

Memorandum

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MAY 19 2015

**HEALTH FACILITIES &
SERVICES REVIEW BOARD**

TO: Mr. George Roate
FROM: Joe Ourth
RE: Advocate Condell Ambulatory Surgery Center, Libertyville
Project No. 15-017 (the "Project")
DATE: May 13, 2015

In connection with your review of the Project above you had recently inquired about the lease relating to the building and the associated costs or fair market value of the premises. As discussed below, all construction costs for the building and build out have been included in the project costs. The total construction costs have been included and allocated among the appropriate line items. The Fair Market Value of the lease for the building is the amount reported as "debt" in Attachment 36, Availability of Funds, in the amount of \$4,225,841.

Construction of Shell and Core and Tenant Improvements

The Project will be constructed on the campus of Advocate Condell Medical Center (the "Hospital" or "ACMC") and ACMC will undertake the site preparation and construct the shell and core of the building. Advocate Condell Surgery Center, LLC (the "Surgery Center") will then build out the improvements within the building for use as a surgery center. The Surgery Center will lease the building which is owned by the Hospital. The building will be new construction used solely by the Surgery Center but will connect to a physician office building.

All Costs Fully Included in Applicable Line Items

In preparing the project costs for the application, the applicants believed it was most transparent to report all of the costs of the building (both shell and core and space build-out) in the project cost line items. Consequently, the line item for new construction includes both the cost by the Hospital to construct the shell and core, plus the cost of the Surgery Center to build out the interior. The Fair Market Value of the lease relating to shell and core was then reported in Attachment 36. We believe this methodology more accurately allows the Review Board to examine each line in accordance with State Standards.

We know that for new construction the Board is interested in the entire capital cost for the construction. This methodology is consistent with the Board's rules for Fair Market Value that specify for new buildings FMV should include all of the costs for new construction.

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Fair Market Value Reported in Attachment 36

Attachment 36 of the application states that the “debt” component is \$4,225,841. This amount reflects the FMV of the lease and represents the cost for site preparation and construction of the shell and core. This amount also includes all associated costs of the lessor and lessee such as the respective share of architectural and engineering fees. Other than the lease, there is no other “debt” for the Project and that amount reflects the FMV of the lease. Attachment 36 includes the letter of intent specifying the terms of the lease.

Please contact us if you would like additional information.

Cost & Gross Square Feet by Department or Service									
	A	B	C	D	E	F	G	H	
Dept. / Area	Cost/Sq Ft		Gross Sq Ft		Gross Sq Ft		Const. \$		Total Cost
	New	Mod	New	Circ	Mod	Circ.	A x C	B x E	G + H
Reviewable									
OR / Recovery	\$ 503		3,487	15%			\$ 1,754,451		\$ 1,754,451
All Other Clinical	\$ 499		3,330	15%			\$ 1,660,363		\$ 1,660,363
Contingency	\$ 45		6,817				\$ 308,142		\$ 308,142
Total Reviewable + Contingency	\$ 546		6,817				\$ 3,722,956		\$ 3,722,956
Non Reviewable									
Administration	\$ 501		1,328	15%			\$ 665,230		\$ 665,230
Visitor/Public	\$ 501		1,016	15%			\$ 508,941		\$ 508,941
Materials/Mechanical	\$ 501		1,123	15%			\$ 562,540		\$ 562,540
Circulation	\$ 501		695	100%			\$ 348,144		\$ 348,144
Non-clinical	\$ 501		4,162				\$ 2,084,855		\$ 2,084,855
Non Reviewable Contingency	\$ 45		4,162				\$ 188,131		\$ 188,131
Total Non Reviewable + Contingency	\$ 546		4,162				\$ 2,273,501		\$ 2,273,501
Total	\$ 501		10,979				\$ 5,499,669		\$ 5,499,669
Contingency	\$ 45		10,979				\$ 496,272		\$ 496,272
Total + Contingency	\$ 546		10,979				\$ 5,995,941		\$ 5,995,941

Projected Operating Costs		
	2018	Cost per EPD
Operating Cost	\$ 3,823,800	\$ 1,529

Impact of Project on Capital Costs		
	2018	Cost per EPD
Capital Costs	\$ 828,319	\$331

Cost Space Requirements

Provide in the following format, the department/area **DGSF** or the building/area **BGSF** and cost. The type of gross square footage either **DGSF** or **BGSF** must be identified. The sum of the department costs **MUST** equal the total estimated project costs. Indicate if any space is being reallocated for a different purpose. Include outside wall measurements plus the department's or area's portion of the surrounding circulation space. **Explain the use of any vacated space.**

Dept. / Area	Cost	Gross Square Feet		Amount of Proposed Total Gross Square Feet That Is:			
		Existing	Proposed	New Const.	Modernized	As Is	Vacated Space
REVIEWABLE							
Medical Surgical							
Intensive Care							
NON REVIEWABLE							
Administrative							
TOTAL							
APPEND DOCUMENTATION AS ATTACHMENT-9, IN NUMERIC SEQUENTIAL ORDER AFTER THE LAST PAGE OF THE APPLICATION FORM.							

Cost Space Requirement

Dept. / Area	Cost	Gross Square Feet		Amount of Proposed Total Gross Square Feet That Is:			
		Existing	Proposed	New Const.	Modernized	As Is	Vacated Space
REVIEWABLE							
Surgery and Recovery	\$ 3,278,445	0	3,487	3,487	0	0	0
Clinical Support	\$ 3,102,629	0	3,330	3,330	0	0	0
Total Clinical	\$ 6,381,074		6,817	6,817			
NON REVIEWABLE							
Administration	\$ 1,167,391		1,328	1,328			
Visitor/Public	\$ 893,125		1,016	1,016			
Materials/Mechanical	\$ 987,184		1,123	1,123			
Circulation	\$ 610,946		695	695			
Total Non-clinical	\$ 3,658,646	0	4,162	4,162	0	0	0
TOTAL	\$ 10,039,720	0	10,979	10,979	0	0	0