



STATE OF ILLINOIS
HEALTH FACILITIES AND SERVICES REVIEW BOARD

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

MEMORANDUM

TO: Mike Constantino, Chief – Program Review Section
Division of Health Systems Development

FROM: Dale Galassie, Chairman
Illinois Health Facilities Planning Board

RE: Alteration Request for Project # 12-003

Facility: Holy Family Villa – Palos Park

This is to advise you that I have reviewed the above-captioned alteration request within the requirements in 77 IAC 1130.750 and have determined the following:

The request is in compliance with the requirements in 77 IAC 1130.750 and the alteration request is approved.

This request is to be reviewed by the Health Facilities Planning Board.

This request is DENIED effective _____ because it does **NOT** comply with the requirements specified in 77 IAC 1130.730.

Other actions as follows:

Dale Galassie, Chairman
Illinois Health Facilities Planning Board

6-13-13

Date



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DOCKET ITEM NUMBER: NA	BOARD MEETING: NA	PROJECT NUMBER: #12-003
PERMIT HOLDERS(S): Holy Family Villa, The Catholic Bishop of Chicago, Charities of the Archdiocese of Chicago		
FACILITY NAME and LOCATION: Holy Family Villa, Palos Park		

Project Description:

The permit holders are requesting an alteration to Permit #12-003, Holy Family Villa, Palos Park in accordance with 77 IAC 1130.750 – Alteration of the Project. **This is the first alteration request for this project.**



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STATE AGENCY REPORT
PERMIT ALTERATION REQUEST

Project #12-003

I. Project Description and Background Information

On April 17, 2012 the State Board approved Permit #12-003. The permit holders are approved for the addition of 30 long term care beds in 35,194 GSF of new space and 2,076 GSF of modernized space. The facility is located at 12220 South Will Cook Road. Palos Park, Illinois and will have a total of 129 long term care beds at the conclusion of the project. The approved permit amount is \$10,871,749.

The project is being funded through a combination of cash and securities.

I. The Proposed Alteration

A. The following proposed alterations require State Board approval:

The permit holders are proposing to increase the cost of the permit from \$10,871,749 to \$11,609,781 or \$738,032 an increase of 6.89%.

B. Reason(s) for the Proposed Alteration:

Holy Family Villa requests to increase Project costs by 6.89%. According to the applicants *"the increased construction costs are related various reasons, including ComEd's request to relocate utilities, requests by local government entities as part of the permitting cost, and certain other construction related costs. There is no change in the scope or size of the clinical."*

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 subsequent to permit issuance constitutes an Alteration to the project.

Allowable alterations that require HFPB action are:

- 1) a change in the approved number of beds or stations provided that the change would not independently require a permit or exemption from HFPB;
- 2) abandonment of an approved category of service established under the permit;



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- 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 5% 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 5% 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;
- 7) any increase in the project costs components (i.e., line item amounts) if the increase is not in compliance with the 77 Ill. Adm. Code 1120 review criteria; or
- 8) any change that substantially changes the scope or changes the functional operation of the project, as defined in Section 1130.140.

V. Summary of State Agency Findings

All findings from the Original State Agency Report remain unchanged.

VI. Projects Costs and Sources of Funds

Table One shows the original project costs and the altered project costs.

TABLE ONE						
Project Costs and Source of Funds						
Project 12-003 Holy Family Villa, Palos Park						
Use of Funds	Approved Permit Amounts			Altered Amounts		% change
	Clinical	Non - Clinical	Total	Clinical	Total	
Preplanning Costs	\$70,000	\$1,000	\$71,000	\$131,561	\$132,561	86.706%
Site Survey & Soil Investigation	\$51,283	\$1,000	\$52,283	\$70,000	\$71,000	35.799%
Site Preparation	\$315,985	\$15,000	\$330,985	\$239,743	\$254,743	-23.035%
Off Site Work	\$406,160	N/A	\$406,160	\$667,815	\$667,815	64.422%
New Construction Contracts	\$6,903,100	\$283,122	\$7,186,222	\$7,774,667	\$8,057,789	12.128%
Modernization Contracts	\$290,402	N/A	\$290,402	\$290,402	\$290,402	0.000%



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TABLE ONE

Project Costs and Source of Funds

Project 12-003 Holy Family Villa, Palos Park

	Approved Permit Amounts			Altered Amounts		% change
Contingencies	\$719,350	\$28,312	\$747,662	\$188,008	\$216,320	-71.067%
Architectural & Engineering Fees	\$652,978	N/A	\$652,978	\$719,214	\$719,214	10.144%
Consulting & Other Fees	\$374,460	N/A	\$374,460	\$257,460	\$257,460	-31.245%
Moveable & Other Equipment	\$426,747	N/A	\$426,747	\$581,627	\$581,627	36.293%
Other Costs to be Capitalized	\$332,850	N/A	\$332,850	\$360,850	\$360,850	8.412%
Totals	\$10,543,315	\$328,434	\$10,871,749	\$11,281,347	\$11,609,781	6.789%
Source of Funds					\$0	
Cash & Securities	\$10,543,315	\$328,434	\$10,871,749	\$11,281,347	\$11,609,781	6.789%
Total	\$10,543,315	\$328,434	\$10,871,749	\$11,281,347	\$11,609,781	6.789%

VII. 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:

- 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. Provide a list of confirmed pledges from major donors (over \$100,000);**
- c) **Gifts and Bequests – verification of the dollar amount, identification of any conditions of use, and the estimated time table of receipts;**



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- 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;**
- 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.**

The total estimated project cost is \$11,281,347 and the applicant will fund the entirety of the project with cash and securities (internally funded). The applicant has also provided a copy of an independent audit that verifies sufficient resources to adequately finance the proposed project.

THE STATE AGENCY FINDS THE PROPOSED PROJECT APPEARS TO MEET THE REQUIREMENTS OF THE AVAILABILITY OF FUNDS CRITERION (77 IAC 1120.120)



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VIII. 1120.130 - Financial Viability

a) Financial Viability Waiver

The applicant is NOT required to submit financial viability ratios if:

- 1) all project capital expenditures, including capital expended through a lease, are completely funded through internal resources (cash, securities or received pledges); or

HFSRB NOTE: Documentation of internal resources availability shall be available as of the date the application is deemed complete.

- 2) the applicant's current debt financing or projected debt financing is insured or anticipated to be insured by Municipal Bond Insurance Association Inc. (MBIA), or its equivalent; or

HFSRB NOTE: MBIA Inc is a holding company whose subsidiaries provide financial guarantee insurance for municipal bonds and structured financial projects. MBIA coverage is used to promote credit enhancement as MBIA would pay the debt (both principal and interest) in case of the bond issuer's default.

- 3) the applicant provides a third-party surety bond or performance bond letter of credit from an A rated guarantor (insurance company, bank or investing firm) guaranteeing project completion within the approved financial and project criteria.

b) Viability Ratios

The applicant or co-applicant that is responsible for funding or guaranteeing funding of the project shall provide viability ratios for the latest three years for which audited financial statements are available and for the first full fiscal year at target utilization, but no more than two years following project completion. When the applicant's facility does not have facility specific financial statements and the facility is a member of a health care system that has combined or consolidated financial statements, the system's viability ratios shall be provided. If the health care system includes one or more hospitals, the system's viability ratios shall be evaluated for conformance with the applicable hospital standards. The latest three years' audited financial statements shall consist of:

- 1) Balance sheet;



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- 2) Revenues and expenses statement;
- 3) Changes in fund balance; and
- 4) Changes in financial position.

HFSRB NOTE: To develop the above ratios, facilities shall use and submit audited financial statements. If audited financial statements are not available, the applicant shall use and submit Federal Internal Revenue Service tax returns or the Federal Internal Revenue Service 990 report with accompanying schedules. If the project involves the establishment of a new facility and/or the applicant is a new entity, supporting schedules to support the numbers shall be provided documenting how the numbers have been compiled or projected.

- c) **Variance**
Applicants not in compliance with any of the viability ratios shall document that another organization, public or private, shall assume the legal responsibility to meet the debt obligations should the applicant default.

The applicant proposes to fund the proposed project in its entirety with cash and securities (internal sources). This criterion is not applicable. The applicant has also provided a copy of an independent audit that verifies sufficient resources to adequately finance the proposed project.

THE STATE AGENCY FINDS THE REQUIREMENTS OF THE FINANCIAL VIABILITY CRITERION IS INAPPLICABLE TO THE PROPOSED PROJECT (77 IAC 1120.130)

IXI. Review Criteria - Economic Feasibility

A. Criterion 1120.140(a) - Reasonableness of Financing Arrangements

The criterion states:

"This criterion is not applicable if the applicant has documented a bond rating of "A" or better pursuant to Section 1120.210. An applicant that has not documented a bond rating of "A" or better must document that the project and related costs will be:



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- 1) funded in total with cash and equivalents including investment securities, unrestricted funds, and funded depreciation as currently defined by the Medicare regulations (42 USC 1395); or
- 2) funded in total or in part by borrowing because:
 - A) a portion or all of the cash and equivalents must be retained in the balance sheet asset accounts in order that the current ratio does not fall below 2.0 times;
 - B) or borrowing is less costly than the liquidation of existing investments and the existing investments being retained may be converted to cash or used to retire debt within a 60 day period. The applicant must submit a notarized statement signed by two authorized representatives of the applicant entity (in the case of a corporation, one must be a member of the board of directors) that attests to compliance with this requirement.
 - C) The project is classified as a Class B project. The co-applicants do not have a bond rating of "A". No capital costs, except fair market value of leased space and used equipment, are being incurred by the co-applicants."

The total estimated project cost is \$11,281,347 and the applicants attest to funding the project in its entirety with cash and securities. The applicants have attested that all cash and securities are being used prior to borrowing.

THE STATE AGENCY FINDS THE PROPOSED PROJECT APPEARS TO MEET THE REQUIREMENTS OF THE REASONABLENESS OF FINANCING CRITERION (77 IAC 1120.140 (a))

B. Criterion 1120.140(b) - Conditions of Debt Financing

This criterion states:

"The applicant must certify that the selected form of debt financing the project will be at the lowest net cost available or if a more costly form of financing is selected, that form is more advantageous due to such terms as prepayment privileges, no required mortgage, access to additional indebtedness, term (years), financing costs, and other factors. In addition, if all or part of the project involves the leasing of equipment or facilities, the applicant must certify that the expenses incurred with leasing a facility and/or equipment are less costly than constructing a new facility or purchasing new equipment. Certification of compliance with the requirements of this criterion must be in the form of a notarized statement signed by two authorized representative (in the case of a corporation, one must be a member of the board of directors) of the applicant entity."



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The total estimated project cost is \$ \$11,281,347 and the applicant will fund the project in its entirety with cash and securities (internal sources). A notarized statement was provided as per the criterion (application p. 304).

THE STATE AGENCY FINDS THE PROPOSED PROJECT APPEARS TO MEET THE REQUIREMENTS OF THE TERMS OF DEBT FINANCING CRITERION (77 IAC 1120.140 (b))

C. Criterion 1120.140(c) - Reasonableness of Project Cost

The criteria states:

“1) Construction and Modernization Costs

Construction and modernization costs per square foot for non-hospital based ambulatory surgical treatment centers and for facilities for the developmentally disabled, and for chronic renal dialysis treatment centers projects shall not exceed the standards detailed in Appendix A of this Part unless the applicants documents construction constraints or other design complexities and provides evidence that the costs are similar or consistent with other projects that have similar constraints or complexities. For all other projects, construction and modernization costs per square foot shall not exceed the adjusted (for inflation, location, economies of scale and mix of service) third quartile as provided for in the Means Building Construction Cost Data publication unless the applicants documents construction constraints or other design complexities and provides evidence that the costs are similar or consistent with other projects that have similar constraints or complexities.

2) Contingencies

Contingencies (stated as a percentage of construction costs for the stage of architectural development) shall not exceed the standards detailed in Appendix A of this Part unless the applicants documents construction constraints or other design complexities and provides evidence that the costs are similar or consistent with other projects that have similar constraints or complexities. Contingencies shall be for construction or modernization only and shall be included in the cost per square foot calculation.

BOARD NOTE: If, subsequent to permit issuance, contingencies are proposed to be used for other line item costs, an alteration to the permit (as detailed in 77 Ill. Adm. Code 1130.750) must be approved by the State Board prior to such use.

3) Architectural Fees



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- Architectural fees shall not exceed the fee schedule standards detailed in Appendix A of this Part unless the applicants documents construction constraints or other design complexities and provides evidence that the costs are similar or consistent with other projects that have similar constraints or complexities.
- 4) **Major Medical and Movable Equipment**
 - A) For each piece of major medical equipment, the applicants must certify that the lowest net cost available has been selected, or if not selected, that the choice of higher cost equipment is justified due to such factors as, but not limited to, maintenance agreements, options to purchase, or greater diagnostic or therapeutic capabilities.
 - B) Total movable equipment costs shall not exceed the standards for equipment as detailed in Appendix A of this Part unless the applicants documents construction constraints or other design complexities and provides evidence that the costs are similar or consistent with other projects that have similar constraints or complexities.
 - 5) **Other Project and Related Costs**
 The applicants must document that any preplanning, acquisition, site survey and preparation costs, net interest expense and other estimated costs do not exceed industry norms based upon a comparison with similar projects that have been reviewed."

The State Agency notes the cost identified below are for clinical expenses only.

Preplanning Costs – These costs total \$131,561 or .149% of construction, modernization, contingency, and equipment costs. This appears HIGH when compared to the approved State Board Standard of .83%.

Site Survey/Site Preparation Costs – These costs total \$367,268 or 4.8% construction and contingency costs. This appears to be reasonable compared to the State Standard of 5%.

Off-Site Work – These costs total \$667,815. The State Board does not have a standard for these costs.

New Construction and Proportionate Contingencies – This cost is \$7,955,907 or \$221.59 per GSF. This appears **high** when compared to the approved State Board standard of \$215.27 per GSF.

TABLE TWO		
New Construction Costs per Square Foot		
Approved State Board Standard	Altered Amount per GSF	Difference per GSF



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\$215.77	\$221.59	\$5.82
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Modernization and Proportionate Contingencies - This cost is \$297,170 or \$153.73 per GSF. This appears reasonable when compared to the approved State Board standard of \$153.73 per GSF.

TABLE THREE Modernization Costs per Square Foot		
Approved State Board Standard	Altered Amount per GSF	Difference per GSF
\$153.73	\$143.14	\$10.59

Contingencies - These costs total \$188,008 and are 2.33% of construction and contingency costs. This appears reasonable when compared to the approved State Board standard of 10-15%.

Architectural and Engineering Fees New Construction - This cost is \$719,214 or 8.71% of construction modernization and contingency costs. This appears reasonable when compared to the State Board standard of 10.76-16.16%

Consulting and Other Fees - These costs total \$257,460. The State Board does not have a standard for this cost.

Moveable Equipment - These costs total \$581,627 or \$19,388 per bed. This is HIGH when compared to the approved State Board Standard of \$6,491.00 per LTC bed.

Other Costs to be Capitalized - These costs total \$360,850. The State Board does not have a standard for this cost.

THE STATE AGENCY FINDS THE PROPOSED PROJECT DOES NOT APPEAR TO MEET THE REQUIREMENTS OF REASONABLENESS OF PROJECT COST CRITERION (77 IAC 1120.140 (c))

D. Criterion 1120.140(d) - Projected Operating Costs

The criterion states:

“The applicants must provide the projected direct annual operating costs (in current dollars per equivalent patient day or unit of service) for the first full fiscal year after project completion or the first full fiscal year when the project achieves or exceeds target utilization pursuant to 77 Ill. Adm. Code 1100, whichever is later. Direct cost means the fully allocated costs of salaries, benefits, and supplies for the service.”

The applicants state this cost will be \$254.31 per patient day. The State Board does not have a standard for this cost.



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THE STATE AGENCY FINDS THE PROPOSED PROJECT APPEARS TO BE IN CONFORMANCE WITH THE PROJECTED OPERATING COSTS REVIEW CRITERION (77 IAC 1120.140 (d)).

E. Criterion 1120.140(e) - Total Effect of the Project on Capital Costs

The criterion states:

“The applicants must provide the total projected annual capital costs (in current dollars per equivalent patient day) for the first full year after project completion or the first full fiscal year when the project achieves or exceeds target utilization pursuant to 77 Ill. Adm. Code 1100, whichever is later.”

The applicants state this cost will be \$458.90 per patient day. The State Board does not have a standard for this cost.

THE STATE AGENCY FINDS THE PROPOSED PROJECT APPEARS TO BE IN CONFORMANCE WITH THE TOTAL EFFECT OF THE PROJECT ON CAPITAL COSTS REVIEW CRITERION (77 IAC 1120.140 (e)).