

CHARLES H. FOLEY & ASSOCIATES INC.

1638 South MacArthur Boulevard • Springfield, Illinois 62704
217/544-1551 • Fax: 217/544-3615 • E-mail: foley.associates@sbcglobal.net

HAND DELIVERED

June 15, 2010

RECEIVED

JUN 17 2010

Mr. Michael Constantino,
Project Review Supervisor
**Illinois Health Facilities and
Services Review Board**
525 West Jefferson Street, 2nd Floor
Springfield, Illinois 62761

HEALTH FACILITIES &
SERVICES REVIEW BOARD

Re: Project Number **10-007**, Manor Court of
Freeport

Dear Mr. Constantino:

Please accept this letter on behalf of the Applicant on the above referenced project in response to your May 6, 2010 request for additional information. Specifically, in accordance with your request, this submittal serves to modify the proposed project through the increase in project cost which now includes the fair market value of the existing structures. Since the fair market value of the proposed 90-beds equates to \$5,694,570 it exceeds the 10 percent requirement that deems this change a "Type A" modification. The following will outline the required items for this change.

1. Appended as **EXHIBIT I**, is a revised Project Cost and Sources of Funds page (page 6 in the CON application as originally submitted). Additionally, appended as **EXHIBIT II**, is the justification for the fair market value.
2. Appended **EXHIBIT III** is a revised Cost Space Requirements page (page 8 in the CON application as originally submitted).
3. Appended as **EXHIBIT IV**, is a revised Criterion 1120.210(b) Availability of Funds page (page 24 in the CON application as originally submitted).
4. In accordance with similar technical assistance discussions, it was stated that Criterion 1120.310(c1) would be applicable and need to be revised. However, after altering the Project Cost and Sources of Funds chart it was apparent that the construction, modernization and contingency line items do not change and therefore, revising this item does not appear to be germane.



Health Care Consulting

Mr. Michael Constantino

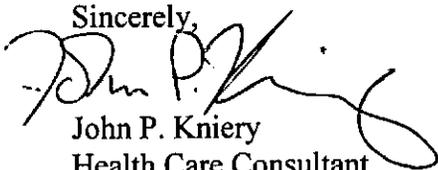
June 9, 2010

Page Two

The Applicant understanding that as this State requested modification represents a "Type A" project modification, the opportunity for a public hearing is offered. Furthermore, as no public hearing was originally requested, the Applicant **does not** request one now. However, should one be requested, do not hesitate to contact the Applicant for assistance in expediting the set-up and holding of a public hearing.

The timing of this project is very important to this Applicant. Being able to appear and present before the Health Facilities and Services Review Board at its July 27th meeting is the goal of this Applicant. Upon review of this information and the complete review of the Certificate of Need application, should you or your staff have any questions or concerns, do not hesitate to contact me.

Sincerely,



John P. Kniery
Health Care Consultant

ENCLOSURES

C: Ronald J. Wilson, CFO
Charles P. Sheets, Attorney at Law

Project Costs and Sources of Funds**REVISED JUNE 14, 2010**

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-clinical components that are not related to the provision of health care, complete the second column of the table below. See 20 ILCS 3960 for definition of non-clinical. Note, the use and sources of funds must equal.

Project Costs and Sources of Funds			
USE OF FUNDS	CLINICAL	NON-CLINICAL	TOTAL
Preplanning Costs			
Site Survey and Soil Investigation			
Site Preparation			
Off Site Work			
New Construction Contracts			
Modernization Contracts			
Contingencies			
Architectural/Engineering Fees			
Consulting and Other Fees			
Movable or Other Equipment (not in construction contracts)			
Bond Issuance Expense (project related)			
Net Interest Expense During Construction (project related)			
Fair Market Value of Leased Space or Equipment	\$4,486,834	\$1,207,736	\$5,694,570
Other Costs To Be Capitalized			
Acquisition of Building or Other Property (excluding land)			
TOTAL USES OF FUNDS	\$4,486,834	\$1,207,736	\$5,694,570
SOURCE OF FUNDS	CLINICAL	NON-CLINICAL	TOTAL
Cash and Securities			
Pledges			
Gifts and Bequests			
Bond Issues (project related)			
Mortgages			
Leases (fair market value)	\$4,486,834	\$1,207,736	\$5,694,570
Governmental Appropriations			
Grants			
Other Funds and Sources			
TOTAL SOURCES OF FUNDS	\$4,486,834	\$1,207,736	\$5,694,570
NOTE: ITEMIZATION OF EACH LINE ITEM MUST BE PROVIDED AT ATTACHMENT-7, IN NUMERIC SEQUENTIAL ORDER AFTER THE LAST PAGE OF THE APPLICATION FORM.			

EXHIBIT I

Attachment-7

Fair Market Valuation

The final realized project cost on Project Number 03-063 was \$2,659,834. The project was for 45 nursing care beds or \$59,107 per bed. The proposed project (Project Number 10-007) is doubling the licensed bed count. Therefore, on a per bed basis, the project base cost is \$5,319,668.

Inflation (deflation) statistics from similar projects have cited Saylor Subcontractor Cost Index in their fair market value determination. The factors for the respective years are:

2006: The project was completed equating to \$5,319,668

2007: 5.3% equating to \$5,601,610

2008: 1.8% equating to \$5,702,439

2009: 1.9% equating to \$5,810,785

2010: -2% equating to \$5,694,570

Total Fair Market Value = \$5,694,570

The Clinical Cost are derived from clinical square footage which is approximately 78.8% of total square footage and Non-clinical Cost are derived non-clinical square footage which is 21.2% of total square footage.

The Project Cost and Sources of Funds page therefore shows total clinical cost to be \$4,486,834 and a total non-clinical cost of \$1,207,736. Thus, the application fee should be \$9,871.03 for the clinical portion of the project and \$1,328.51 for the non-clinical portion of the project. This calculation shows that the total application fee should be \$11,299.54 with the Applicant already having paid \$2,500 toward that fee in their initial application fee paid on March 1, 2010 when the application was originally submitted. Therefore, all that should be due is \$8,699.54.

EXHIBIT II

Cost Space Requirements**REVISED June 14, 2010**

Provide in the following format, the department/area GSF and cost. 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.**

Department/Area	Cost	Gross Square Feet		Amount of Proposed Total Gross Square Feet That Is:			
		Existing	Proposed	New Const.	Modernized	As Is	Vacated Space
CLINICAL	-	-	-	-	-	-	-
Nursing	\$3,203,428	8,964	25,824	0	N/A	25,824	N/A
Living/Dining/Activity	\$668,249	2,184	5,387	0	N/A	5,387	N/A
Kitchen/Food Service	\$208,401	1,680	1,680	0	N/A	1,680	N/A
P.T./O.T.	\$54,581	440	440	0	N/A	440	N/A
Laundry	\$182,475	680	1,471	0	N/A	1,471	N/A
Janitor Closets	\$47,883	150	386	0	N/A	386	N/A
Baths/Toilets	\$100,727	324	812	0	N/A	812	N/A
Beauty/Barber	\$21,088	170	170	0	N/A	170	N/A
Total Clinical	\$4,486,834	14,592	36,170	0	N/A	36,170	N/A
NON CLINICAL				0	N/A	0	N/A
Office/Administration	\$183,592	680	1,480	0	N/A	1,480	N/A
Employee Lounge/ Locker/Training	\$0 \$22,329			0	N/A	0	N/A
Mechanical/Electrical	\$86,834	200	700	0	N/A	700	N/A
Lobby	\$39,696	320	320	0	N/A	320	N/A
Storage/Maintenance Corridor/Public Toilets	\$159,402 \$715,884	450 2,208	1,285 5,771	0	N/A	1,285 5,771	N/A
Stair/Elevators	\$0	0	0	0	N/A	0	N/A
Total Non-clinical	\$1,207,736	4,038	9,736	0	N/A	9,736	N/A
TOTAL	\$5,694,570	18,630	45,906	0	N/A	45,906	N/A

APPEND DOCUMENTATION AS ATTACHMENT-8, IN NUMERIC SEQUENTIAL ORDER AFTER THE LAST PAGE OF THE APPLICATION FORM.

EXHIBIT III

REVIEW CRITERIA RELATING TO FINANCIAL FEASIBILITY (FIN)
(continued)

B. Criterion 1120.210(b), Availability of Funds

REVISED JUNE 14, 2010

If proof of an "A" or better bond rating has not been provided, read the criterion and document that sufficient resources are available to fund the project and related costs including operating start-up costs and operating deficits. Indicate the dollar amount to be provided from the following sources:

_____ **Cash & Securities**

Provide statements as to the amount of cash/securities available for the project. Identify any security, its value and availability of such funds. Interest to be earned or depreciation account funds to be earned on any asset from the date of application submission through project completion are also considered cash.

_____ **Pledges**

For anticipated pledges, provide a letter or report as to the dollar amount feasible showing the discounted value and any conditions or action the applicant would have to take to accomplish goal. The time period, historical fund raising experience and major contributors also must be specified.

_____ **Gifts and Bequests**

Provide verification of the dollar amount and identify any conditions of the source and timing of its use.

_____ **Debt Financing (indicate type(s) _____)**

For general obligation bonds, provide amount, terms and conditions, including any anticipated discounting or shrinkage) and proof of passage of the required referendum or evidence of governmental authority to issue such bonds;

For revenue bonds, provide amount, terms and conditions and proof of securing the specified amount;

For mortgages, provide a letter from the prospective lender attesting to the expectation of making the loan in the amount and time indicated;

For leases, provide a copy of the lease including all terms and conditions of the lease including any purchase options.

_____ **Governmental Appropriations**

Provide 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, provide a resolution or other action of the governmental unit attesting to such future funding.

_____ **Grants**

Provide a letter from the granting agency as to the availability of funds in terms of the amount, conditions, and time or receipt.

\$5,694,570 **Other Funds and Sources FAIR MARKET VALUE**

Provide verification of the amount, terms and conditions, and type of any other funds that will be used for the project.

\$5,694,570 **TOTAL FUNDS AVAILABLE**

C. Criterion 1120.210(c), Operating Start-up Costs

If proof of an "A" or better bond rating has not been provided, indicate if the project is classified as a Category B project that involves establishing a new facility or a new category of service? Yes No . If yes is indicated, read the criterion and provide in the space below the amount of operating start-up costs (the same as reported in Section I of this application) and provide a description of the items or components that comprise the costs. Indicate the source and amount of the financial resources available to fund the operating start-up costs (including any initial operating deficit) and reference the documentation that verifies sufficient resources are available.

APPEND DOCUMENTATION AS ATTACHMENT 75, IN NUMERICAL ORDER AFTER THE LAST PAGE OF THE APPLICATION FORM.

EXHIBIT IV