

Constantino, Mike

From: John Kniery [JKniery@foleyandassociates.com]
Sent: Monday, August 29, 2011 3:28 PM
To: Constantino, Mike; Roate, George
Cc: Ed Grogg; Christopher J. Lukaart; blevinson@platinumhc.net; Julie Elliott
Subject: RE: 08-086

Michael Constantino:

1. SF: The square footage on the janitor's closet is actually 122 sq ft and not 112 sq ft. This appears to just be a simple key punch error. The corrected chart is provided below.
2. Square footage reduction v. Overall Project Costs: this is clear, defined and very simple.

The simple answer to why we have had to reduce the square footage but not the overall costs is the project is being forced to be constructed with union labor. There is no other fundamental reason why this project's size/scope was changed. All along, the developer was proceeding with architectural designs (and overall SF) based upon non-union labor construction costs. When the building construction budget was first established it was based upon construction costs of approximately \$145/SF which number came from costs we had accumulated in the Springfield market by our normal General Contractor, who was a non-union GC. However, at our final City Council meeting where we were requesting a zoning variance, we were informed that in order to get this project and the variance approved by the Springfield City Council that we **MUST** utilize union labor on the project (this after months of negotiations and informal meetings with the City where union labor was not ever brought up as an issue).

Since our original projections of costs per square foot were based upon non-union labor for the project we knew that we had to modify the project and its architectural design in order to be able to continue to meet the CON project budget cost of \$12,950,000. However, before redesigning the project, we decided to take the project out to bid with its existing design to see how competitive it would be in the union market.

We then took the project out to bid with 3 different union General Contractors in the Springfield market and were shocked by their numbers. Their bids came back between \$225-\$250 per square foot. This took us substantially over budget (\$4,000,000+ over-budget) so we knew that if we did not want to lose this project we had to reduce square footage and the costs per square foot because we knew we could not negotiate the union GC's down to the level to meet the original CON project budget of \$12,950,000. So, we proceeded to redesign the project without impacting the total # of beds in the project and without negatively impacting the patient care areas. We did this by eliminating a very expensive basement (due to the water tables in Springfield) where we had loaded all of our support services (kitchen, laundry, maintenance, etc.) and by reducing the overall square footage. When we eliminated the basement we eliminated a large chunk of the square footage necessary and the remainder of the square footage reductions were on a pro rata basis.

We then went out to a large union GC (Walsh Construction) because we felt due to their size and presence in the market they could get better pricing out of the local union sub-contractors and we were right. With Walsh's final bid, the project has ended up at approximately \$195/SF due to using union labor. So, in order to save the project we had to redesign the project and reduce the square footage of the project to get to the CON project budget of \$12,950,000. Had we not done this the project would have been dead and the residents of Springfield would not have been able to have a Next Generation senior care facility to choose from for their health care.

So, bottom line is that being "forced" to use union labor in order to get the project approved through City Council is the fundamental reason why we had to reduce the overall size of the project. What I can tell you in addition to this is that this project will still be the market leader in Springfield in spite of these changes and will become the "example" of where senior care products need to go in the future in order to meet the needs of the baby boomers in Springfield. -V. Edward Grogg, President, Mainstreet

TABLE ONE Cost/Space Requirements				
	Clinical	GSF	Proposed	Difference
	Cost			GSF
Nursing	\$6,430,345	27,000	21,200	-5,800
Living/Dining	\$1,428,966	6,000	3,231	-2,769
Kitchen	\$272,694	1,145	1,661	516
Physical/Occupational	\$428,690	1,800	2,428	628
Laundry	\$209,582	880	598	-282
Janitor Closet	\$9,526	40	122	72
Clean Soil Utility	\$114,317	480	557	77
Beauty Barber	\$95,264	400	383	-17
Clinical Sub Total	\$8,989,384	37,745	30,180	-7,575
Employee Lounge	\$117,651	494	504	10
Office Administration	\$215,059	903	1,376	473
Mechanical Room	\$60,017	252	721	469
Lobby Vestibules	\$333,425	1400	806	-594
Storage	\$178,621	750	750	0
Chapel	\$47,632	200	232	32
Corridor	\$2,974,868	12491	10,476	-2,015
Public Toilets	\$33,343	140	226	86
Non Clinical Sub Total	\$3,960,616	16,630	15,091	-1,539
Total	12,950,000	54,375	45,261	-9,114

Please let me know if there is anything else that I can provide for you. Thank you for your consideration on this matter.

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