



STATE OF ILLINOIS
HEALTH FACILITIES AND SERVICES REVIEW BOARD

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| | | | |
|------------------------------------------------------------|--------------------------------------------|------------------------------|------------------------------------------------|
| DOCKET NO: H-12 | BOARD MEETING: February 16, 2016 | PROJECT NO: 15-051 | PROJECT COST: Original: \$32,083,309 |
| FACILITY NAME: Alden Estates-Courts of New Lenox | | CITY: New Lenox | |
| TYPE OF PROJECT: Substantive | | | HSA: IX |

PROJECT DESCRIPTION: The applicants (Alden New Lenox, LLC (Owner), Alden Estates-Courts of New Lenox, Inc. (Operator/Licensee), New Lenox Investments I, LLC, The Alden Group, Ltd.) are proposing to establish a one hundred forty (140) bed long term care facility in New Lenox, Illinois at a cost of approximately \$32,083,309. The anticipated completion date is February 28, 2019.

EXECUTIVE SUMMARY

PROJECT DESCRIPTION:

- The applicants (Alden New Lenox, LLC (Owner), Alden Estates-Courts of New Lenox, Inc. (Operator/Licensee), New Lenox Investments I, LLC, The Alden Group, Ltd.) are proposing to establish a one hundred forty (140) bed long term care facility in New Lenox, Illinois at a cost of approximately \$32,083,309. The anticipated completion date is February 28, 2019.

WHY THE PROJECT IS BEFORE THE STATE BOARD:

- The applicants are before the State Board because they are proposing to establish a healthcare facility as defined by 20 ILCS 3960/3.

PURPOSE OF THE PROJECT:

- The purpose of the this project is to increase access for nursing care beds in Will County and address the projected need for long term care beds in this planning area.

PUBLIC HEARING/COMMENT:

- No public hearing was requested. No letters of opposition were received by the State Board Staff. The State Board Staff received a number of letters of support that stated the proposed skilled care facility will improve access in the community and will have a positive impact on economic development and will improve the county’s quality of life.

NEED FOR THE PROJECT:

- The State Board is projecting a need for one hundred forty one (141) long term care beds by CY 2018 in the Will County Long Term Care Planning Area. From the documentation provided by the applicants there appears to be sufficient demand for the one hundred forty (140) bed facility and it appears the proposed facility will serve the residents of the Will County Planning Area. It does not appear that service access will be improved with the establishment of this facility because there are forty eight (48) long term care facilities within thirty (30) minutes adjusted of the proposed facility. Of these forty eight (48) facilities thirty eight (38) facilities are not at the target occupancy of ninety percent (90%) (See Table Ten). It would also appear that an unnecessary duplication of service may result with the establishment of this facility.

CONCLUSIONS:

- The applicants addressed 20 criteria and did not meet the following:

| State Board Standards Not Met | |
|-----------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Criteria | Reasons for Non-Compliance |
| 77 IAC 1125.570 – Service Accessibility 77 IAC 1125 580 (a) - Unnecessary Duplication of Service | There are forty eight (48) facilities within thirty (30) minutes adjusted of the proposed facility thirty eight (38) facilities are not at the target occupancy of ninety percent (90%). |
| 77 IAC 1125.800 – Financial Viability | The applicants are new entities and do not meet all of the financial ratios as required by State Board rule. |

STATE BOARD STAFF REPORT
Project 15-051
Alden Estates-Courts of New Lenox

| APPLICATION SUMMARY/CHRONOLOGY | |
|--------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------|
| Applicants(s) | Alden New Lenox, LLC (Owner), Alden Estates-Courts of New Lenox, Inc. (Operator/Licensee), New Lenox Investments I, LLC, The Alden Group, Ltd. |
| Facility Name | Alden Estates Courts of New Lenox |
| Location | Cedar Crossing Drive adjacent to Silver Cross Hospital, New Lenox |
| Permit Holder | Alden Estates-Courts of New Lenox, Inc. |
| Operating Entity/Licensee | Alden Estates-Courts of New Lenox, Inc. |
| Owner of Site | Alden New Lenox, LLC |
| Application Received | November 2, 2015 |
| GSF | 107,000 GSF |
| Application Deemed Complete | November 6, 2015 |
| Review Period Ends | January 4, 2016 |
| Obligation Date | February 16, 2018 |
| Review Period Extended by the State Board Staff? | No |
| Can the applicants request a deferral? | Yes |

I. The Proposed Project

The applicants (Alden New Lenox, LLC (Owner), Alden Estates-Courts of New Lenox, Inc. (Operator/Licensee), New Lenox Investments I, LLC, The Alden Group, Ltd.) are proposing to establish a one hundred forty (140) bed long term care facility in New Lenox, Illinois at a cost of approximately \$32,083,309. The anticipated completion date is February 28, 2019.

II. Summary of Findings

- A. The State Board Staff finds the proposed project **does not** appear to be in conformance with the provisions of Part 1125.
- B. The State Board Staff finds the proposed project **does not** appear to be in conformance with the provisions of Part 1125.800

III. General Information

The applicants are the Alden New Lenox, LLC, Alden Estates-Courts of New Lenox, Inc., New Lenox Investments I, LLC, and The Alden Group, Ltd. Alden New Lenox will own the site and Alden Estates-Courts of New Lenox will be the operating entity licensee of the facility. The facility will be located in the Will County Long Term Care Planning Area. The State Board is currently **projecting a need for one hundred forty one (141) long term care beds by CY 2018 for the Will County Long Term Care Planning Area**. Obligation for this project will occur after permit issuance. This is a substantive project subject to both an 1125 and 1125.800 review.

IV. Project Details

The applicants are proposing the establishment of Alden Estates of New Lenox (Estates) and Alden Courts of New Lenox (Courts), collectively a single one hundred forty (140) bed long term care facility. Alden Estates of New Lenox will house the one hundred (100) general long-term nursing beds and it will be connected to Alden Courts of New Lenox a forty (40) bed skilled memory care facility treating residents suffering with Alzheimer's Disease and Related Disorders (ADRD) in a total of 107,000 gross square feet.

The **Estates** will be a three-story brick and masonry structure with a "main street commons" on the first floor and residents' rooms on the second and third floors. The first floor will offer ancillary services and common area amenities for residents to include an old fashion ice cream parlor, a beauty salon and barber shop, a non-denominational chapel, private dining room for residents and their guests and a club room. An out-patient therapy is also being contemplated to meet the needs of discharged Estates' residents who are still in need of additional therapy. In addition to the General Long-Term Care services to be provided, the Estates will provide sub-acute services to include pulmonary and ventilator care as well as orthopedic rehabilitation services.

The **Courts** will be a separate, distinct, and disclosed memory care facility in a single story structure. The physical layout will be provided with separate wings that will specialize in the different stages of dementia. The Courts will be license as a long term care facility and recognized by the Illinois Department of Public Health as a memory care facility.

V. Project Costs and Sources of Funds

The project will be funded with cash of \$6,583,309 and a mortgage of \$25,500,000.

| TABLE ONE | | | |
|------------------------------------------------------------|-----------------|--------------------|--------------|
| Project Costs and Sources of Funds | | | |
| USE OF FUNDS | CLINICAL | NONCLINICAL | TOTAL |
| Preplanning Costs | \$177,917 | \$78,316 | \$256,233 |
| Site Survey and Soil Investigation | \$27,774 | \$12,226 | \$40,000 |
| Site Preparation | \$416,613 | \$183,387 | \$600,000 |
| Off Site Work | \$83,323 | \$36,677 | \$120,000 |
| New Construction Contracts | \$15,872,327 | \$6,986,764 | \$22,859,091 |
| Contingencies | \$1,587,233 | \$698,676 | \$2,285,909 |
| Architectural/Engineering Fees | \$1,408,986 | \$620,215 | \$2,029,201 |
| Consulting and Other Fees | \$463,829 | \$204,171 | \$668,000 |
| Movable or Other Equipment (not in construction contracts) | \$845,725 | \$372,275 | \$1,218,000 |
| Net Interest Expense During Construction (project related) | \$955,172 | \$420,453 | \$1,375,625 |
| Other Costs To Be Capitalized | \$438,312 | \$192,938 | \$631,250 |

| TABLE ONE | | | |
|-----------------------------------------------|-----------------|--------------------|--------------|
| Project Costs and Sources of Funds | | | |
| TOTAL USES OF FUNDS | \$22,277,211 | \$9,806,098 | \$32,083,309 |
| SOURCE OF FUNDS | CLINICAL | NONCLINICAL | TOTAL |
| Cash and Securities | \$4,571,154 | \$2,012,155 | \$6,583,309 |
| Mortgages | \$17,706,056 | \$7,793,944 | \$25,500,000 |
| TOTAL SOURCES OF FUNDS | \$22,277,210 | \$9,806,099 | \$32,083,309 |
| Source: Page 33 of the Application for Permit | | | |

VI. Cost Space Requirements

The applicants are proposing 74,296 GSF of clinical space and 32,704 GSF of non clinical space.

| TABLE TWO | | | |
|-----------------------------------------------|--------------|-----------------|--------------------------------------------------------------------|
| Cost Space Requirements | | | |
| | | | Amount of Proposed Total Gross Square Feet That Is: |
| Dept. / Area | Cost | Proposed | New Const. |
| CLINICAL | | | |
| Nursing | \$15,080,355 | 50,294 | 50,294 |
| Living/Dining/Activity | \$3,363,650 | 11,218 | 11,218 |
| Kitchen/Food Service | \$1,127,413 | 3,760 | 3,760 |
| P.T./O.T. | \$1,691,120 | 5,640 | 5,640 |
| Laundry | \$437,772 | 1,460 | 1,460 |
| Janitor Closets | \$89,953 | 300 | 300 |
| Clean Soiled Utility | \$317,835 | 1,060 | 1,060 |
| Beauty./Barber | \$169,112 | 564 | 564 |
| Total Clinical | \$22,277,210 | 74,296 | 74,296 |
| NON CLINICAL | | | |
| Office/Administration | \$878,543 | 2,930 | 2,930 |
| Employee Lounge | \$341,822 | 1,140 | 1,140 |
| Mechanical | \$1,298,325 | 4,330 | 4,330 |
| Lobby | \$350,817 | 1,170 | 1,170 |
| Storage/Maintenance | \$578,099 | 1,928 | 1,928 |
| Corridor/Public Toilets | \$4,799,303 | 16,006 | 16,006 |
| Stair/Elevators | \$1,259,345 | 4,200 | 4,200 |
| Housekeeping | \$299,844 | 1,000 | 1,000 |
| Total Non Clinical | \$9,806,098 | 32,704 | 32,704 |
| Total | \$32,083,308 | 107,000 | 107,000 |
| Source: Page 48 of the Application for Permit | | | |

VII. General Long Term Care

A) Criterion 1125.320 - Purpose of the Project

The applicants stated the following:

“This project will increase access for nursing care as all proposed nursing beds will be certified for both Medicare and Medicaid. Improved accessibility for nursing care services will be provided to residents of the market area, i.e., a 30-minute travel time from the proposed site. Specifically, this proposed 140-bed nursing care facility includes 100 general skilled care beds and 40 Alzheimer Disease & Related Dementia (ADRD) beds which will provide care under the skilled care (SNF) license. The general long-term care unit will be housed in a three-story, 100-bed building (Alden Estates of New Lenox) where the physical and occupational therapy departments will be located. The ADRD beds will be housed in a separate and distinct building (although connected). This one-story memory care facility (Alden Courts of New Lenox) will provide secure courtyards as well as a separate therapy area. Three levels of care, serving three stages of the disease, will be provided within two wings or "neighborhoods". The first neighborhood will provide care for early stage ADRD residents as well as those in the midstages of the disease; these residents typically respond the best to programming and activities. The second neighborhood will serve late-stage ADRD residents who have medical needs that outweigh their programmatic needs. Not only has it been found that separating these groups is stages, but it is equally important to separate residents who have memory impairments from those who are physically frail. As the proposed project is to be located in New Lenox, it should be noted that there are not any long-term care facilities in New Lenox, Illinois. The Village of New Lenox has a population of 24,394 according to the 2010 U.S. Census. This represents an increase of nearly 32 percent over the 2000 U.S. Census. Over 8 percent (1,998 persons) of the New Lenox population is age 65 or older and that statistic has grown by over 55 percent from less than 1,300 people (1,288) 65 years of age and over in the 2000 U.S. Census. The Subject project will be adjacent to Silver Cross Hospital offering a concentration of vertically aligned services and referrals. Therefore, by providing nursing care services to an immediate area where none exist and in which a population is present to support the proposed service implicitly documents that health care will be improved.” See Application for Permit pages 90-135 for complete discussion.

B) Criterion 1125.330 – Alternatives

The applicants considered three other alternatives to the proposed project.

1. Maintain status quo or doing nothing
2. Establish a smaller project
3. Establish a larger project

These alternatives were rejected either because they were too costly or did not meet the projected need for long term care beds in the Will County Planning Area. For a complete discussion of the alternatives considered *see pages 134-170 of the Application for Permit.*

C) Criterion 1125.520 - Background of the Applicant

The applicants for the proposed project are Alden New Lenox, LLC (Owner) and Alden Estates-Courts of New Lenox, Inc. (Operator/Licensee). The owner of both the ownership and operating entities is New Lenox Investments I, LLC, with the parent entity being The Alden Group, Ltd. Certificates of Good Standing from the Illinois Secretary of State have been provided as required for the applicants. A listing of all related Alden facilities has also been provided as required. The applicants are in compliance with Executive Order #2006-05 regarding Construction Activities in a Special Flood Hazard Area and have submitted the required documentation from the Illinois Historic Preservation Agency that no historic properties are affected by the proposed project. A copy or the real estate purchase agreement has been provided as evidence of site ownership.

The applicants stated *“Please be advised that no adverse actions as defined under 1130.140 have been taken against the Applicants within three years preceding the filing of the Certificate of Need Application. There are a few other Alden facilities that have received violations at the “A” level from the Illinois Department of Public Health. Notably, there are 31 Alden licensed long-term care facilities in the State of Illinois. Since June of 2012, only 4 of those facilities have received level “A” violations. (See Application for Permit pages 171-208)*

THE STATE BOARD STAFF FINDS THE PROPOSED PROJECT IS IN CONFORMANCE WITH CRITERION BACKGROUND OF THE APPLICANT (77 IAC 1125.520)

D) Criterion 1125.530 (a) (b) - Planning Area Need

The applicant shall document that the number of beds to be established or added is necessary to serve the planning area's population, based on the following:

- a) Bed Need Determination
- b) Service to Planning Area Residents

The State Board has projected a need for one hundred forty-one (141) long term care beds in the Will County Long Term Planning Area by CY 2018. The applicants have provided referral letters from four (4) physicians that estimate that these four (4) physicians will refer a total of sixty-eight (68) patients a month to the skilled care unit and eight (8) patients per month to the memory care unit, or eight hundred sixteen (816) and ninety-six (96) annually to the proposed facility. The applicants believe that a least fifty percent (50%) of the patients will come from the Will County Long Term Care Planning Area. *(See Application for Permit pages 208-215)*

THE STATE BOARD STAFF FINDS THE PROPOSED PROJECT IS IN CONFORMANCE WITH CRITERION PLANNING AREA NEED (77 IAC 1125.530 (a)(b))

E) Criterion 1125.540 (b) (d) - Service Demand

The applicant must document demand for the services being proposed. The applicants have provided referral letters from four (4) physicians that estimate that these four (4) physicians will refer a total of sixty-eight (68) patients a month to the skilled care unit and eight (8) patients per month to the memory care unit, or eight hundred sixteen (816) and ninety-six (96) patients annually to the proposed facility. The applicants believe that a least fifty percent (50%) of the patients will come from the Will County Long Term Care Planning Area. *See Application for Permit pages 216-230.*

THE STATE BOARD STAFF FINDS THE PROPOSED PROJECT IS IN CONFORMANCE WITH CRITERION SERVICE DEMAND (77 IAC 1125.540 (b) (d))

F) Criterion 1125.570 (a) - Service Accessibility

The number of beds being established or added for each category of service is necessary to improve access (the ability to get medical care and services when needed) for **planning area residents.**

The State Board has projected a need for one hundred forty-one (141) long term care beds in the Will County Long Term Care Planning Area by CY 2018. There are sixteen (16) long term care facilities in the Will County Long Term Care Planning Area. Four (4) of the sixteen (16) facilities in the Will County Long Term Care Planning Area are at the target occupancy of ninety (90%) percent. Fourteen (14) of the facilities are within thirty minutes of the proposed facility. Average occupancy of these sixteen (16) facilities is 76.44%.

| TABLE THREE | | | | | | | |
|--------------------------------------------------------|-------------|-----------------|------------------------------|---------------------|---------------------|-------------------------------------|------------------------------|
| Facilities within the Will County Planning Area | | | | | | | |
| FACNAME | CITY | Gen Beds | Planning Service Area | Occ. (1) | Met Standard | Medicare Star Rating (2) | Adjusted Time (3) |
| Spring Creek Nursing & Rehab Center | Joliet | 168 | Will | 5.70% | No | NA | 8.1 |
| Smith Crossing | Mokena | 46 | Will | 87.20% | No | 5 | 11.5 |
| Sunny Hill Nursing Home Will County | Joliet | 252 | Will | 64.80% | No | 3 | 12.7 |
| Salem Village Nursing & Rehab | Joliet | 266 | Will | 91.60% | Yes | 2 | 12.7 |
| Symphony of Joliet | Joliet | 214 | Will | 79.20% | No | 3 | 16.1 |
| Joliet Terrace Nursing Center | Joliet | 120 | Will | 96.70% | Yes | 2 | 16.1 |
| The PARC at Joliet | Joliet | 203 | Will | 61.20% | No | 1 | 17.3 |
| Presence Villa Franciscan | Joliet | 154 | Will | 78.10% | No | 2 | 18.4 |
| Our Lady Of Angels Ret Home | Joliet | 87 | Will | 85.60% | No | 4 | 18.4 |
| Frankfort Terrace Nursing Center | Frankfort | 120 | Will | 95.20% | Yes | 2 | 19.6 |
| Lakewood Nrsg & Rehab Center | Plainfield | 131 | Will | 87.90% | No | 3 | 25.3 |
| Rosewood Care Center | Joliet | 120 | Will | 81.30% | No | 5 | 25.3 |
| Alden Estates of Shorewood | Shorewood | 150 | Will | 75.20% | No | 2 | 25.3 |

TABLE THREE

Facilities within the Will County Planning Area

| FACNAME | CITY | Gen Beds | Planning Service Area | Occ.⁽¹⁾ | Met Standard | Medicare Star Rating⁽²⁾ | Adjusted Time⁽³⁾ |
|------------------------------|-------------|-----------------|------------------------------|---------------------------|---------------------|-------------------------------------------|------------------------------------|
| Meadowbrook Manor | Bolingbrook | 298 | Will | 91.60% | Yes | 4 | 29.9 |
| St. James Manor & Villa | Crete | 110 | Will | 54.40% | No | 3 | 37.95 |
| Aperion Care Wilmington | Wilmington | 171 | Will | 87.30% | No | 3 | 40.25 |
| Total Beds/Average Occupancy | | 2610 | | 76.44% | | | |

1. Occupancy based upon information reported to the State Board as part of the Long Term Questionnaire
2. Medicare Star Rating taken from Centers for Medicare and Medicaid
3. Adjusted time from Map Quest and adjusted per 1100.510 (d)

There is no absence of service in the Will County Planning Area as seen from Three above, nor access limitations due to payor status or evidence of restrictive admission policies at existing providers. Based upon these three criteria it does not appear service access will be improved. *See Application for Permit pages 231-305.*

THE STATE BOARD STAFF FINDS THE PROPOSED PROJECT IS NOT IN CONFORMANCE WITH CRITERION SERVICE ACCESSIBILITY (77 IAC 1125.570 (a))

G) Criterion 1125.580 (a) (b) (c) - Unnecessary Duplication/ Mal-distribution of Service, Impact on Other Facilities

- a) The applicant shall document that the project will not result in an unnecessary duplication.
- b) The applicant shall document that the project will not result in mal-distribution of services. Mal-distribution exists when the identified area (within the planning area) has an excess supply of facilities, beds and services.
- c) The applicant shall document that, within 24 months after project completion, the proposed project will not impact existing facilities.

There are forty eight (48) skilled care facilities with 8,086 beds within thirty (30) minutes adjusted of the proposed facility. The average utilization of these forty-eight (48) facilities is approximately seventy-nine percent (79%). Ten (10) of the forty-eight (48) facilities are at the target occupancy of ninety percent (90%). Thirty eight (38) of the forty eight (48) facilities are not at target occupancy. It would appear given the number of facilities not at target occupancy that a duplication of service may result.

The ratio of beds to population within the thirty minute (30) service area adjusted is one (1) bed for every 97 residents (777,794 population /8,086 beds). The State of Illinois ratio is one (1) bed for every 128 residents. Based upon the bed to population ratio it does not appear to be a surplus of long term care beds in this 30 minute adjusted service area. The applicants do not believe there will be an impact on other facilities in the

planning area as the residents identified for this project are not being moved from any other facilities in the planning area. *See Application for Permit pages 306-333.*

THE STATE BOARD STAFF FINDS THE PROPOSED PROJECT IS NOT IN CONFORMANCE WITH CRITERION UNNECESSARY DUPLICATION/MALDISTRIBUTION/IMPACT ON OTHER FACILITIES (77 IAC 1125.570 (a) (b) (c))

- H) Criterion 1125.590 - Staffing Availability**
- I) Criterion 1125.600 - Bed Capacity**
- J) Criterion 1125.610 - Community Related Functions**
- K) Criterion 1125.630 - Zoning**

The staffing information was provided at *pages 334 to 347 of the Application for Permit* and it appears sufficient staffing will be available. The maximum bed capacity for a long term care facility is two hundred fifty (250) beds. The applicants are proposing one hundred forty (140) bed long term care facility. Letters of support from the community were provided by Ruth Colby, Senior Vice President, Business Development, Chief Strategy Officer, Silver Cross Hospital; Michael B. Hickey, Supervisor of New Lenox Township; Fr. Don Lewandowski, OSA, Pastor, St. Jude Parish, New Lenox; Rev. Douglas E. Hoag, Trinity Lutheran Church and nineteen (19) letters from residents of New Lenox that expressed support for the project at *pages 344-362 of the Application for Permit*. The property is currently zoned C-7 Regional Shopping District with a Special Use for a Planned Unit Development. Medical office uses are permitted by right in the C-7 District. A nursing home will require approval of an amendment to the Planned Unit Development.

THE STATE BOARD STAFF FINDS THE PROPOSED PROJECT IS IN CONFORMANCE WITH CRITERION STAFFING AVAILABILITY, BED CAPACITY, COMMUNITY RELATED FUNCTIONS, ZONING (77 IAC 1125.590, 600, 610, 630))

- L) Criterion 1125.620 - Project Size**

Upon project completion, the proposed Alden Estates-Courts of New Lenox will comprise 74,296 gross square feet of clinical space for 140 nursing care beds. This equates to 530.7 gsf per bed upon project completion. The State Board Standard is 435-713 gross square feet per bed.

THE STATE BOARD STAFF FINDS THE PROPOSED PROJECT IS IN CONFORMANCE WITH CRITERION PROJECT SIZE (77 IAC 1125.620))

- M) Criterion 1125.640 - Assurances**

The applicants stated the following: *“This letter attests to the fact that if this Project is approved by the Illinois Health Facilities and Services Review Board, Alden Estates-*

Courts of New Lenox, Inc., understands that it is expected to achieve and maintain the occupancy specified in §1125.210(c) by the second year of operation after project completion. Our ability to maintain this occupancy level could be affected by various factors outside of our control, such as natural disasters, regulatory changes in healthcare, interruption of necessary utilities, physical plant problems, or other unexpected issues outside of our control which could have a direct or indirect effect upon our occupancy rate.”

THE STATE BOARD STAFF FINDS THE PROPOSED PROJECT IS IN CONFORMANCE WITH CRITERION ASSURANCE (77 IAC 1125.640))

FINANCIAL

A) Availability of Funds

Criterion 1125.800 – Availability of Funds

The applicants are to provide documentation to demonstrate that they have sufficient funds to fund the proposed project.

The applicants have provided a letter from Steven M. Kroll, Chief Financial Officer of Alden Management Services, Inc stating that the applicants have sufficient cash to fund the equity investment of this project. Additionally the applicants have provided a letter from Capitol Funding, Inc. outlining the proposed financing utilizing mortgage insurance issued by the United States Department of Housing and Urban Development ("HUD") through Section 232 of the National Housing Act for the proposed 100-bed skilled nursing facility and 40-bed skilled memory care facility known as Alden Estates - Courts of New Lenox. (See Application for Permit pages 369-376)

The applicants have demonstrated to the State Board their ability to fund projects of this type utilizing mortgage insurance through HUD. The State Board Staff believes based upon the past ability of these applicants to fund these projects that the proposed project will be appropriately funded and funds are available.

THE STATE BOARD STAFF FINDS THE PROPOSED PROJECT IS IN CONFORMANCE WITH CRITERION AVAILABILITY OF FUNDS (77 IAC 1125.800))

B) Financial Viability

Criterion 1125.800 – Financial Viability

The applicants have provided the projected financial ratios for the years (2019 thru 2021) for the operator of the proposed facility (Alden Estates-Courts of New Lenox), the owner of the facility (Alden New Lenox, LLC and the combined ratio for both entities. As can be seen by the table below the applicants are not in compliance with the State Board Standards for the projected ratios. (See Application for Permit pages 377-387)

| TABLE FOUR Financial Ratios | | | | |
|----------------------------------------|---------------------------|------------------|-------------|-------------|
| Combined | State Standard | Projected | | |
| | | 2019 | 2020 | 2021 |
| Current Ratio | 1.5 | 1.99 | 1.25 | 2 |
| Net Margin Percentage | 2.5% | -39.63% | -11.04% | 11.01% |
| Percent Debt to Total Capitalization | <50% | 74.23% | 76.71% | 73.45% |
| Projected Debt Service Coverage | >1.5 | -0.25 | 0.21 | 2.52 |
| Days Cash on Hand | >45 days | 78.19 | 14.64 | 35.57 |
| Cushion Ratio | >3.0 | 0.84 | 0.33 | 0.91 |

| TABLE FOUR Financial Ratios | | | | |
|-----------------------------------------------------|---------------------------|------------------|-------------|-------------|
| Combined | State Standard | Projected | | |
| | | 2019 | 2020 | 2021 |
| Alden New Lenox, LLC (Real Estate) | | | | |
| | State Standard | 2019 | 2020 | 2021 |
| Current Ratio | 1.5 | 0.38 | 0.57 | 0.59 |
| Net Margin Percentage | 2.5% | -6.79% | -6.00% | -5.18% |
| Percent Debt to Total Capitalization | <50% | 75.19% | 75.16% | 75.10% |
| Projected Debt Service Coverage | >1.5 | 1.11 | 1.11 | 1.11 |
| Days Cash on Hand | >45 days | 1,102 | 2,958 | 3,535 |
| Cushion Ratio | >3.0 | 0 | 0.06 | 0.08 |
| Alden Estates-Courts of New Lenox (Operator) | | | | |
| | State Standard | 2019 | 2020 | 2021 |
| Current Ratio | 1.5 | 2.74 | 1.52 | 2.72 |
| Net Margin Percentage | 2.5% | -37.42% | -10.13% | 11.56% |
| Percent Debt to Total Capitalization | <50% | 44.36% | 78.35% | 31.51% |
| Projected Debt Service Coverage | >1.5 | -42.49 | -13.83 | 18.66 |
| Days Cash on Hand | >45 days | 77.99 | 11.91 | 32.78 |
| Cushion Ratio | >3.0 | 30.86 | 4.46 | 10.41 |
| Source: Application for Permit page 378-380 | | | | |

THE STATE BOARD STAFF FINDS THE PROPOSED PROJECT IS NOT CONFORMANCE WITH CRITERION FINANCIAL VIABILITY (77 IAC 1125.800))

ECONOMIC FEASIBILITY

- A) Criterion 1125.800 (a) – Reasonableness of Financing Arrangements**
- B) Criterion 1125.800 (b) – Terms of Debt Financing**

The applicants are estimating that the loan will be in the amount of \$25,500,000 for forty (40) years at an approximate interest rate of 4.5%. The loan will be secured by (1) a first mortgage lien on the land and improvements now and hereafter acquired or constructed thereon, (2) a chattel mortgage or security agreement creating a first mortgage lien on the furnishings and equipment to be located at the Project, and (3) the endorsement by FHA of the Insured Loan. The Insured Loan shall also be secured by a lien on the Project operator's: tangible and intangible personal property (including, but not limited to, cash and deposit accounts).

THE STATE BOARD STAFF FINDS THE PROPOSED PROJECT IS IN CONFORMANCE WITH CRITERION REASONABLENESS OF FINANCING ARRANGEMENTS AND TERMS OF DEBT FINANCING (77 IAC 1125.800 (a)(b))

- C) Criterion 1125.800 (c) – Reasonableness of Project Costs**

By rule only the clinical costs are to be reviewed for reasonableness.

Preplanning Costs – These costs are \$177,917 and are less than 1% of new construction, contingencies and movable equipment. This appears reasonable when compared to the State Board Standard of 1.8%.

| | |
|---------------------------------------------------------------------------------------------------|------------------|
| Preliminary drawings & renderings | \$195,000 |
| Architectural Cost Analysis | \$41,233 |
| Phase-one Environmental Study | \$5,000 |
| Preliminary Engineering | \$15,000 |
| Total | \$256,233 |
| Source: See page 34 of the Application for Permit. Includes both clinical and nonclinical cost | |

Site Survey and Soil Investigation and Site Preparation Costs - These costs are \$444,387 and are 2.55% of new construction and contingency costs. This appears reasonable when compared to the State Board Standard of 5%.

| TABLE SIX | |
|---------------------------------------------------------------------------------------------------|----------|
| Site Survey & Soil Investigation | |
| Surveyor costs | \$25,000 |
| Soil boring and testing | \$15,000 |
| Total | \$40,000 |
| Source: See page 34 of the Application for Permit. Includes both clinical and nonclinical cost | |

Off Site Work Costs are \$83,323. The State Board does not have a standard for these costs.

New Construction and Contingency Costs are \$17,459,560 or \$235 per GSF. This appears reasonable when compared to the State Board Standard of \$275.83.

Contingency Costs are \$1,587,233 or 10% of new construction costs. This appears reasonable when compared to the State Board Standard of 10%.

Architectural and Engineering Costs are \$1,408,986 or 8.07% of new construction and contingency costs. This appears reasonable when compared to the State Board Standard of 8.48%.

Consulting Costs and Other Costs are \$463,829. The State Board does not have a standard for these costs.

| TABLE SEVEN | |
|---------------------------------------------------------------------------------------------------|-----------|
| Consulting & Other fees | |
| Building and other permits | \$400,000 |
| Appraisal | \$16,000 |
| CON consultant | \$45,000 |
| LRA market study | \$10,000 |
| Illinois Health Facility Planning Board Fees | \$56,000 |
| Illinois Department of Public Health Plan Review | \$11,000 |
| Zoning and other regulatory | \$15,000 |
| Legal | \$70,000 |
| Title and Recording fees | \$35,000 |
| Audit fees | \$10,000 |
| Total | \$668,000 |
| Source: See page 34 of the Application for Permit. Includes both clinical and nonclinical cost | |

Movable or Other Equipment Costs are \$845,725 or \$6,040 per bed. This appears reasonable when compared to the State Board Standard of \$7,983. (*Equipment listing provided at pages 35-45 of the Application for Permit*)

Net Interest Expense During Construction Costs are \$955,172. The State Board does not have a standard for these costs.

| TABLE EIGHT | |
|---------------------------------------------------------------------------------------------------|--------------------|
| Net Interest Expense During Construction | |
| Financing fees | \$515,000 |
| Construction period interest | \$860,625 |
| Total | \$1,375,625 |
| Source: See page 34 of the Application for Permit. Includes both clinical and nonclinical cost | |

Other Costs to Capitalized Costs are \$438,312. The State Board does not have a standard for these costs.

| TABLE NINE | |
|---------------------------------------------------------------------------------------------------|------------------|
| Other Costs to be Capitalized | |
| Real estate taxes | \$20,000 |
| Minor Moveable's (linens, equip, appliances, silverware, etc.) | \$175,000 |
| Miscellaneous administrative and clerical costs | \$26,000 |
| Insurance | \$15,000 |
| Mortgage Insurance | \$191,250 |
| FHA Exam Fees | \$76,500 |
| FHA Inspection Fees | \$127,500 |
| Total | \$631,250 |
| Source: See page 34 of the Application for Permit. Includes both clinical and nonclinical cost | |

THE STATE BOARD STAFF FINDS THE PROPOSED PROJECT IS IN CONFORMANCE WITH CRITERION REASONABLENESS OF PROJECT COSTS (77 IAC 1125.800 (c))

D) Criterion 1125.800 (d) - Direct Operating Costs

The applicants are estimating the direct operating costs per patient day as \$308.83. This appears reasonable when compared to previously approved projects.

THE STATE BOARD STAFF FINDS THE PROPOSED PROJECT IS IN CONFORMANCE WITH CRITERION DIRECT OPERATING COSTS (77 IAC 1125.800 (d))

E) Criterion 1125.800 (e) – Total Effect of the Project on Capital Costs

The applicants are estimating the projected capital costs per patient day as \$46.83. This appears reasonable when compared to previously approved projects.

THE STATE BOARD STAFF FINDS THE PROPOSED PROJECT IS IN CONFORMANCE WITH CRITERION TOTAL EFFECT OF PROJECT ON CAPITAL COSTS (77 IAC 1125.800 (e))

TABLE TEN
Facilities within 30 minutes (adjusted) of the proposed facility

| FACNAME | CITY | Gen Beds | Health Service Area | Planning Service Area | Occ. ⁽¹⁾ | Met Standard | Medicare Star Rating ⁽²⁾ | Adjusted Time ⁽³⁾ |
|-------------------------------------|--------------------|-----------------|----------------------------|------------------------------|----------------------------|---------------------|--------------------------------------------|-------------------------------------|
| Spring Creek Nursing & Rehab Center | Joliet | 168 | 9 | Will | 5.70% | No | NA | 8.1 |
| Smith Crossing | Mokena | 46 | 9 | Will | 87.20% | No | 5 | 11.5 |
| Sunny Hill Nursing Home Will County | Joliet | 252 | 9 | Will | 64.80% | No | 3 | 12.7 |
| Salem Village Nursing & Rehab | Joliet | 266 | 9 | Will | 91.60% | Yes | 2 | 12.7 |
| Alden Estates of Orland Park | Orland Park | 200 | 7 | 7-E | 69.40% | No | 3 | 16.1 |
| Symphony of Joliet | Joliet | 214 | 9 | Will | 79.20% | No | 3 | 16.1 |
| Lemont Nrsg & Rehab Center | Lemont | 158 | 7 | 7-E | 88.40% | No | 3 | 16.1 |
| Joliet Terrace Nursing Center | Joliet | 120 | 9 | Will | 96.70% | Yes | 2 | 16.1 |
| The PARC at Joliet | Joliet | 203 | 9 | Will | 61.20% | No | 1 | 17.3 |
| Presence Villa Franciscan | Joliet | 154 | 9 | Will | 78.10% | No | 2 | 18.4 |
| Our Lady Of Angels Ret Home | Joliet | 87 | 9 | Will | 85.60% | No | 4 | 18.4 |
| Franciscan Village | Lemont | 127 | 7 | 7-E | 90.80% | Yes | 5 | 19.6 |
| Frankfort Terrace Nursing Center | Frankfort | 120 | 9 | Will | 95.20% | Yes | 2 | 19.6 |
| Lexington Health Care Center | Orland Park | 278 | 7 | 7-E | 79.70% | No | 1 | 20.7 |
| McAllister Nursing & Rehab | Country Club Hills | 200 | 7 | 7-E | 81.10% | No | 2 | 20.7 |
| Advocate South Suburban Hospital | Hazel Crest | 41 | 7 | 7-E | 67.50% | No | 4 | 21.9 |
| Holy Family Villa | Palos Park | 129 | 7 | 7-E | 76.50% | No | 2 | 21.9 |
| Pine Crest Health Care | Hazel Crest | 199 | 7 | 7-E | 88.10% | No | 2 | 21.9 |
| Bria of Westmont | Westmont | 215 | 7 | 7-C | 85.50% | No | 2 | 23 |
| Fairview Baptist Home | Downers Grove | 160 | 7 | 7-C | 54.90% | No | NA | 24.15 |
| Applewood Rehabilitation Center | Matteson | 154 | 7 | 7-E | 84.20% | No | 2 | 24.2 |
| Glenshire Nsg & Rehab Centre | Richton Park | 294 | 7 | 7-E | 65.80% | No | 1 | 25.3 |
| Burgess Square | Westmont | 203 | 7 | 7-C | 71.70% | No | 3 | 25.3 |
| Manorcare of Homewood | Homewood | 132 | 7 | 7-E | 81.70% | No | 2 | 25.3 |
| Emeritus Burr Ridge | Willowbrook | 30 | 7 | 7-C | 81.90% | No | 4 | 25.3 |
| Borridale Plaza Lisle | Lisle | 55 | 7 | 7-C | 84.30% | No | 5 | 25.3 |
| Lakewood Nrsg & Rehab Center | Plainfield | 131 | 9 | Will | 87.90% | No | 3 | 25.3 |
| Alden Estates of Shorewood | Shorewood | 150 | 9 | Will | 75.20% | No | 2 | 25.3 |
| Rosewood Care Center | Joliet | 120 | 9 | Will | 81.30% | No | 5 | 25.3 |
| Alden Estates of Naperville | Naperville | 203 | 7 | 7-C | 72.04% | No | 3 | 26.45 |

TABLE TEN
Facilities within 30 minutes (adjusted) of the proposed facility

| FACNAME | CITY | Gen Beds | Health Service Area | Planning Service Area | Occ. ⁽¹⁾ | Met Standard | Medicare Star Rating ⁽²⁾ | Adjusted Time ⁽³⁾ |
|--------------------------------------|-----------------|-----------------|----------------------------|------------------------------|----------------------------|---------------------|--------------------------------------------|-------------------------------------|
| Lydia Healthcare | Robbins | 412 | 7 | 7-E | 90.50% | Yes | NA | 26.45 |
| Symphony of Crestwood | Midlothian | 303 | 7 | 7-E | 72.80% | No | 3 | 26.5 |
| Heather Healthcare Center | Harvey | 173 | 7 | 7-E | 73.50% | No | 1 | 26.5 |
| Manorcare of Palos Heights West | Palos Heights | 130 | 7 | 7-E | 86.00% | No | 3 | 26.5 |
| Manorcare of Palos Heights East | Palos Heights | 184 | 7 | 7-E | 88.10% | No | 3 | 26.5 |
| Aperion Care Midlothian | Midlothian | 91 | 7 | 7-E | 93.60% | Yes | 2 | 26.5 |
| Beacon Hill | Lombard | 110 | 7 | 7-C | 94.70% | Yes | 5 | 27.6 |
| Tri-State Manor Nursing Home | Lansing | 84 | 7 | 7-E | 89.60% | No | 1 | 28.75 |
| Rest Haven West | Downers Grove | 145 | 7 | 7-C | 55.10% | No | 2 | 29.9 |
| Rest Haven South | South Holland | 171 | 7 | 7-E | 67.30% | No | 4 | 29.9 |
| Rest Haven Central | Palos Heights | 193 | 7 | 7-E | 67.40% | No | 2 | 29.9 |
| Manor Care of Westmont | Westmont | 149 | 7 | 7-C | 72.40% | No | 2 | 29.9 |
| Manorcare of South Holland | South Holland | 216 | 7 | 7-E | 76.30% | No | 2 | 29.9 |
| Lexington Health Care Center-Lombard | Lombard | 224 | 7 | 7-C | 79.70% | No | 1 | 29.9 |
| Lexington Of Lagrange | Lagrange | 120 | 7 | 7-E | 85.00% | No | 5 | 29.9 |
| Meadowbrook Manor | Bolingbrook | 298 | 9 | Will | 91.60% | Yes | 4 | 29.9 |
| Prairie Manor Nsg & Rehab Ctr | Chicago Heights | 148 | 7 | 7-E | 92.20% | Yes | 1 | 29.9 |
| Crestwood Terrace Nursing Center | Midlothian | 126 | 7 | 7-E | 92.90% | Yes | 1 | 29.9 |
| Total Beds/Average Utilization | | 8,086 | | | 78.79% | | | |

1. Occupancy based upon information reported to the State Board as part of the Long Term Questionnaire
2. Medicare Star Rating taken from Centers for Medicare and Medicaid
3. Adjusted time from Map Quest and adjusted per 1100.510 (d)
4. NA – Not Available

15-051 Alden Estates-Courts of New Lenox - New Lenox



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