Federal Express

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**HEALTH FACILITIES &
SERVICES REVIEW BOARD**

Ms. Kathryn J. Olson
Chair
Illinois Health Facilities and Services Review
Board
525 West Jefferson Street, 2nd Floor
Springfield, Illinois 62761

Re: Meadowbrook Manor - LaGrange (Proj. No. 11-021)

Dear Ms. Olson:

Pursuant to Section 1130.750 of the Illinois Health Facilities and Services Review Board ("State Board") rules, I am writing on behalf of MML Properties, LLC and Butterfield Health VII, LLC (the "Permit Holders") to request an alteration of Project Permit No. 11-021 to increase the approved project costs. Further, while construction is nearly complete and Permit Holders anticipate receiving an occupancy permit from the Village of LaGrange by September 30, 2017, the Permit Holders anticipate it may take an additional six months for Illinois Department of Public Health ("IDPH") to survey the facility. Accordingly, the Permit Holders respectfully request a six month renewal of the Project Permit and a new project completion date of March 31, 2018.

1. Permit Alteration

As you are aware, on August 16, 2011, the State Board approved the Permit Holders' application to modernize its 197 bed long-term care facility located at 339 9th Street, LaGrange, Illinois. Since approval of the project, construction costs have increased, and the Permit Holders request the State Board approve a \$2,004,125 increase in project costs for a total approved permit amount of \$30,634,494. As noted in the table on the following page, the increase in project costs is attributable to the increase in the construction costs. Planning for this project occurred during the recession when the construction industry was depressed and costs significantly lower. As the economy and the construction industry recovered, costs have steadily increased. As a result, construction costs for Meadowbrook Manor LaGrange are much higher



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than anticipated and necessitated the filing of this alteration. The increased project costs will be funded with mortgage.

Project Costs and Sources of Funds			
USE OF FUNDS	Approved Permit Amount	Alteration Request	Difference
Preplanning Costs	\$438,800	\$438,800	\$0
Site Survey and Soil Investigation	\$35,000	\$35,000	\$0
Site Preparation	\$1,644,500	\$1,644,500	\$0
Off Site Work	\$75,000	\$75,000	\$0
New Construction Contracts	\$19,050,850	\$20,872,781	\$1,821,931
Modernization Contracts	\$789,400	\$789,400	\$0
Contingencies	\$1,744,920	\$1,927,113	\$182,193
Architectural/Engineering Fees	\$982,000	\$982,000	\$0
Consulting and Other Fees	\$450,225	\$450,225	\$0
Movable or Other Equipment (not in construction contracts)	\$1,410,000	\$1,410,000	\$0
Bond Issuance Expense (project related)	\$0	\$0	\$0
Net Interest Expense During Construction (project related)	\$1,173,730	\$1,173,730	\$0
Fair Market Value of Leased Space or Equipment	\$0	\$0	\$0
Other Costs To Be Capitalized	\$835,944	\$835,944	\$0
Acquisition of Building or Other Property (excluding land)	\$0	\$0	\$0
TOTAL USES OF FUNDS	\$28,630,369	\$30,634,493	\$2,004,124
SOURCE OF FUNDS	Approved Permit Amount	Alteration Request	Difference
Cash and Securities	\$0	\$0	\$0
Pledges	\$0	\$0	\$0
Gifts and Bequests	\$0	\$0	\$0
Bond Issues (project related)	\$0	\$0	\$0
Mortgages	\$28,630,369	\$30,634,493	\$2,004,124
Leases (fair market value)	\$0	\$0	\$0
Governmental Appropriations	\$0	\$0	\$0
Grants	\$0	\$0	\$0

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Project Costs and Sources of Funds			
USE OF FUNDS	Approved Permit Amount	Alteration Request	Difference
Other Funds and Sources	\$0	\$0	\$0
TOTAL SOURCES OF FUNDS	\$28,630,369	\$30,634,493	\$2,004,124

For your review, I have attached the following:

- Revised Availability of Funds table;
- Revised Reasonableness of Project and Related Costs table;
- Revised Project Costs and Sources of Funds table (Appendix A); and
- Revised Cost Space Requirements table (Appendix D).

2. Permit Renewal

a. Requested Completion Date

The Permit Holders request the State Board grant a six month renewal of the Project Permit and establish March 31, 2018 as the new project completion date.

b. Status Report

On March 11, 2015, the Permit Holders closed on their HUD loan. The project started immediately upon closing of the HUD loan. Construction is nearly complete. The Permit Holders anticipate receiving the occupancy permit from the Village of LaGrange by September 30, 2017; however, based upon experience, they anticipate IDPH survey and licensure could take an additional six months. Accordingly, they request a six month permit renewal.

c. Statement Regarding Completion of the Project

The Project is a modernization of the Permit Holders' existing 197 bed long-term care facility. Financing delays postponed commencement of construction until March 2015. Construction is nearly complete, and the Permit Holders anticipate receipt of an occupancy permit by the Village of LaGrange by September 30, 2017. To ensure sufficient time for IDPH survey and licensure, the Permit Holders request a six month permit renewal.



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d. Confirmatory Evidence of Permit Compliance

The attached affidavit from John Maze confirms the Permit Holders are complying with the scope and costs of the project approved by the State Board pursuant to Project Permit # 11-021 and that sufficient financial resources are available to complete the project. (See Attachment - 5).

Based on the above information, which is provided to the State Board in compliance with Section 1130.740 of the Illinois Administrative Code, the Permit Holders formally request a 6 month renewal of its permit for project #11-021.

If you have any questions or need any additional information regarding the project or this alteration request, please feel free to contact me

Sincerely,

A handwritten signature in black ink, appearing to read "Anne M. Cooper".

Anne M. Cooper

Attachments

cc: Michael Constantino

Attachment - 1

SECTION V – FINANCIAL AND ECONOMIC FEASIBILITY REVIEW

Criterion 1125.800 Estimated Total Project Cost

The following Sections **DO NOT** need to be addressed by the applicants or co-applicants responsible for funding or guaranteeing the funding of the project if the applicant has a bond rating of A- or better from Fitch's or Standard and Poor's rating agencies, or A3 or better from Moody's (the rating shall be affirmed within the latest 18 month period prior to the submittal of the application):

- Availability of Funds – Review Criteria
- Financial Viability – Review Criteria
- Economic Feasibility – Review Criteria, subsection (a)

Availability of Funds

The applicant shall document that financial resources shall be available and be equal to or exceed the estimated total project cost plus any related project costs by providing evidence of sufficient financial resources from the following sources, as applicable: Indicate the dollar amount to be provided from the following sources:

_____	a. Cash and Securities – statements (e.g., audited financial statements, letters from financial institutions, board resolutions) as to: 1) the amount of cash and securities available for the project, including the identification of any security, its value and availability of such funds; and 2) interest to be earned on depreciation account funds or to be earned on any asset from the date of applicant's submission through project completion;
_____	b. Pledges – for anticipated pledges, a summary of the anticipated pledges showing anticipated receipts and discounted value, estimated time table of gross receipts and related fundraising expenses, and a discussion of past fundraising experience.
_____	c. Gifts and Bequests – verification of the dollar amount, identification of any conditions of use, and the estimated time table of receipts;

<u>\$30,634,493</u>	<p>d. Debt – a statement of the estimated terms and conditions (including the debt time period, variable or permanent interest rates over the debt time period, and the anticipated repayment schedule) for any interim and for the permanent financing proposed to fund the project, including:</p> <ol style="list-style-type: none"> 1. For general obligation bonds, proof of passage of the required referendum or evidence that the governmental unit has the authority to issue the bonds and evidence of the dollar amount of the issue, including any discounting anticipated; 2. For revenue bonds, proof of the feasibility of securing the specified amount and interest rate; 3. For mortgages, a letter from the prospective lender attesting to the expectation of making the loan in the amount and time indicated, including the anticipated interest rate and any conditions associated with the mortgage, such as, but not limited to, adjustable interest rates, balloon payments, etc.; 4. For any lease, a copy of the lease, including all the terms and conditions, including any purchase options, any capital improvements to the property and provision of capital equipment; 5. For any option to lease, a copy of the option, including all terms and conditions.
_____	<p>e. Governmental Appropriations – a copy of the appropriation Act or ordinance accompanied by a statement of funding availability from an official of the governmental unit. If funds are to be made available from subsequent fiscal years, a copy of a resolution or other action of the governmental unit attesting to this intent;</p>
_____	<p>f. Grants – a letter from the granting agency as to the availability of funds in terms of the amount and time of receipt;</p>
_____	<p>g. All Other Funds and Sources – verification of the amount and type of any other funds that will be used for the project.</p>
<u>\$30,634,493</u>	TOTAL FUNDS AVAILABLE

APPEND DOCUMENTATION AS ATTACHMENT-27, IN NUMERIC SEQUENTIAL ORDER AFTER THE LAST PAGE OF THE APPLICATION FORM.

Attachment – 2

Economic Feasibility

This section is applicable to all projects

A. Reasonableness of Financing Arrangements

The applicant shall document the reasonableness of financing arrangements by submitting a notarized statement signed by an authorized representative that attests to one of the following:

1. That the total estimated project costs and related costs will be funded in total with cash and equivalents, including investment securities, unrestricted funds, received pledge receipts and funded depreciation; or
2. That the total estimated project costs and related costs will be funded in total or in part by borrowing because:
 - A. A portion or all of the cash and equivalents must be retained in the balance sheet asset accounts in order to maintain a current ratio of at least 1.5 times for LTC facilities; or
 - B. Borrowing is less costly than the liquidation of existing investments, and the existing investments being retained may be converted to cash or used to retire debt within a 60-day period.

B. Conditions of Debt Financing

This criterion is applicable only to projects that involve debt financing. The applicant shall document that the conditions of debt financing are reasonable by submitting a notarized statement signed by an authorized representative that attests to the following, as applicable:

1. That the selected form of debt financing for the project will be at the lowest net cost available;
2. That the selected form of debt financing will not be at the lowest net cost available, but is more advantageous due to such terms as prepayment privileges, no required mortgage, access to additional indebtedness, term (years), financing costs and other factors;
3. That the project involves (in total or in part) the leasing of equipment or facilities and that the expenses incurred with leasing a facility or equipment are less costly than constructing a new facility or purchasing new equipment.

C. Reasonableness of Project and Related Costs

Read the criterion and provide the following:

Identify each area impacted by the proposed project and provide a cost and square footage allocation for new construction and/or modernization using the following format (insert after this page).

COST AND GROSS SQUARE FEET BY SERVICE									
Area (list below)	A	B	C	D	E	F	G	H	Total Cost (G + H)
	Cost/Square Foot New Mod.		Gross Sq. Ft. New Circ.*		Gross Sq. Ft. Mod. Circ.*		Const. \$ (A x C)	Mod. \$ (B x E)	
Nursing	\$169.54	\$49.99	123,112	0	15,790	0	\$20,872,781	\$789,400	\$21,662,181
Contingency	\$12.82	\$22.10	123,112	0	15,790	0	\$1,578,113	\$349,000	\$1,927,113
TOTALS	\$182.36	\$72.09	123,112	0	15,790	0	\$22,450,894	\$1,138,400	\$23,589,294

* Include the percentage (%) of space for circulation

D. Projected Operating Costs

The applicant shall provide the projected direct annual operating costs (in current dollars per equivalent patient day or unit of service) for the first full fiscal year at target utilization but no more than two years following project completion. Direct cost means the fully allocated costs of salaries, benefits and supplies for the service.

E. Total Effect of the Project on Capital Costs

The applicant shall provide the total projected annual capital costs (in current dollars per equivalent patient day) for the first full fiscal year at target utilization but no more than two years following project completion.

APPEND DOCUMENTATION AS ATTACHMENT - 30, IN NUMERIC SEQUENTIAL ORDER AFTER THE LAST PAGE OF THE APPLICATION FORM.

Attachment – 3

APPENDIX A

Project Costs and Sources of Funds

Complete the following table listing all costs associated with the project. When a project or any component of a project is to be accomplished by lease, donation, gift, or other means, the fair market or dollar value (refer to Part 1130.140) of the component must be included in the estimated project cost. If the project contains non-reviewable components that are not related to the provision of health care, complete the second column of the table below. Note, the use and sources of funds must equal.

Project Costs and Sources of Funds			
USE OF FUNDS	CLINICAL	NONCLINICAL	TOTAL
Preplanning Costs	\$232,564	\$206,236	\$438,800
Site Survey and Soil Investigation	\$18,550	\$16,450	\$35,000
Site Preparation	\$871,585	\$772,915	\$1,644,500
Off Site Work	\$39,750	\$35,250	\$75,000
New Construction Contracts	\$11,062,574	\$9,810,207	\$20,872,781
Modernization Contracts	\$0	\$789,400	\$789,400
Contingencies	\$817,045	\$1,110,068	\$1,927,113
Architectural/Engineering Fees	\$520,460	\$461,540	\$982,000
Consulting and Other Fees	\$238,619	\$211,606	\$450,225
Movable or Other Equipment (not in construction contracts)	\$747,300	\$662,700	\$1,410,000
Bond Issuance Expense (project related)	\$0	\$0	\$0
Net Interest Expense During Construction (project related)	\$622,077	\$551,653	\$1,173,730
Fair Market Value of Leased Space or Equipment	\$0	\$0	\$0
Other Costs To Be Capitalized	\$443,050	\$392,894	\$835,944
Acquisition of Building or Other Property (excluding land)	\$0	\$0	\$0
TOTAL USES OF FUNDS	\$15,613,574	\$15,020,919	\$30,634,493
SOURCE OF FUNDS	CLINICAL	NONCLINICAL	TOTAL
Cash and Securities	\$0	\$0	\$0
Pledges	\$0	\$0	\$0
Gifts and Bequests	\$0	\$0	\$0
Bond Issues (project related)	\$0	\$0	\$0
Mortgages	\$15,613,574	\$15,020,919	\$30,634,493
Leases (fair market value)	\$0	\$0	\$0
Governmental Appropriations	\$0	\$0	\$0
Grants	\$0	\$0	\$0
Other Funds and Sources	\$0	\$0	\$0
TOTAL SOURCES OF FUNDS	\$15,613,574	\$15,020,919	\$30,634,493

Attachment – 4

Cost Space Requirements

Department/ Area	Cost	Gross Square Feet		Amount of Proposed Total Gross Square Feet That Is:			
		Existing	Proposed	New Const.	Modernized	As Is	Vacated Space
CLINICAL							
Nursing	\$ 9,242,539	21,619	38,482	38,482	-		
Living/Dining/ Activity	\$ 1,563,739	9,017	6,577	5,867	711		
Kitchen/Food Service	\$ 824,263	3,735	3,420	3,420	-		
P.T./O.T.	\$ 601,326	1,001	2,495	2,215	280		
Laundry	\$ 172,323	1,886	715	715	-		
Janitor Closets	\$ 201,727	634	837	746	91		
Clean/Soiled Utility	\$ 402,491	447	1,670	1,670	-		
Beauty/Barber	\$ 112,071	235	465	-	465		
Dialysis	\$ 666,882	1,652	2,767	-	2,767		
Nurses' Station & Toilet	\$ 654,348	1,103	2,715	2,715	-		
Med. Room	\$ 91,103	299	378	378	-		
Exam Room	\$ 85,319	457	354	354	-		
Arts & Craft/Lib/Conf	\$ 307,773	-	1,277	656	621		
Amenities (Multi- purpose, gift, ice cream	\$ 1,132,759	-	4,700	2,312	2,388		
Medical Records	\$ 177,621	-	515	515	-		
Total Clinical	\$ 16,236,282	42,085	67,367	60,045	7,323		
NON-CLINICAL							
Office/	\$ 693,794						

Cost Space Requirements

Department/ Area	Cost	Gross Square Feet		Amount of Proposed Total Gross Square Feet That Is:			
		Existing	Proposed	New Const.	Modernized	As Is	Vacated Space
Administration		5,407	3,447	2,258	1,189		
Employee Lounge/ Locker/Training	\$ 199,061	1,886	989	989	-		
Mechanical/ Electrical	\$ 959,479	8,181	4,767	4,254	513		
Lobby	\$ 402,349	468	1,999	1,742	257		
Storage/ Maintenance	\$ 1,173,232	9,137	5,829	5,574	255		
Corridor/Public Toilets	\$ 6,649,323	13,766	33,036	27,920	3,754		
Stair/Elevator	\$ 849,783	6,027	4,222	3,768	454		
Tunnels	\$ -	2,695	-	-	-		
Abandoned	\$ -	25,680	-	-	-		9,510
Walls	\$ 3,471,190	-	17,246	16,562	2,045		
Total Non- Clinical	\$ 14,398,211	73,247	71,535	63,067	8,467		9,510
Total	\$ 30,634,493	115,332	138,902	123,112	15,790	-	9,510

Attachment – 5

ILLINOIS HEALTH FACILITIES AND SERVICES REVIEW BOARD

MEADOWBROOK MANOR LAGRANGE

REQUEST FOR RENEWAL OF PROJECT PERMIT # 11-021

I, John Maze do hereby affirm and testify:

1. I am an authorized representative of the Permit Holders, Butterfield Healthcare VII, LLC and MML Properties, LLC. I have personal knowledge of the facts stated herein.

2. Based on my personal knowledge of the on-going project to modernize an existing 197 bed long-term care facility located at 339 9th Street, LaGrange, Illinois, I can attest that the project's cost and scope are in compliance with those approved by the Illinois Health Facilities and Services Review Board.

3. Additionally, I can also attest that there currently exists sufficient financial resources to complete the project.

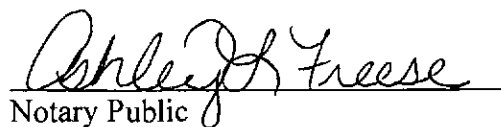
FURTHER THE AFFIANT SAYETH NOT.

The undersigned certifies that the statements set forth in this instrument are true and correct, except as to matters therein stated to be on information and belief and as to such matters the undersigned certifies as aforesaid that he verily believes the same to be true.



John Maze
Project Manager
Butterfield Healthcare Group

Subscribed and sworn before me
This 10th day of August 2016



Notary Public

