STATE OF ILLINOIS
HEALTH FACILITIES AND SERVICES REVIEW BOARD

525 WEST JEFFERSON ST. • SPRINGFIELD, ILLINOIS 62761 •(217) 782-3516 FAX: (217) 785-4111

ITEM NUMBER: D-01	BOARD MEETING: September 17, 2019	PROJECT NUMBER: 17-011
PERMIT HOLDERS(S): The Carle Foundation Hospital The Carle Foundation		
FACILITY NAME and LOCATION: Carle-Staley Road Medical Office Development, Champaign		

DESCRIPTION: The permit holders are requesting an Alteration to Permit #17-011. This is the first alteration request for this permit.

STATE BOARD STAFF REPORT
ALTERATION TO PERMIT
PERMIT #17-011

I. Project Description and Background

On June 20, 2017, the State Board approved Project #17-011, allowing the permit holders to establish a 2-story Medical Office Building (MOB) in 150,500 GSF of space in Champaign, Illinois. The permit holders will occupy 80,500 GSF of this space, while community providers will occupy the remaining space. The medical office building will contain physician office space and be in proximity to the Champaign SurgiCenter. No clinical services will be provided through the proposed medical office building. The project cost is $66,812,449, and the projected completion date is August 31, 2019.

Attached to the end of this report are the permit holder's alteration request.

II. Alteration Request:

On August 16, 2019 the permit holders submitted a permit alteration request for Permit #17-011. The permit holders are requesting to increase the cost of the project from $66,812,449 to $68,500,000, ($1,687,551 or 2.5%) and increase the gross square footage from 150,500 GSF to 150,847 GSF (347 GSF or .2%). According to the permit holders, the proposed alteration in cost is due to the extremely busy construction market, and a small supply of contractors in the area, while the increase in project size is attributed to the opportunity to tie three buildings together on the campus, through a combined emergency power system.

TABLE ONE
Alterations to Project Size
#17-011 Carle-Staley Road Medical Office Development

Area	Extent of Alteration
Approved	150,500 GSF
Altered	150,847 GSF
Difference	347 GSF (.2%)

TABLE TWO
Alterations to Project Cost
#17-011 Carle Staley Road Medical Office Development

Cost	Extent of Alteration
Approved	$66,812,449
Altered	$68,500,000
Difference	$1,687,551 (2.5%)

III. Reasons for the Proposed Alteration

The permit holders stated the reasons for the alteration are based an extremely busy construction market and a small supply of contractors in the area, and an opportunity to tie three buildings together on the campus, through a combined emergency power system.

The alteration does NOT propose the discontinuation or addition of any categories of service, or a change in the methods of financing of the project from what was approved in the permit.

IV. Applicable Rules

77 IAC 1130.750 – Alteration of Post Permit Projects specifies that a permit is valid only for the project as defined in the application and any change to the project subsequent to permit issuance constitutes an Alteration to the Project. **All alterations** are required to be reported to the State Board before any alteration is executed**.**

77 IAC 1130.750(b) states the cumulative effect of alterations to a project shall not exceed the following:

1) a change in the approved number of beds or stations, provided that the change would not independently require a permit or exemption from HFSRB;
2) abandonment of an approved category of service established under the permit;
3) any increase in the square footage of the project up to 5% of the approved gross square footage;
4) any decrease in square footage greater than 5% of the project;
5) any increase in the cost of the project not to exceed 7% of the total project cost. This alteration may exceed the capital expenditure minimum in place when the permit was issued, provided that it does not exceed 7% of the total project cost;
6) any increase in the amount of funds to be borrowed for those permit holders that have not documented 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).

The State Board Staff notes that only those criteria that are relevant to this alteration request are discussed below. All other criteria remain unchanged from the Original State Board Staff Report.

V. Summary of Findings

A. The State Board Staff finds the proposed alteration appears to be in conformance with the provisions of Part 1110.

B. The State Board Staff finds the proposed alteration appears to be in conformance with the provisions of Part 1120

State Board Staff Finding for Part 1110

A) Criterion 1110.234 (a) - Size of the Project
To demonstrate compliance with this criterion the permit holders must document that the altered gross square footage for the reviewable services is reasonable.

The permit holders are requesting to increase the gross square footage from 150,500 BGSF to 150,847 BGSF or .2%. The permit holders note the entirety of the spatial expansion will occur in non-clinical space. Table Three also outlines the cost variation associated with this alteration.

TABLE THREE Changes in Project Size/Project Cost: Alteration #17-011					
Existing			Altered		
Non-Clinical			Non-Clinical		
Physician Offices/Exam Rooms	$51,490,632	116,000	$52,791,184	116,000	$455.10/GSF
Administrative Services	$15,321,817	34,500	$15,708,816	34,847	$450.79/GSF
Total Non-Clinical	**$66,812,449**	**150,500**	**$68,500,000**	**150,847**	
DIFFERENCE			**$1,687,551(2.5%)**	**347 (.2%)**	

THE STATE BOARD STAFF FINDS THE PROPOSED ALTERATION TO BE IN CONFORMANCE WITH CRITERION SIZE OF THE PROJECT (77 IAC 1110.234 (a))

611 West Park Street, Urbana, IL 61801-2595

Via Federal Express

Collin Anderson
(217) 902-5521
Collin.Anderson@Carle.com

Ms. Courtney Avery
Illinois Health Facilities and Services Review Board
525 West Jefferson Street
Springfield, Illinois 62761

Re: Carle-Staley Road Medical Office Development (Proj. No. 17-011)

Dear Ms. Avery:

Pursuant to Section 1130.750 of the Illinois Health Facilities and Services Review Board (the "State Board") rules, I am writing on behalf of The Carle Foundation and The Carle Foundation Hospital (the "Permit Holders") to request an alteration to Project Permit No. 17-011 to increase the size and the cost of the project.

As you are aware, on June 20, 2017, the State Board approved the Permit Holders' application to construct outpatient medical office buildings in Champaign, Illinois. Since permit approval, construction costs in central Illinois have been trending upward due to the extremely busy construction market and the relatively small supply of contractors in the area. This trend has caused Carle's pricing on all construction projects to be higher than expected. Furthermore, the infrastructure for the project ended up being more robust than that of typical clinics because of the opportunity to tie three buildings together and install a full emergency power system. These alterations will result in improved quality and patient satisfaction. In total, the alterations amount to a 347 gross square foot (0.2%) increase in the size of the project and a $1,687,551 (2.5%) increase in project costs.

For your review, I have attached the following:

- Revised Project Costs and Sources of Funds table;
- Revised Cost Space Requirements table (Attachment- 9);
- Evidence of current A bond rating of the Permit Holders (Attachment- 36)

I have also enclosed a check for $1,500 made payable to the Illinois Department of Public Health for the Post-Permit Alteration Processing Fee since this request was made within 45 days of permit expiration.

We believe this request complies with the State Board's standards and request, if a State Board Chair has been appointed, that the State Board Chair approve the alteration of Project Permit No. 17-011 as a desk review.

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

Sincerely,

Collin Anderson
Strategic Planning Coordinator
Carle Foundation Hospital

Attachments

Cc: Kara Friedman

Project Costs and Sources of Funds

Complete the following table listing all costs (refer to Part 1120.110) 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	$0	$256,494	$256,494
Site Survey and Soil Investigation	$0	$51,299	$51,299
Site Preparation	$0	$4,616,893	$4,616,893
Off Site Work	$0	$512,988	$512,988
New Construction Contracts	$0	$44,116,981	$44,116,981
Modernization Contracts	$0	$0	$0
Contingencies	$0	$4,765,660	$4,765,660
Architectural/Engineering Fees	$0	$3,180,527	$3,180,527
Consulting and Other Fees	$0	$1,025,976	$1,025,976
Movable or Other Equipment (not in construction contracts)	$0	$6,155,858	$6,155,858
Bond Issuance Expense (project related)	$0	$1,456,886	$1,456,886
Net Interest Expense During Construction (project related)	$0	$512,988	$512,988
Fair Market Value of Leased Space or Equipment	$0	$0	$0
Other Costs To Be Capitalized	$0	$1,847,449	$1,847,449
Acquisition of Building or Other Property (excluding land)	$0	$0	$0
TOTAL USES OF FUNDS	**$0**	**$68,500,000**	**$68,500,000**
SOURCE OF FUNDS	**CLINICAL**	**NONCLINICAL**	**TOTAL**
Cash and Securities	$0	$36,652,551	$36,652,551
Pledges	$0	$0	$0
Gifts and Bequests	$0	$0	$0
Bond Issues (project related)	$0	$30,000,000	$30,000,000
Mortgages	$0	$0	$0
Leases (fair market value)	$0	$0	$0
Governmental Appropriations	$0	$0	$0
Grants	$0	$0	$0
Other Funds and Sources	$0	$1,847,449	$1,847,449
TOTAL SOURCES OF FUNDS	**$0**	**$68,500,000**	**$68,500,000**
NOTE: ITEMIZATION OF EACH LINE ITEM MUST BE PROVIDED AT ATTACHMENT-7, IN NUMERIC SEQUENTIAL ORDER AFTER THE LAST PAGE OF THE APPLICATION FORM.			

Cost Space Requirements

The Applicants propose to build a medical office development.

		Gross Square Feet		Amount of Proposed Total Gross Square Feet That Is:			
Dept. / Area (list below)	**Cost**	**Existing**	**Proposed**	**New Const.**	**Modernized**	**As Is**	**Vacated Space**
Reviewable							
Total Reviewable	**$0**	**0**	**0**	**0**	**0**	**0**	**0**
Non-Reviewable							
Physician offices, exam and treatment spaces	$52,791,184	0	116,000	116,000	0	0	0
Administrative services	$15,708,816	0	34,847	34,847	0	0	0
Total Non-Reviewable	**$68,500,000**	**0**	**150,847**	**150,847**	**0**	**0**	**0**

S&P Global

Ratings

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Carle Foundation, IL Issuer Credit Rating And Various Debt Ratings Raised To 'AA-' On Operating Performance

21-Jun-2018 16:34 EDT

View Analyst Contact Information

CHICAGO (S&P Global Ratings) June 21, 2018--S&P Global Ratings has raised it issuer credit rating (ICR) to 'AA-' from 'A+' on the Carle Foundation (Carle FD), Ill. At the same time, S&P Global Ratings raised its long-term and underlying ratings to 'AA-' from 'A+' on various issuances of the Illinois Finance Authority's bonds issued for Carle FD.

In addition, S&P Global Ratings raised the long-term component of its joint ratings to 'AAA/A-1+' from 'AA+/A-1+' on Carle FD's series 2009B and 2009C variable rate demand bonds, reflecting the application of our joint criteria using our low-correlation methodology. The long-term component of the rating reflects the long-term rating on Carle FD and the letters of credit (LOCs) provided by The Northern Trust Co. We based the short-term component of the rating on the liquidity provided by The Northern Trust Co. The LOCs expire March 18, 2019. S&P Global Ratings also affirmed its 'AA+/A-1' joint ratings on Carle FD's series 2009E and series 2016B bonds, reflecting the application of our joint criteria using our low-correlation methodology. The long-term component of the rating reflects the long-term rating on Carle FD and the LOCs provided by JPMorgan Chase Bank. We based the short-term component of the rating on the liquidity provided by JPMorgan Chase Bank. The LOCs with JP Morgan expire Aug. 5, 2019.

"The upgrade reflects Carle FD's improving performance, partially related to changes in the foundation's insurance business, as well as continued operating strength from Carle FD's provider and hospital entities, and its growing volumes and strengthening business position in the geographically broad central Illinois market. Carle FD's balance sheet also continues to strengthen, providing additional support to the rating," said S&P Global Ratings credit analyst Suzie Desai.

Carle FD is a physician-led integrated health system that includes the 388-staffed-bed Carle Foundation Hospital and other subsidiaries, including the Carle Physician Group, with 499 physicians practicing at 19 different sites in 14 area communities.

The stable outlook reflects our view of Carle FD's strong business position and healthy balance sheet as well as our expectation that performance should remain fairly stable in the future. The stable outlook also reflects our belief that management will continue to build on Carle FD's business position, both in Champaign-Urbana and in the broader region. We also don't expect any significant additional debt over the outlook period or any sizable capital projects that would materially affect unrestricted reserves.

Certain terms used in this report, particularly certain adjectives used to express our view on rating relevant factors, have specific meanings ascribed to them in our criteria, and should therefore be read in conjunction with such criteria. Please see Ratings Criteria at www.standardandpoors.com for further information. Complete ratings information is available to subscribers of RatingsDirect at www.capitaliq.com. All ratings affected by this rating action can be found on S&P Global Ratings' public website at www.standardandpoors.com. Use the Ratings search box located in the left column.

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