



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, Supervisor – Program Review Section
Division of Health Systems Development

FROM: Dale Galassie, Chairman
Illinois Health Facilities and Services Review Board

RE: Alteration Request for Project # 12-010

Facility: Evanston Renal Center, Evanston

This is to advise you that I have reviewed the above-captioned permit 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 1130.750.

Other actions as follows:

 10-30-12

Dale Galassie, Chairman
Illinois Health Facilities and
Services Review Board

Date



STATE OF ILLINOIS
HEALTH FACILITIES AND SERVICES REVIEW BOARD

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

DOCKET ITEM NUMBER: NA	BOARD MEETING: NA	PROJECT NUMBER: #12-010
PERMIT HOLDERS(S): Davita, Inc., ISD Renal Inc.		
FACILITY NAME and LOCATION: Evanston Renal Center, Evanston		

Project Description:

The permit holders are requesting an alteration to Permit #12-010 in accordance with 77 IAC 1130.750 - Alteration of the Project. **This is the first alteration request for this project.** The permit holders are requesting that the cost of the approved certificate of need be decreased to \$3,093,189 and to decrease the gross square footage to 9,023 GSF.



STATE OF ILLINOIS
HEALTH FACILITIES AND SERVICES REVIEW BOARD

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

STATE AGENCY REPORT
PERMIT ALTERATION REQUEST
Project #12-010

I. Project Description and Background Information

In July 2012, the State Board approved Permit #12-010 for the relocation of an 18 station ESRD facility at a cost of \$3,387,571.

II. The Proposed Alteration

A. The following proposed alterations require State Board approval:

The permit holders are requesting that the cost of the approved certificate of need be decreased from \$3,387,571 to \$3,093,189 a total of \$294,382.

B. Reason(s) for the Proposed Alteration:

After approval of the permit and discussions with the landlord the permit holders have concluded that 9,023 GSF of space is needed and not the 10,000 GSF as approved by the State Board.

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;
- 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;



STATE OF ILLINOIS
HEALTH FACILITIES AND SERVICES REVIEW BOARD

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

- 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

The State Agency finds the proposed Alteration does appears to be in conformance with all applicable review criteria for Part 1110.

The State Agency finds the proposed Alteration does appears to be in conformance with all applicable review criteria for Part 1120.

VI. Projects Costs and Sources of Funds

The total estimated project cost is \$3,093,189. The proposed project is being funded with cash and securities totaling \$2,224,340, and leases with a Fair Market Value of \$868,849. Table One outlines the project's costs and uses of funds. The State Board Staff notes all costs are classified as being clinical.

TABLE ONE			
Project Uses and Sources of Funds			
Uses of Funds	Clinical	Clinical	Difference
Modernization Contracts	\$1,440,200	\$1,299,492	-\$140,708
Contingencies	\$187,226	\$155,809	-\$31,417
A & E Fees	\$83,700	\$83,700	\$0
Consulting & Other Fees	\$40,500	\$40,500	\$0
Moveable Equipment	\$644,838	\$644,838	\$0



STATE OF ILLINOIS
HEALTH FACILITIES AND SERVICES REVIEW BOARD

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

TABLE ONE			
Project Uses and Sources of Funds			
Fair Market Value of Leased Space/Equipment	\$962,926	\$868,849	-\$94,077
Total Uses of Funds	\$3,359,390	\$3,093,188	-\$266,202
Sources of Funds	Clinical	Clinical	Difference
Cash and Securities	\$2,396,464	\$2,224,340	-\$172,124
Leases (fair market value)	\$962,926	\$868,849	-\$94,077
Total Sources of Funds	\$3,359,390	\$3,093,189	-\$266,201

Only those criteria that have been altered will be discussed as part of this alteration report.

VII. Section 1110.234 - Project Scope and Size, Utilization and Unfinished/Shell Space - Review Criteria

A) Size of Project

The Criterion states:

“The applicant shall document that the amount of physical space proposed for the project is necessary and not excessive. The proposed gross square footage (GSF) cannot exceed the GSF standards of Appendix B, unless the additional GSF can be justified by documenting one of the following:

- 1) Additional space is needed due to the scope of services provided, justified by clinical or operational needs, as supported by published data or studies;
- 2) The existing facility's physical configuration has constraints or impediments and requires an architectural design that results in a size exceeding the standards of Appendix B;
- 3) The project involves the conversion of existing bed space that results in excess square footage.”

The applicants propose to establish an 18 station ESRD facility in 9,023/GSF of leased space. The State board standard is 360-520 GSF per station or 9,360 for an 18-station facility. The applicants are below the State Board size standard for this facility by 18 GSF per station.



**STATE OF ILLINOIS
HEALTH FACILITIES AND SERVICES REVIEW BOARD**

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

TABLE TWO SIZE OF PROJECT 12-010 Evanston Renal Center				
Department /Service	Proposed BGSF/DGSF	State Standard	Difference	Met Standard?
ESRD Facility	9,023/GSF (18 Stations)	360-520 GSF 502 GSF per station	18 GSF per station	No

THE STATE BOARD STAFF FINDS THE PROPOSED PROJECT APPEARS TO BE IN CONFORMANCE WITH THE SIZE OF PROJECT CRITERION (77 IAC 1110.234(a)).

VIII. Review Criteria - Economic Feasibility

A. Criterion 1120.310(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 applicant 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 applicant 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 applicant documents construction constraints or other design complexities and provides evidence that the costs are similar or consistent with



STATE OF ILLINOIS
HEALTH FACILITIES AND SERVICES REVIEW BOARD

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

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**
Architectural fees shall not exceed the fee schedule standards detailed in Appendix A of this Part unless the applicant 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 applicant 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 applicant 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 applicant 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."

Modernization Contracts and Contingencies - These costs total \$1,455,301 or \$161.28 per gross square feet. ($\$1,455,301/9,023 \text{ GSF} = \$161.28/\text{GSF}$) This appears reasonable when compared to the State Board standard of \$162.74/GSF.



STATE OF ILLINOIS
HEALTH FACILITIES AND SERVICES REVIEW BOARD

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

Contingencies - These costs total \$155,809 or 11.98% of modernization costs. This appears reasonable when compared to the State Board standard of 10%-15% of modernization costs.

Architect and Engineering Fees - These costs total \$83,700 or 5.75% of modernization and contingency costs. This appears reasonable when compared to the State Board standard of 6.76% -10.16% of modernization and contingency costs.

Consulting - These costs total \$40,000. The State Board does not have a standard for these costs.

Moveable Equipment - These costs total \$644,838 or \$35,825 per station. This appears reasonable when compared to the State Board standard of \$41,143.

Fair Market Value of Leased Space - These costs are \$868,849. The State Board does not have a standard for these costs.

THE STATE AGENCY FINDS THE PROPOSED ALTERATION APPEARS TO BE IN CONFORMANCE WITH THE REASONABLENESS OF PROJECT COST CRITERION (77 IAC 1120.310(c)).

IX. **Other Information**

Included with this report is the alteration request.