



STATE OF ILLINOIS HEALTH FACILITIES AND SERVICES REVIEW BOARD

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

D-01	BOARD MEETING: August 6, 2019	PROJECT NUMBER: 17-030
PERMIT HOLDERS(S): University of Wisconsin Hospitals & Clinics Authority, SwedishAmerican Health System Corporation and SwedishAmerican Hospital		
FACILITY NAME and LOCATION: SwedishAmerican Hospital Medical Office Building, Rockford, Illinois		

DESCRIPTION: The State Board is being asked to consider an alteration to Permit #17-030 Swedish American Hospital Medical Office Building in accordance with 77 IAC 1130.750 – Alteration of the Project.

STATE BOARD STAFF REPORT
PERMIT ALTERATION REQUEST
Project #17-030

I. Project Description and Background Information

On November 14, 2017, the State Board approved Project #17-030. The permit holders were authorized to construct a 4-story Medical Office Building in 67,675 GSF of space at a cost of \$ 23,833,311 in Rockford, Illinois. There is no change in the project scope or funding as the project is funded entirely by cash. The completion date is September 30, 2019.

II. The Proposed Alteration

A. The following proposed alterations require State Board approval:

1. The permit holders are requesting to increase the cost of the project from \$23,833,311 to \$25,266,473 an increase of \$1,433,162 or 4.7% of the approved permit amount (Table Two below).
2. The permit holders are requesting to increase the gross square footage ("GSF") from 67,675 GSF to 70,875 GSF an increase of 3,200 GSF or 6.0% increase from the approved permit amount (Table Three below).

B. Reason(s) for the Proposed Alteration:

The Permit Holders stated *"the alterations relate to changes to square footage, and related costs, to improve efficiencies and work flow in medical staff areas by widening work areas resulting in increased square footage. In addition, there were unanticipated soil conditions which affected the foundation and parking areas that had to be remediated. Also, the Fire Department required fire hydrant and main gas supply shut-off valves."*

State Board Staff Notes: Preplanning costs have been added to the cost of this project. This cost was not approved as part of the original permit approval. The Permit Holders stated *"please note that the alteration reflects preplanning costs totaling \$84,564. These were included in the original project costs under different line items and are being moved to preplanning costs as they were approved prior to the filing of the CON application."*

Per 20 ILCS 3960/5 *"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."*

The Proposed Alteration to Permit #17-030 does not exceed the limit set forth under Board rules of 7% of the Total Approved Permit Amount and 5% of the Approved Total Gross Square Feet.

III. Applicable Rules

77 IAC 1130.750 specifies that a permit is valid only for the project as defined in the application and any change to the project after permit issuance constitutes an Alteration to the project.

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, if 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).*

IV. Board Criteria Affected by the Proposed Alteration Request

- 77 IAC 1110.120 (a) – Size of the Proposed Project
- 77 IAC 1120.140 (c) – Reasonableness of Project Costs

V. Size of Project

A) **Criterion 1110.120 (a) - Size of Project**

The applicant shall document that the amount of physical space proposed for the project is necessary and not excessive. The proposed gross square footage (GSF) cannot exceed the GSF standards of Appendix B, unless the additional GSF can be justified by documenting one of the following:

- 1) Additional space is needed due to the scope of services provided, justified by clinical or operational needs, as supported by published data or studies;*
- 2) The existing facility's physical configuration has constraints or impediments and requires an architectural design that results in a size exceeding the standards of Appendix B;*
- 3) The project involves the conversion of existing bed space that results in excess square footage.*

The permit increased the size of the reviewable portion of the project by 150 GSF. As seen in the table below the permit holders remain in compliance with 77 ILAC 1110.120 (a) – Size of the Project.

TABLE ONE Size of the Reviewable Gross Square Footage						
Department	Unit	Original GSF	Alteration GSF	Difference	State Standard	Met Standard
Radiology X Ray	2	1,450	1,450	0	1,300 GSF per Unit	Yes
Ultra Sound	2	817	817	0	900 GSF per Unit	Yes
Lab w/Draw Stations	1	2,395	2,545	150	No Standard	No Standard
Total Reviewable		4,662	4,812	150		

STATE BOARD STAFF FINDS THE PROPOSED ALTERATION IN CONFORMANCE WITH CRITERION SIZE OF THE PROJECT (77 ILAC 1110.120 (a))

VI. Review Criteria - Economic Feasibility

A. **Criterion 1120.140 (c) – Reasonableness of Project Cost**

The criteria states: The applicant shall document that the estimated project costs are reasonable.

The State Board Staff notes only the clinical portions of the project were compared to the approved State Board Standard amounts.

Preplanning Costs – This cost is \$5,733, or less than 1% of construction, contingencies and equipment. This appears reasonable when compared to the State Board Standard of 1.8%.

Site Survey and Site Preparation – These costs are \$125,525 and are 10.12% of new construction and contingency costs of \$1,239,405 ($\$125,525 \div \$1,239,405 = 10.12\%$). This appears HIGH when compared to the approved State Board Standard of 5%.

New Construction and Contingency – These costs total \$1,239,405 or \$257.40 per GSF. This exceeds the approved State Board Standard of \$252.49 per GSF or \$23,642.

Contingencies - This cost is \$16,973, or 1.3% of new construction costs. This appears reasonable compared to the approved State Board Standard of 10%.

Architectural and Engineering Fees – The total cost for this component is \$112,444 or 9.07% of new construction and contingency. This appears reasonable when compared to the approved State Board standard of 11.69%.

Consulting and Other Fees – This cost is \$18,824. The State Board does not have a standard for this cost.

Moveable Equipment - These costs total \$212,779. The State Board does not have a standard for medical office-based equipment.

While the proposed alteration exceeds the line item State Board Standard's for site survey site preparation and new construction and contingencies; the total permit amount is within the 7% limit established by the State Board at 77 ILAC 1130.750.

THE STATE BOARD STAFF FINDS THE PROPOSED ALTERATION APPEARS TO BE IN CONFORMANCE WITH THE REASONABLENESS OF PROJECT COST CRITERION (77 IAC 1120.140(c)).

TABLE TWO
Project Costs and Sources for Funds

	Approved Permit Amount			Proposed Alteration			Difference	
Use of Funds	Reviewable	Non-Reviewable	Total	Reviewable	Non-Reviewable	Total	Total Difference	% of Difference
Preplanning	0	0	0.00	\$5,733	\$78,831	\$84,564	\$84,564	100%
Site Survey and Soil Investigation	\$1,140	\$17,860	\$19,000	\$1,218	\$16,747	\$17,965	-\$1,035	-5.45%
Site Preparation	\$104,544	\$1,637,856	\$1,742,400	\$124,307	\$1,709,134	\$1,833,442	\$91,042	5.23%
New Construction Contracts	\$961,250	\$15,957,500	\$16,918,750	1,222,432	\$16,783,633	\$18,006,065	\$1,087,315	6.43%
Contingencies	\$67,870	\$1,063,291	\$1,131,161	\$16,973	\$233,028	\$250,001	-\$881,160	-77.90%
Architectural/Engineering Fees	\$91,920	\$1,440,080	\$1,532,000	\$112,444	\$1,546,015	\$1,658,459	\$126,459	8.25%
Consulting and Other Fees	\$6,000	\$94,000	\$100,000	\$18,824	\$258,822	\$277,646	\$177,646	177.65%
Movable or Other Equipment (not in construction)	\$350,000	\$2,040,000	\$2,390,000	\$212,779	\$2,925,554	\$3,138,333	\$748,333	31.31%
Total Uses of Funds	\$1,582,724	\$22,250,587	\$23,833,311	\$1,714,710	\$23,551,764	\$25,266,473	\$1,433,162	6.01%
Cash			\$23,833,311			\$25,266,473		

TABLE THREE Size and Cost of Project by Department								
	Cost				Gross Square Feet			
Department	Original	Alteration	Differences	% of Difference	Original	Alteration	Differences	% of Difference
Radiology X Ray	\$362,500	\$368,378	\$5,878	1.62%	1,450	1,450	0	0
Ultra Sound	\$204,250	\$207,562	\$3,312	1.62%	817	817	0	0
Lab/Draw Stations	\$598,750	\$646,567	\$47,817	7.99%	2,395	2,545	150	6.26%
Total Reviewable	\$1,165,500	\$1,222,507	\$57,007	4.89%	4,662	4,812	150	3.22%
Provider Work Space/Offices	\$3,008,750	\$3,446,240	\$437,490	14.54%	12,035	13,565	1,530	12.71%
Administration/Conference	\$1,066,250	\$1,112,756	\$46,506	4.36%	4,265	4,380	115	2.70%
Exam/Patient Space	\$3,734,500	\$3,795,056	\$60,556	1.62%	14,938	14,938	0	0.00%
Staff Support Space	\$1,025,000	\$1,073,377	\$48,377	4.72%	4,100	4,225	125	3.05%
Public Areas/Circulation	\$4,403,750	\$4,546,293	\$142,543	3.24%	17,615	17,895	280	1.59%
Stairs Elevators	\$785,000	\$797,729	\$12,729	1.62%	3,140	3,140	0	0.00%
Bldg. Support/Storage/Mech/Toilets	\$1,730,000	\$2,012,106	\$282,106	16.31%	6,920	7,920	1,000	14.45%
Total Nonreviewable	\$15,753,250	\$16,783,557	\$1,030,307	6.54%	63,013	66,063	3,050	4.84%
Total	\$16,918,750	\$18,006,064	\$1,087,314	6.43%	67,675	70,875	3,200	4.73%

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June 21, 2019

VIA EMAIL AND OVERNIGHT DELIVERYCourtney R. Avery
Administrator
Illinois Health Facilities and Services
Review Board
525 West Jefferson Street
2nd Floor
Springfield, IL 62761**RECEIVED**

JUN 24 2019

**HEALTH FACILITIES &
SERVICES REVIEW BOARD****Re: SwedishAmerican Hospital, Project 17-030, Medical Office Building, Rockford
First Permit Alteration Request, and Request for Expedited Review**

Dear Ms. Avery:

SwedishAmerican Hospital is requesting an alteration to Project #17-030, a medical office building in Rockford, which was approved on November 14, 2017. The approved total project costs are \$23,833,311 and total square footage is 67,675 gsf. This alteration seeks an increase of 3,200 gsf to 70,875 gsf, which is a 4.7% increase in square footage, and an increase in project costs of \$1,433,162 to \$25,266,473, which is a 6.0% increase in total project costs. A check in the amount of \$1,000 for the alteration fee is included with the hard copy of this letter.

As discussed in the applicant's technical assistance meeting with the Review Board's Staff on June 20, 2019, the alterations relate to changes to square footage, and related costs, to improve efficiencies and work flow in medical staff areas by widening work areas resulting in increased square footage. In addition, there were unanticipated soil conditions which affected the foundation and parking areas that had to be remediated. Also, the Fire Department required fire hydrant and main gas supply shut-off valves. As discussed at the technical assistance meeting, we will be providing Ms. Jeannie Mitchell with the date additional expenditures were incurred or paid as soon as those dates are determined.

Included with this request are the following tables reflecting the requested alteration:

- Project Cost and Source of Funds (Page 5)
- Itemization of Project Cost and Source of Funds (Attachment 7)
- Project Costs and Space Requirements Chart (Attachment 9)
- Size of Project (Attachment 14)

Courtney R. Avery
June 21, 2019
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Please note that the alteration reflects preplanning costs totaling \$84,564 which are itemized on Attachment 7. These were included in the original project costs under different line items and are being moved to preplanning costs as they were approved prior to the filing of the CON application.

We are requesting that the review of this request be scheduled for the Review Board's August 6 meeting as the Project Completion Date is September 30, 2019.

Please contact me if the Review Board's Staff desires any additional information relating to this request for alteration.

Sincerely,
Barnes & Thornburg LLP



Daniel J. Lawler

Enclosures

cc: Mike Constantino, Lead Project Reviewer
Ms. Jedediah Cantrell, VP of Operations, SwedishAmerican Health System

Project Costs and Sources of Funds

	Original Approved Application 08/03/2017					Requested Alteration		
	Clinical/Reviewable	Non-Clinical	Total	Clinical/Reviewable	Non-Clinical	Total		
Uses of Funds								
Preplanning Costs	\$ -	\$ -	\$ -	\$ 5,733	\$ 78,831	\$ 84,564		
Site Survey	\$ 1,140	\$ 17,860	\$ 19,000	\$ 1,218	\$ 16,747	\$ 17,965		
Site Preparation	\$ 104,544	\$ 1,637,856	\$ 1,742,400	\$ 124,307	\$ 1,709,134	\$ 1,833,442		
Off-Site Work	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -		
New Construction Contracts	\$ 961,250	\$ 15,957,500	\$ 16,918,750	\$ 1,222,432	\$ 16,783,633	\$ 18,006,064		
Modernization Contracts	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -		
Contingencies	\$ 67,870	\$ 1,063,291	\$ 1,131,161	\$ 16,973	\$ 233,028	\$ 250,000		
Architectural/Engineering Fees	\$ 91,920	\$ 1,440,080	\$ 1,532,000	\$ 112,444	\$ 1,546,015	\$ 1,658,459		
Consulting and Other fees	\$ 6,000	\$ 94,000	\$ 100,000	\$ 18,824	\$ 258,822	\$ 277,646		
Movable and Other Equipment	\$ 350,000	\$ 2,040,000	\$ 2,390,000	\$ 212,779	\$ 2,925,554	\$ 3,138,333		
Total Costs	\$ 1,582,724	\$ 22,250,587	\$ 23,833,311	\$ 1,714,710	\$ 23,551,763	\$ 25,266,473		
Sources of Funds:								
Cash and Securities	\$ 1,582,724	\$ 22,250,587	\$ 23,833,311	\$ 1,714,710	\$ 23,551,763	\$ 25,266,473		
Total Funds	\$ 1,582,724	\$ 22,250,587	\$ 23,833,311	\$ 1,714,710	\$ 23,551,763	\$ 25,266,473		

SwedishAmerican Hospital, Project #17-030

SIZE OF PROJECT

DEPARTMENT/SERVICE	# of Units	Proposed DGSF	Proposed DGSF/Unit	State Standard DGSF	Difference	Met Standard
Radiology - X-ray	2	1,450	725	1,300	-575	Yes
Ultra-Sound	2	817	409	900	-491	Yes
Exam Rooms	89	66,063	742	800	-58	Yes
Lab w/ Draw Stations	1	2,545	2,545	None	NA	NA

Itemization of Project Costs

Preplanning Costs - \$84,564

Prefiling professional services; geotechnical engineering services; aerial imaging and conceptual planning; professional mock-up medical office bu

Site Survey and Soil Investigation - \$17,965

As-built topographic survey of the property with boundary & utility service verification.
Soil borings and resulting geotechnical report.

Site Preparation - \$1,833,461

New improvements to the 10-acre site – excavation, grading, storm water management, utility service connections, pavement, curbs, sidewalks, landscaping, lawn irrigation.

New Construction Contracts - \$18,006,064

Construction activities for new 70,875 gsf building – foundations, steel framing, exterior wall systems (masonry/ curtain wall), drop-off canopy construction, roofing system, rooftop mechanical screen system, vertical circulation systems (3 elevators/ 2 stairways), interior wall/ ceiling/ millwork construction, interior finishes, mechanical/ electrical/ plumbing/ fire protection systems, technology systems rough-in/ support, dumpster area construction, general conditions, contractor overhead/ profit/ fee.

Contingencies - \$250,000

1.3% contingency based on all cost line items for unforeseen circumstances included in construction.

Architectural/ Engineering Fees - \$1,658,459

A/E services include site planning/ engineering, all phases of architectural & interior design, structural engineering, mech/ elec/ plumb/ fire protection engineering, landscape architecture, bidding & construction administration.

Consulting and Other Fees - \$277,646

Professional fees for CON application process, legal counsel for consulting contracts & CON process, technology systems planning, commissioning.

Movable or Other Equipment - \$3,138,333

Medical equipment/ furniture/ accessories, business/ technology equipment & systems, appliances, furniture, artwork/ messaging systems, signage, window treatments.

New major medical equipment will be 2 X-ray units for the ground floor radiology area.

COST SPACE REQUIREMENTS

									Attachment 9
Department	Total Construction Cost	Gross Square Feet		Amount of Proposed Total GSF that Is:					
		Existing	Proposed	New Construction	Remodeled	As Is	Vacated Space		
Reviewable/Clinical									
Radiology Xray	\$ 368,378		1,450	1,450					
Ultra-Sound	\$ 207,562		817	817					
Lab/ Draw Stations	\$ 646,567		2,545	2,545					
Total Reviewable/Clinical	\$ 1,222,507		4,812	4,812					
Non-Reviewable									
Provider Work Space/ Offices	\$ 3,446,240		13,565	13,565					
Administration/ Conference	\$ 1,112,756		4,380	4,380					
Exam/ Patient Space	\$ 3,795,056		14,938	14,938					
Staff Support Space	\$ 1,073,377		4,225	4,225					
Public Areas/Circulation	\$ 4,546,293		17,895	17,895					
Stairs / Elevators	\$ 797,729		3,140	3,140					
Bldg Support/ Stor / Mech/ Toilets	\$ 2,012,106		7,920	7,920					
Other Non-Reviewable Construction Cost	\$ 16,783,557		66,063	66,063					
Total Construction Cost	\$ 18,006,064		70,875	70,875					