



# STATE OF ILLINOIS HEALTH FACILITIES AND SERVICES REVIEW BOARD

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

<b>ITEM NUMBER:</b> D-02	<b>BOARD MEETING:</b> September 17, 2019	<b>PROJECT NUMBER:</b> 17-013
<b>PERMIT HOLDERS(S):</b> DaVita, Inc. DuPage Medical Group, Ltd. Rockwood Dialysis, LLC		
<b>FACILITY NAME and LOCATION:</b> Geneva Crossing Dialysis, Carol Stream		

**DESCRIPTION:** The permit holders are requesting an Alteration to Permit #17-013. This is the first alteration request for this permit.

**STATE BOARD STAFF REPORT  
ALTERATION TO PERMIT  
PERMIT #17-013**

**I. Project Description and Background**

On July 24, 2018, the State Board approved Project #17-013, allowing the permit holders to establish a 12-station End Stage Renal Dialysis (ESRD) facility in approximately 6,240 GSF of space in Carol Stream, Illinois. The initial project cost was \$2,702,014, and the completion date is July 31, 2020.

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

**II. Alteration Request:**

On August 21, 2019 the permit holders submitted a permit alteration request for Permit #17-013. The permit holders are requesting to increase the cost of the project from \$2,702,014 to \$2,852,014, (\$150,000 or 5.55%). The proposed alteration will not result in additional clinical space, and the reason for the request stems from an unexpected increase in project costs. The applicants supplied a revised project costs and sources of funds page and reasonableness of project costs and sources of funds page with the alteration request.

<b>TABLE ONE Alterations to Project Cost #17-013, DaVita Geneva Crossing Dialysis</b>	
<b>Cost</b>	<b>Extent of Alteration</b>
<b>Approved</b>	<b>\$2,702,014</b>
<b>Altered</b>	<b>\$2,852,014</b>
<b>Difference</b>	<b>\$150,000 (5.55%)</b>

**III. Reasons for the Proposed Alteration**

The permit holders stated the reasons for the alteration are based on an unanticipated increase in project costs that occurred between application submission (3/28/2017), and application approval (7/24/2018) .

The alteration does NOT propose the discontinuation or addition of any categories of service, or a change in the methods of financing of the project from what was approved in the permit.

**IV. Applicable Rules**

20 ILCS 3960/5 states “*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.*”

77 IAC 1130.750 – Alteration of Post Permit Projects specifies that a permit is valid only for the project as defined in the application and any change to the project subsequent to permit issuance constitutes an Alteration to the Project. **All alterations** are required to be reported to the State Board before any alteration is executed.

77 IAC 1130.750(b) states the cumulative effect of alterations to a project shall not exceed the following:

- 1) a change in the approved number of beds or stations, provided that the change would not independently require a permit or exemption from HFSRB;
- 2) abandonment of an approved category of service established under the permit;
- 3) any increase in the square footage of the project up to 5% of the approved gross square footage;
- 4) any decrease in square footage greater than 5% of the project;
- 5) any increase in the cost of the project not to exceed 7% of the total project cost. This alteration may exceed the capital expenditure minimum in place when the permit was issued, provided that it does not exceed 7% of the total project cost;
- 6) any increase in the amount of funds to be borrowed for those permit holders that have not documented a bond rating of "A-" or better from Fitch's or Standard and Poor's rating agencies, or A3 or better from Moody's (the rating shall be affirmed within the latest 18 month period prior to the submittal of the application).

The State Board Staff notes that only those criteria that are relevant to this alteration request are discussed below. All other criteria remain unchanged from the Original State Board Staff Report.

**V. Summary of Findings**

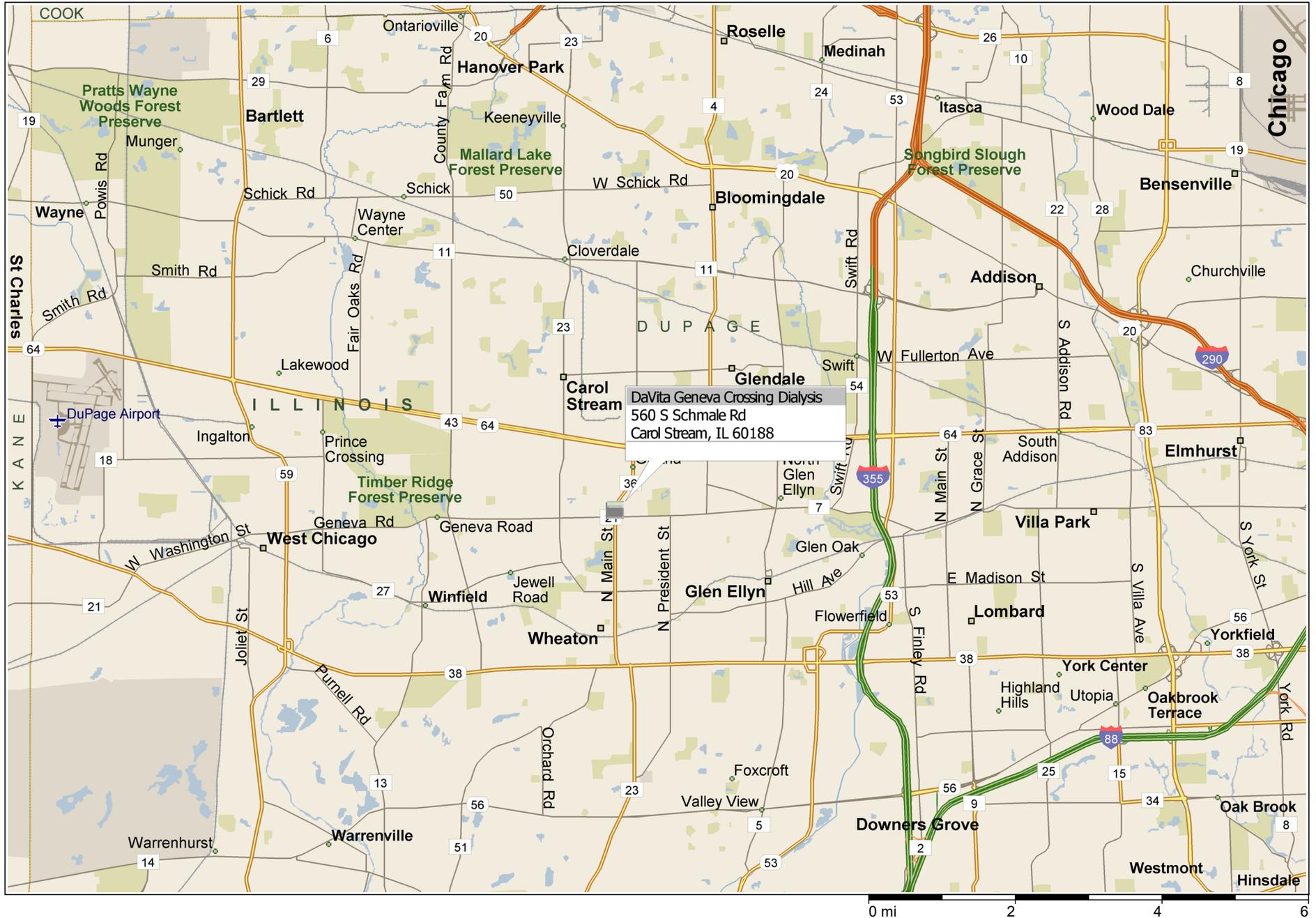
- A. The State Board Staff finds the proposed alteration appears to be in conformance with the provisions of Part 1110.
- B. The State Board Staff finds the proposed alteration appears to be in conformance with the provisions of Part 1120.

<b>TABLE TWO</b>			
<b>Project Costs and Sources of Funds</b>			
	<b>Original</b>	<b>Altered</b>	<b>% of Total Alteration</b>
Modernization	\$1,055,500	\$1,205,500	5.55%
Contingencies	\$158,300	\$158,300	0%
Architectural and Engineering Fees	\$123,000	\$123,000	0%
Consulting and Other Fees	\$117,079	\$117,079	0%
Movable or Other Equipment	\$529,295	\$529,295	0%
FMV of Leased Space	\$718,840	\$718,840	0%
<b>Total</b>	<b>\$2,702,014</b>	<b>\$2,852,014</b>	<b>5.55%</b>
Cash	\$1,983,174	\$2,133,177	\$150,000
FMV of Leased Space	\$718,840	\$718,840	\$0
<b>Total</b>	<b>2,702,014</b>	<b>\$2,852,014</b>	<b>\$150,000</b>

The increased modernization and contingencies cost (\$218.56) exceed the State Board standard for 2019 (\$200.71 per GSF) by \$17.85 per GSF. (See Table Three). While the modernization and contingency costs are greater than the State Standard the State Statute allows for deviations from approved permit amount so long as the total approved amount stays within the limit (7%) established by the State Board.

<b>TABLE THREE</b>			
<b>Reasonableness of Project Costs (Altered)</b>			
		<b>State Standard</b>	
	<b>Project Costs</b>	<b>%/GSF/Station</b>	<b>State Standard</b>
Modernization Contracts and Contingencies (1)	\$1,363,800	\$218.56/GSF	\$200.71 per GSF
Contingencies	\$158,300	11.6%	10-15%
<ol style="list-style-type: none"> <li>1. Modernization standard and contingency standard is \$200.71/GSF for 2019 (mid-point of construction)</li> <li>2. Contingencies for modernization is 15% of modernization costs of \$1,055,500</li> <li>3. Architectural and Engineering Fees is 10.36% of modernization and contingencies [Part 1120 Appendix A]</li> <li>4. Movable Equipment standard is \$39,945 per station for 2008 inflated by 3% per year to 2018.</li> </ol>			

# 17-013 DaVita Geneva Crossing - Carol Stream





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August 20, 2019

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Via Federal Express

Courtney Avery  
Illinois Health Facilities and Services Review  
Board  
525 West Jefferson Street, 2<sup>nd</sup> Floor  
Springfield, Illinois 62761

**Re: Permit Alteration – Geneva Crossing Dialysis (Proj. No 17-013)**

Dear Ms. Avery:

Pursuant to Section 1130.750 of the Illinois Health Facilities and Services Review Board (“HFSRB”) rules, I am writing on behalf of DaVita Inc., DuPage Medical Group Ltd. and Rockwood Dialysis, LLC (collectively, the “Permit Holders”) to request an alteration to the above referenced project. As you are aware, on July 24, 2018, the Illinois Health Facilities and Services Review Board (“HFSRB”) approved the Permit Holders’ Certificate of Need permit application to establish a 12 station dialysis clinic to be located at 540-560 South Schmale Road, Carol Stream, Illinois (the “Project”). The application for this project was submitted on March 28, 2017, and due to the passage of time from application submission to approval, construction costs increased approximately \$150,000.

The Board’s rules allow for certain alterations to a project for which a permit has been issued. As set forth in 77 Ill. Admin. Code 1130.750, an increase up to 7% of the total approved project cost is an allowable alteration that requires Board approval. For your review, I have attached the following documents:

- Project Costs and Sources of Funds
- Attachment – 7 (Itemized Project Costs and Sources of Funds)
- Attachment – 9 (Cost Space Requirements)
- Availability of Funds
- Attachment – 36C (Reasonableness of Project and Related Costs)

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Ms. Courtney Avery  
August 20, 2019  
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By this letter, the Permit Holders request the Board approve this alteration. Enclosed is a \$1,000 check for the fee associated with the alteration.

Sincerely,

A handwritten signature in blue ink that reads "Anne M. Cooper".

Anne M. Cooper

Attachments

## Project Costs and Sources of Funds

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-reviewable components that are not related to the provision of health care, complete the second column of the table below. Note, the use and sources of funds must be equal.

Project Costs and Sources of Funds			
USE OF FUNDS	CLINICAL	NONCLINICAL	TOTAL
Preplanning Costs			
Site Survey and Soil Investigation			
Site Preparation			
Off Site Work			
New Construction Contracts			
Modernization Contracts	\$1,205,500		\$1,205,500
Contingencies	\$158,300		\$158,300
Architectural/Engineering Fees	\$123,000		\$123,000
Consulting and Other Fees	\$117,079		\$117,079
Movable or Other Equipment (not in construction contracts)	\$529,295		\$529,295
Bond Issuance Expense (project related)			
Net Interest Expense During Construction (project related)			
Fair Market Value of Leased Space or Equipment	\$718,840		\$718,840
Other Costs To Be Capitalized			
Acquisition of Building or Other Property (excluding land)			
<b>TOTAL USES OF FUNDS</b>	<b>\$2,852,014</b>		<b>\$2,852,014</b>
SOURCE OF FUNDS	CLINICAL	NONCLINICAL	TOTAL
Cash and Securities	\$2,133,177		\$2,133,177
Pledges			
Gifts and Bequests			
Bond Issues (project related)			
Mortgages			
Leases (fair market value)	\$718,840		\$718,840
Governmental Appropriations			
Grants			
Other Funds and Sources			
<b>TOTAL SOURCES OF FUNDS</b>	<b>\$2,852,014</b>		<b>\$2,852,014</b>
<b>NOTE: ITEMIZATION OF EACH LINE ITEM MUST BE PROVIDED AT ATTACHMENT 7, IN NUMERIC SEQUENTIAL ORDER AFTER THE LAST PAGE OF THE APPLICATION FORM.</b>			

**Section I, Identification, General Information, and Certification**  
**Project Costs and Sources of Funds**

<b>Table 1120.110</b>			
<b>Project Cost</b>	<b>Clinical</b>	<b>Non-Clinical</b>	<b>Total</b>
Modernization Contracts	\$1,205,500		\$1,205,500
Contingencies	\$158,300		\$158,300
Architectural/Engineering Fees	\$123,000		\$123,000
Consulting and Other Fees	\$117,079		\$117,079
<b>Moveable and Other Equipment</b>			
Communications	\$68,644		\$68,644
Water Treatment	\$140,475		\$140,475
Bio-Medical Equipment	\$11,550		\$11,550
Clinical Equipment	\$210,444		\$210,444
Clinical Furniture/Fixtures	\$18,060		\$18,060
Lounge Furniture/Fixtures	\$3,855		\$3,855
Storage Furniture/Fixtures	\$5,862		\$5,862
Business Office Fixtures	\$30,905		\$30,905
General Furniture/Fixtures	\$27,500		\$27,500
Signage	\$12,000		\$12,000
<b>Total Moveable and Other Equipment</b>	<b>\$529,295</b>		<b>\$529,295</b>
Fair Market Value of Leased Space	\$718,840		\$718,840
<b>Total Project Costs</b>	<b>\$2,852,014</b>		<b>\$2,852,014</b>

**Section I, Identification, General Information, and Certification  
Cost Space Requirements**

Cost Space Table							
Dept. / Area	Cost	Gross Square Feet		Amount of Proposed Total Gross Square Feet That Is:			
		Existing	Proposed	New Const.	Modernized	As Is	Vacated Space
<b>CLINICAL</b>							
ESRD	\$2,852,014		6,240	6,240			
<b>Total Clinical</b>	<b>\$2,852,014</b>		<b>6,240</b>	<b>6,240</b>			
<b>NON REVIEWABLE</b>							
<b>Total Non-Reviewable</b>							
<b>TOTAL</b>	<b>\$2,852,014</b>		<b>6,240</b>	<b>6,240</b>			



	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.
<b><u>\$2,852,014</u></b>	<b>TOTAL FUNDS AVAILABLE</b>

**APPEND DOCUMENTATION AS ATTACHMENT 33, IN NUMERIC SEQUENTIAL ORDER AFTER THE LAST PAGE OF THE APPLICATION FORM.**

**Section X, Economic Feasibility Review Criteria**  
**Criterion 1120.140(c), Reasonableness of Project and Related Costs**

1. The Cost and Gross Square Feet by Department is provided in the table below.

<b>COST AND GROSS SQUARE FEET BY DEPARTMENT OR SERVICE</b>									
Department (list below) CLINICAL	A	B	C	D	E	F	G	H	Total Cost (G + H)
	Cost/Square Foot New	Mod.	Gross Sq. Ft. New Circ.*		Gross Sq. Ft. Mod. Circ.*		Const. \$ (A x C)	Mod. \$ (B x E)	
<b>CLINICAL</b>									
ESRD		\$193.19			6,240			\$1,205,500	\$1,205,500
Contingency		\$25.37			6,240			\$158,300	\$158,300
<b>TOTAL CLINICAL</b>		<b>\$218.56</b>			<b>6,240</b>			<b>\$1,363,800</b>	<b>\$1,363,800</b>
<b>NON- CLINICAL</b>									
Admin									
Contingency									
<b>TOTAL NON- CLINICAL</b>									
<b>TOTAL</b>		<b>\$218.56</b>			<b>6,240</b>			<b>\$1,363,800</b>	<b>\$1,363,800</b>

\* Include the percentage (%) of space for circulation

2. As shown in Table 1120.310(c) below, the project costs are below the State Standard.

<b>Table 1120.310(c)</b>			
	<b>Proposed Project</b>	<b>State Standard</b>	<b>Above/Below State Standard</b>
Modernization Contracts & Contingencies	\$1,363,800	\$200.71 x 6,240 GSF = \$1,252,430	Above State Standard
Contingencies	\$158,300	10% - 15% Modernization Contracts 15% x \$1,205,500 = \$180,825	Meets State Standard
Architectural/Engineering Fees	\$123,000	6.76% - 10.16% of New Modernization Contracts + Contingencies) = 6.76% - 10.16% x (\$1,205,500 + \$158,300)= 6.76% - 10.16% x \$1,363,800 = \$92,193 - \$138,562	Meets State Standard

**Table 1120.310(c)**

	<b>Proposed Project</b>	<b>State Standard</b>	<b>Above/Below State Standard</b>
Consulting and Other Fees	\$117,079	No State Standard	No State Standard
Moveable Equipment	\$529,295	\$55,293.22 per station x 12 stations \$55,293.22 x 12 = \$663,518.66	Below State Standard
Fair Market Value of Leased Space or Equipment	\$718,840	No State Standard	No State Standard