



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: January 15, 2019	PROJECT NUMBER: 17-021
PERMIT HOLDERS(S): Adventist Health System/Sunbelt, Inc. Adventist Health System, Adventist Health System Sunbelt Healthcare Corporation, Adventist Midwest Health Alexian Brothers-AHS Midwest Region Health Corporation		
FACILITY NAME and LOCATION: AMITA Health Woodridge Medical Clinics Building, Woodridge		

DESCRIPTION: The permit holders are requesting an Alteration to Permit #17-021, through a 2.6% increase in the overall project cost. This is the first alteration for this permit.

**STATE BOARD STAFF REPORT
ALTERATION TO PERMIT
PERMIT #17-021**

I. Project Description and Background

On July 28, 2017, the State Board approved Project #17-021, allowing the permit holders to establish a Medical Clinics Building in approximately 65,3613 GSF of space in Woodridge.

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

II. Alteration Request:

On December 7, 2018 the permit holders submitted a permit alteration request for Permit #17-021. The permit holders are requesting to increase the cost of the project from \$28,773,901 to \$29,532,651 or 2.6%, increase the gross square footage of Imaging space 1,250 DGSF, from 6,500 to 7,750 DGSF, and decreasing the gross square footage of physician office space from 40,970 to 39,720 DGSF, a reduction of 1,250 GSF. While there will be no increase in overall gross square footage related to the project, the clinical spatial consideration for Imaging will increase by 1,250 GSF, from 6,500 to 7,500 DSGF (19.2%).

TABLE ONE			
Alterations to Project Size			
#17-021 AMITA Health Woodridge Medical Clinics Building			
Dept./Area	Gross Square Feet		% Change
	Approved	Altered	
Imaging (Clinical)	6,500	7,750	1,250 (19.2%)
Physician Offices (Non-Clinical)	40,970	39,720	(1,250)(3%)
Difference	0	0	0

TABLE TWO			
Alterations to Project Cost			
#17-021 AMITA Health Woodridge Medical Clinics Building			
Dept./Area	Project Costs		% Change
	Clinical	Total	
Approved	\$10,260,238	\$28,773,901	
Altered	\$11,212,738 (7.3%)	\$29,532,651 (2.6%)	
Difference	\$952,500	\$758,750	2.6%

III. Reasons for the Proposed Alteration

The permit holders stated the reasons for the alteration are based on the decision to include an EOS X-Ray unit, which is used for the provision of upright spinal column imaging. As a result of this additional equipment, 1,250 GSF of space was transferred from the spatial allotment for Physician Office space (non-clinical), and added to the spatial allotment for Imaging services.

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. It is noted the amount of the modernization/contingencies costs will increase from \$173.39 per GSF, to \$178.80, which still meets the State Board standard identified at the time of permit approval of \$180.27 per GSF.

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.

VI. Project Costs and Sources of Funds

The permit holders are requesting to increase the cost of the project from \$28,773,901 to \$29,532,651 or \$758,750 (2.6%). The increased costs will be paid by an increase in the amount of cash and securities expended.

VII. Costs Space Requirements

The permit holders provided a revised cost space chart as required. The increased spatial considerations (1,250 GSF/8.5%) results from the repurposing of non-clinical space, which will be reduced by 1,250 GSF (2.4%).

VIII. 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 overall clinical gross square footage from 14,586 BGSF to 15,836 BGSF or 8.5%. The permit holders note the entirety of the spatial expansion will occur in clinical space, and the non-clinical space will actually decrease by 1,250 GSF (2.4%), from 51,027 BGSF, to 49,777 BGSF. Table Three outlines the size and cost variations associated with this alteration. Table Four outlines the departmental gross square footage (DGSF) that the State Board has size standards at Part 1110 Appendix B.

TABLE THREE					
Changes in Project Size/Project Cost: Alteration #17-021					
Existing			Altered		
Department/Area	Cost	Size	Cost	Size	Difference Cost/GSF
Clinical			Clinical		
Imaging	\$4,924,957	6,500	\$5,683,707	7,750	\$758,750/1,250 GSF
Lab/Specimen Collection	\$718,223	1,122	\$718,223	1,122	\$0/no change
Immediate Care	\$2,667,685	3,500	\$2,667,685	3,500	\$0/no change
PT/OT	\$1,949,462	3,464	\$1,949,462	3,464	\$0/no change
Total Clinical	\$10,260,328	14,586	\$11,212,738	15,836	\$758,750/1,250
Non-Clinical			Non-Clinical		
Physician's Offices	\$15,052,090	40,970	\$15,052,090	39,720	\$0/(1,250 GSF)
Ancillary/Port	\$79,608	217	\$79,608	217	\$0/no change
Public & Admin.	\$3,381,874	9,840	\$3,381,874	9,840	\$0/no change
Total Non-Clinical	\$18,513,572	65,613	\$18,513,572	64,363	\$0/(1,250 GSF)
TOTAL	\$28,773,901	65,6113	\$29,532,651	65,613	\$785,750/no change

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

VI. Economic Feasibility

A) **Criterion 1120.140(a) – Reasonableness of Financing Arrangements**

B) **Criterion 1120.140(b) – Terms of Debt Financing**

The permit holders maintain that project will be funded with cash and securities totaling \$19,654,045, and the Fair Market Value of a Lease (FMV) totaling 9,878,606. The audited financial statements and A Bond Rating filed with the initial application still attest to the applicants financial viability to complete this project in its altered state.

C) **Criterion 1120.140(c) - Reasonableness of Project and Related Costs**

To demonstrated compliance with this criterion the permit holder must document that the altered project costs are reasonable and do not exceed the approved permit amount.

All previous cost identified in this criterion are in compliance with State Board standards. Only the following two criteria changed as a result of the alteration.

Modernization and Contingencies – These costs increased from \$2,529,120 or \$173.39 GSF ($\$2,529,120/14,586=\173.39), to \$2,831,620. This calculates to \$178.80 per GSF ($\$2,831,620/15,836=\178.80). This appears reasonable when compared to the State Board Standard of \$180.27/GSF [2018 mid-point of construction].

Contingencies – These costs remained at \$145,860, which is 5.8% of modernization costs. This appears reasonable when compared to the State Board Standard of 10%.

Moveable and Other Equipment – These costs total \$5,835,012. The State Board does not have a State Board Standard for this cost, in reference to hospitals/medical office buildings.

THE STATE BOARD STAFF FINDS THE PROPOSED ALTERATION IS IN CONFORMANCE WITH THE REASONABLENESS OF PROJECT COSTS CRITERION (77 IAC 1120.140(c)).



Via FedEx

December 5, 2018

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

RECEIVED

DEC 07 2018

**HEALTH FACILITIES &
SERVICES REVIEW BOARD**

RE: Permit 17-021
AMITA Health Woodridge Medical
Clinics Building
Request for Renewal and Alteration Request

Dear Ms. Avery:

The above referenced project addresses the establishment of a 65,613 DGSF medical clinics building, having a project cost of \$28,773,901. The project was approved by the HFSRB on July 28, 2017, with a completion date of January 31, 2019.

Through this document, the Permit Holders respectfully request that the project completion date be changed to September 30, 2020; and that the project be altered in the following fashion:

- the addition of 1,250 DGSF of imaging space to house an EOS x-ray unit (for the provision of upright spinal column imaging) and the elimination of 1,250 DGSF physician office space (no net change to the size of the project)
- the addition of \$650,000 in equipment costs and \$315,000 in renovation/modernization costs to the project, both for the EOS unit
- the increasing of the approved project cost to \$29,532,651; as detailed below:

approved project cost:	\$28,773,901
+ EOS equipment	+\$650,000
+modernization for EOS (1,250 DGSF)	+\$302,500
-physicians' office modernization (1,250 DGSF)	<u>-\$193,750</u>
	\$29,532,651

In total, the project cost is proposed to increase by 2.6%, without any net change to the project size.

The alterations identified above will result in a modernization/contingency cost for the reviewable areas of \$179.60 per DGSF (\$2,844,120 ÷ 15,836). The State Board Standard at the time of the project's approval was \$180.27. Only, and as noted above, the modernization/renovation cost and the equipment cost will change from the levels originally approved; the other project costs, as identified in the CON application's *Project Costs and Sources of Funds* table, will not change.

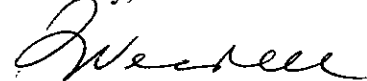
To date, approximately \$10,941,000 (including the FMV of the lease space) has been spent, equating to approximately 58% of the approved project cost. The primary components yet to be completed, as of the filing date of this letter are the ordering, delivery, and installation of the EOS unit, the build-out of the additional imaging space and other space, equipment installation, and the receipt and payment of invoices.

The request for additional time to complete the project is a result of a number of factors, including delays in the permitting process, the feasibility assessments associated with the decision to acquire the EOS unit, and the post-alteration approval time required to build out the required space, as well as to receive and install the EOS unit.

Enclosed please find a check for \$1,500.00, as the required alteration and renewal fees.

Should any additional information be required, please contact Jack Axel.

Sincerely,



Peg Wendell
Executive Vice President and
Chief Legal Officer