



STATE OF ILLINOIS
HEALTH FACILITIES AND SERVICES REVIEW BOARD

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ITEM NUMBER: D-02	BOARD MEETING: September 17, 2019	PROJECT NUMBER: 17-013
PERMIT HOLDERS(S): DaVita, Inc. DuPage Medical Group, Ltd. Rockwood Dialysis, LLC		
FACILITY NAME and LOCATION: Geneva Crossing Dialysis, Carol Stream		

DESCRIPTION: The permit holders are requesting an Alteration to Permit #17-013. This is the first alteration request for this permit.

**STATE BOARD STAFF REPORT
ALTERATION TO PERMIT
PERMIT #17-013**

I. Project Description and Background

On July 24, 2018, the State Board approved Project #17-013, allowing the permit holders to establish a 12-station End Stage Renal Dialysis (ESRD) facility in approximately 6,240 GSF of space in Carol Stream, Illinois. The initial project cost was \$2,702,014, and the completion date is July 31, 2020.

Attached to the end of this report are the permit-holders alteration request.

II. Alteration Request:

On August 21, 2019 the permit holders submitted a permit alteration request for Permit #17-013. The permit holders are requesting to increase the cost of the project from \$2,702,014 to \$2,852,014, (\$150,000 or 5.55%). The proposed alteration will not result in additional clinical space, and the reason for the request stems from an unexpected increase in project costs. The applicants supplied a revised project costs and sources of funds page and reasonableness of project costs and sources of funds page with the alteration request.

TABLE ONE	
Alterations to Project Cost	
#17-013, DaVita Geneva Crossing Dialysis	
Cost	Extent of Alteration
Approved	\$2,702,014
Altered	\$2,852,014
Difference	\$150,000 (5.55%)

III. Reasons for the Proposed Alteration

The permit holders stated the reasons for the alteration are based on an unanticipated increase in project costs that occurred between application submission (3/28/2017), and application approval (7/24/2018) .

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

20 ILCS 3960/5 states “*Projects may deviate from the costs, fees, and expenses provided in their project cost information for the project's cost components, provided that the final total project cost does not exceed the approved permit amount. Project alterations shall not increase the total approved permit amount by more than the limit set forth under the Board's 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**

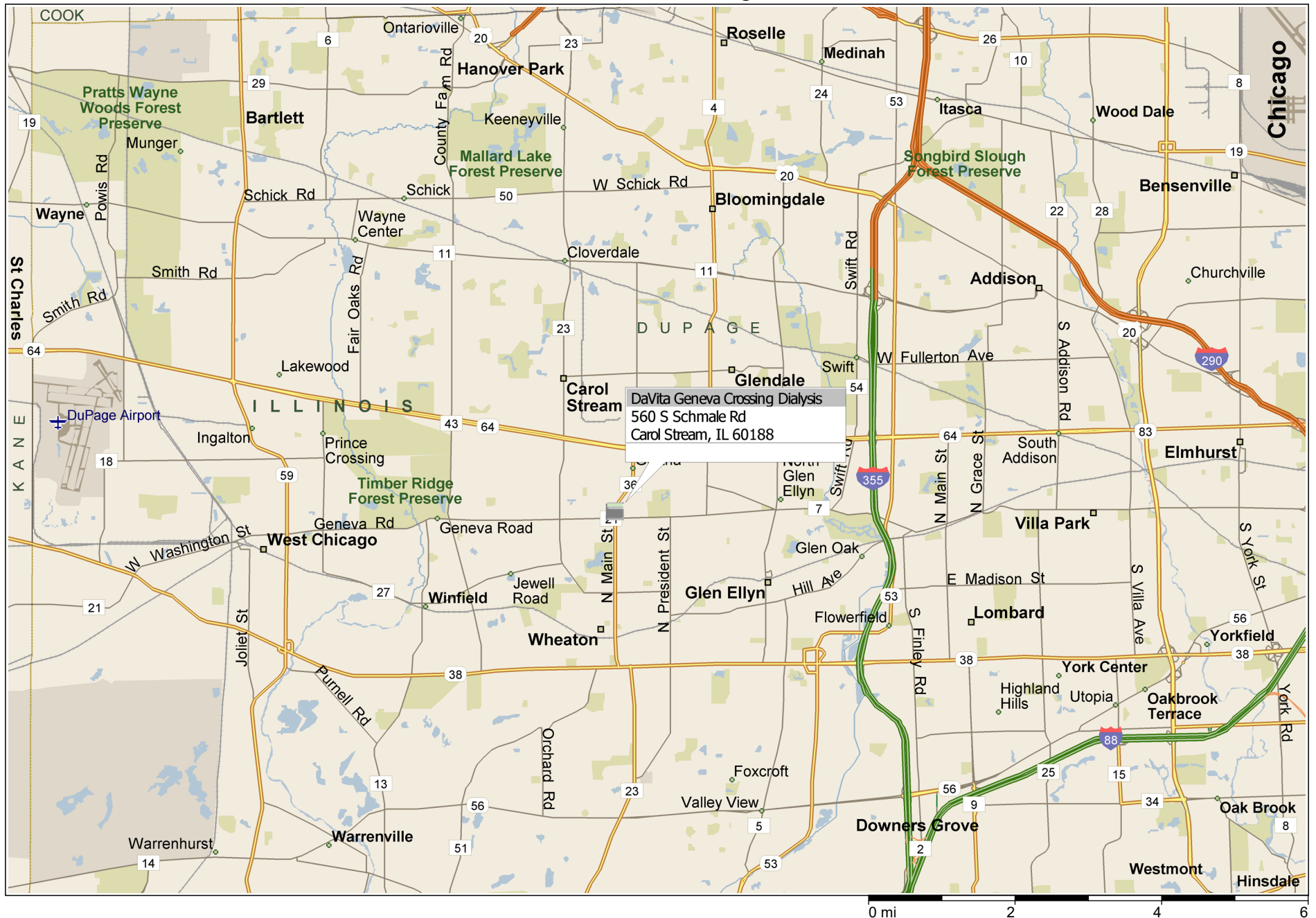
- A. The State Board Staff finds the proposed alteration appears to be in conformance with the provisions of Part 1110.
- B. The State Board Staff finds the proposed alteration appears to be in conformance with the provisions of Part 1120.

TABLE TWO			
Project Costs and Sources of Funds			
	Original	Altered	% of Total Alteration
Modernization	\$1,055,500	\$1,205,500	5.55%
Contingencies	\$158,300	\$158,300	0%
Architectural and Engineering Fees	\$123,000	\$123,000	0%
Consulting and Other Fees	\$117,079	\$117,079	0%
Movable or Other Equipment	\$529,295	\$529,295	0%
FMV of Leased Space	\$718,840	\$718,840	0%
Total	\$2,702,014	\$2,852,014	5.55%
Cash	\$1,983,174	\$2,133,177	\$150,000
FMV of Leased Space	\$718,840	\$718,840	\$0
Total	2,702,014	\$2,852,014	\$150,000

The increased modernization and contingencies cost (\$218.56) exceed the State Board standard for 2019 (\$200.71 per GSF) by \$17.85 per GSF. (See Table Three). While the modernization and contingency costs are greater than the State Standard the State Statute allows for deviations from approved permit amount so long as the total approved amount stays within the limit (7%) established by the State Board.

TABLE THREE			
Reasonableness of Project Costs (Altered)			
		State Standard	
	Project Costs	%/GSF/Station	State Standard
Modernization Contracts and Contingencies (1)	\$1,363,800	\$218.56/GSF	\$200.71 per GSF
Contingencies	\$158,300	11.6%	10-15%
1. Modernization standard and contingency standard is \$200.71/GSF for 2019 (mid-point of construction) 2. Contingencies for modernization is 15% of modernization costs of \$1,055,500 3. Architectural and Engineering Fees is 10.36% of modernization and contingencies [Part 1120 Appendix A] 4. Movable Equipment standard is \$39,945 per station for 2008 inflated by 3% per year to 2018.			

17-013 DaVita Geneva Crossing - Carol Stream



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August 20, 2019

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Via Federal Express

Courtney Avery
Illinois Health Facilities and Services Review
Board
525 West Jefferson Street, 2nd Floor
Springfield, Illinois 62761

Re: Permit Alteration – Geneva Crossing Dialysis (Proj. No 17-013)

Dear Ms. Avery:

Pursuant to Section 1130.750 of the Illinois Health Facilities and Services Review Board (“HFSRB”) rules, I am writing on behalf of DaVita Inc., DuPage Medical Group Ltd. and Rockwood Dialysis, LLC (collectively, the “Permit Holders”) to request an alteration to the above referenced project. As you are aware, on July 24, 2018, the Illinois Health Facilities and Services Review Board (“HFSRB”) approved the Permit Holders’ Certificate of Need permit application to establish of a 12 station dialysis clinic to be located at 540-560 South Schmale Road, Carol Stream, Illinois (the “Project”). The application for this project was submitted on March 28, 2017, and due to the passage of time from application submission to approval, construction costs increased approximately \$150,000.

The Board’s rules allow for certain alterations to a project for which a permit has been issued. As set forth in 77 Ill. Admin. Code 1130.750, an increase up to 7% of the total approved project cost is an allowable alteration that requires Board approval. For your review, I have attached the following documents:

- Project Costs and Sources of Funds
- Attachment – 7 (Itemized Project Costs and Sources of Funds)
- Attachment – 9 (Cost Space Requirements)
- Availability of Funds
- Attachment – 36C (Reasonableness of Project and Related Costs)

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Ms. Courtney Avery
August 20, 2019
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By this letter, the Permit Holders request the Board approve this alteration. Enclosed is a \$1,000 check for the fee associated with the alteration.

Sincerely,

A handwritten signature in blue ink that reads "Anne M. Cooper".

Anne M. Cooper

Attachments

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 be equal.

Project Costs and Sources of Funds			
USE OF FUNDS	CLINICAL	NONCLINICAL	TOTAL
Preplanning Costs			
Site Survey and Soil Investigation			
Site Preparation			
Off Site Work			
New Construction Contracts			
Modernization Contracts	\$1,205,500		\$1,205,500
Contingencies	\$158,300		\$158,300
Architectural/Engineering Fees	\$123,000		\$123,000
Consulting and Other Fees	\$117,079		\$117,079
Movable or Other Equipment (not in construction contracts)	\$529,295		\$529,295
Bond Issuance Expense (project related)			
Net Interest Expense During Construction (project related)			
Fair Market Value of Leased Space or Equipment	\$718,840		\$718,840
Other Costs To Be Capitalized			
Acquisition of Building or Other Property (excluding land)			
TOTAL USES OF FUNDS	\$2,852,014		\$2,852,014
SOURCE OF FUNDS	CLINICAL	NONCLINICAL	TOTAL
Cash and Securities	\$2,133,177		\$2,133,177
Pledges			
Gifts and Bequests			
Bond Issues (project related)			
Mortgages			
Leases (fair market value)	\$718,840		\$718,840
Governmental Appropriations			
Grants			
Other Funds and Sources			
TOTAL SOURCES OF FUNDS	\$2,852,014		\$2,852,014
NOTE: ITEMIZATION OF EACH LINE ITEM MUST BE PROVIDED AT ATTACHMENT 7, IN NUMERIC SEQUENTIAL ORDER AFTER THE LAST PAGE OF THE APPLICATION FORM.			

Section I, Identification, General Information, and Certification
Project Costs and Sources of Funds

Table 1120.110			
Project Cost	Clinical	Non-Clinical	Total
Modernization Contracts	\$1,205,500		\$1,205,500
Contingencies	\$158,300		\$158,300
Architectural/Engineering Fees	\$123,000		\$123,000
Consulting and Other Fees	\$117,079		\$117,079
Moveable and Other Equipment			
Communications	\$68,644		\$68,644
Water Treatment	\$140,475		\$140,475
Bio-Medical Equipment	\$11,550		\$11,550
Clinical Equipment	\$210,444		\$210,444
Clinical Furniture/Fixtures	\$18,060		\$18,060
Lounge Furniture/Fixtures	\$3,855		\$3,855
Storage Furniture/Fixtures	\$5,862		\$5,862
Business Office Fixtures	\$30,905		\$30,905
General Furniture/Fixtures	\$27,500		\$27,500
Signage	\$12,000		\$12,000
Total Moveable and Other Equipment	\$529,295		\$529,295
Fair Market Value of Leased Space	\$718,840		\$718,840
Total Project Costs	\$2,852,014		\$2,852,014

Section I, Identification, General Information, and Certification
Cost Space Requirements

Cost Space Table							
Dept. / Area	Cost	Gross Square Feet		Amount of Proposed Total Gross Square Feet That Is:			
		Existing	Proposed	New Const.	Modernized	As Is	Vacated Space
CLINICAL							
ESRD	\$2,852,014		6,240	6,240			
Total Clinical	\$2,852,014		6,240	6,240			
NON REVIEWABLE							
Total Non-Reviewable							
TOTAL	\$2,852,014		6,240	6,240			

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):

- **Section 1120.120 Availability of Funds – Review Criteria**
- **Section 1120.130 Financial Viability – Review Criteria**
- **Section 1120.140 Economic Feasibility – Review Criteria, subsection (a)**

VI. 1120.120 - 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]:

<u>\$2,133,177</u>	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>\$718,840</u> <u>(FMV of</u> <u>Lease)</u>	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:
	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.

_____	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;
_____	f) Grants – a letter from the granting agency as to the availability of funds in terms of the amount and time of receipt;
_____	g) All Other Funds and Sources – verification of the amount and type of any other funds that will be used for the project.
<u>\$2,852,014</u>	TOTAL FUNDS AVAILABLE
APPEND DOCUMENTATION AS <u>ATTACHMENT 33</u>, IN NUMERIC SEQUENTIAL ORDER AFTER THE LAST PAGE OF THE APPLICATION FORM.	

Section X, Economic Feasibility Review Criteria
Criterion 1120.140(c), Reasonableness of Project and Related Costs

1. The Cost and Gross Square Feet by Department is provided in the table below.

COST AND GROSS SQUARE FEET BY DEPARTMENT OR SERVICE									
Department (list below) CLINICAL	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)	
CLINICAL									
ESRD		\$193.19			6,240			\$1,205,500	\$1,205,500
Contingency		\$25.37			6,240			\$158,300	\$158,300
TOTAL CLINICAL		\$218.56			6,240			\$1,363,800	\$1,363,800
NON- CLINICAL									
Admin									
Contingency									
TOTAL NON- CLINICAL									
TOTAL		\$218.56			6,240			\$1,363,800	\$1,363,800
* Include the percentage (%) of space for circulation									

2. As shown in Table 1120.310(c) below, the project costs are below the State Standard.

Table 1120.310(c)			
	Proposed Project	State Standard	Above/Below State Standard
Modernization Contracts & Contingencies	\$1,363,800	$\$200.71 \times 6,240 \text{ GSF} = \$1,252,430$	Above State Standard
Contingencies	\$158,300	10% - 15% Modernization Contracts $15\% \times \$1,205,500 = \$180,825$	Meets State Standard
Architectural/Engineering Fees	\$123,000	6.76% - 10.16% of New Modernization Contracts + Contingencies) $6.76\% - 10.16\% \times (\$1,205,500 + \$158,300) = \$1,363,800 = \$92,193 - \$138,562$	Meets State Standard

Table 1120.310(c)			
	Proposed Project	State Standard	Above/Below State Standard
Consulting and Other Fees	\$117,079	No State Standard	No State Standard
Moveable Equipment	\$529,295	\$55,293.22 per station x 12 stations \$55,293.22 x 12 = \$663,518.66	Below State Standard
Fair Market Value of Leased Space or Equipment	\$718,840	No State Standard	No State Standard