ALDEN COURTS OF SHOREWOOD
4200 WEST PETERSON AVENUE
CHICAGO, ILLINOIS 60646
(773) 286-3883

RECEIVED

JUN 3 0 2016

HEALTH FACILITIES &
SERVICES REVIEW BOARD

Via Hand Delivery

June 29, 2016

Ms. Courtney Avery, Administrator
Illinois Health Facilities and Services Review Board
525 W. Jefferson Street - 2nd Floor
Springfield, IL 62761

Re: Alden Courts of Shorewood, Project No. 12-032 (the "Project")
Request for Permit Alteration

Dear Ms. Avery:

This correspondence serves as the Applicants' first request for permit alteration of the above referenced project. Specifically, this alteration seeks to increase the proportion of the project financed by the HUD loan. There is no change in the total amount of project costs.

In working with our lender and the U.S. Department of Housing and Urban Development ("HUD") on the loan, we were fortunate in that our loan was approved at a much higher amount than we originally anticipated. The approved loan amount was increased from the amount in the CON application by $2,190,000 to $8,190,000. The Project was able to secure a larger mortgage based on the success of the existing facility, projected operating results and a favorable appraisal. The debt to capitalization ratio in the original application was 50.65% and due to favorable lending terms, the Applicant was granted financing that would bring the debt to capitalization ratio up to 66.47%. Even with the increased loan amount the Project would remain well within the 80% debt to equity ratio applied to most projects. The loan was issued at an interest rate of 3.73% vs. the original rate used of 5.0%. Consequently, because of the favorable interest ratio, there is no increase in the Net Interest During Construction line item.

As stated, the only item changing through this request is the amount to be financed. The total project cost remains the same. Therefore, the only criteria and application pages that will change are the following items:

- Section 1120.120 Availability of Funds (EXHIBIT A)
- Section 1120.130 Financial Viability (EXHIBIT B)

- Additionally, a revised Appendix A (1130.140 project costs & sources of funds) is also addressed and provided (EXHIBIT C)
- Viability Ratios – (Exhibit D)

Although the loan increase has been approved, we have not yet drawn or borrowed funds in excess of the debt financing approved in the permit

Enclosed please find the required $1,000 permit alteration application fee. Please let me know of any questions on this material, or if additional information needs to be provided.

If you should have any questions or concerns regarding this request, please do not hesitate to contact me.

Respectfully,
ALDEN COURTS OF SHOREWOOD

By: Randi Schullo
Randi Schullo

cc: Mike Constantino, Supervisor of Project Review
John Kniery
Joe Ourth

Enclosures

Word/anna/courts of shorewood/permit alteration request

EXHIBIT "A"

The following Sections DO NOT need to be addressed by the applicants or co-applicants responsible for funding or guaranteeing the funding of the project if the applicant has 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):

- **Section 1120.120 Availability of Funds – Review Criteria**
- **Section 1120.130 Financial Viability – Review Criteria**
- **Section 1120.140 Economic Feasibility – Review Criteria, subsection (a)**

VIII. - 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: **Indicate the dollar amount to be provided from the following sources:**

$2,238,798	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.
_____	c)	Gifts and Bequests – verification of the dollar amount, identification of any conditions of use, and the estimated time table of receipts;
$8,190,000	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; 5) For any option to lease, a copy of the option, including all terms and conditions.
_____	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.
$10,428,798		**TOTAL FUNDS AVAILABLE**

APPEND DOCUMENTATION AS ATTACHMENT-39, IN NUMERIC SEQUENTIAL ORDER AFTER THE LAST PAGE OF THE APPLICATION FORM.

EXHIBIT "B"

IX. 1120.130 - Financial Viability – Courts of Shorewood (Alden Courts of Shorewood Inc.)

All the applicants and co-applicants shall be identified, specifying their roles in the project funding or guaranteeing the funding (sole responsibility or shared) and percentage of participation in that funding.

Financial Viability Waiver

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

1. **"A" Bond rating or better**
2. **All of the projects capital expenditures are completely funded through internal sources**
3. **The applicant's current debt financing or projected debt financing is insured or anticipated to be insured by MBIA (Municipal Bond Insurance Association Inc.) or equivalent**
4. **The applicant provides a third party surety bond or performance bond letter of credit from an A rated guarantor.**

See Section 1120.130 Financial Waiver for information to be provided

APPEND DOCUMENTATION AS ATTACHMENT-40, IN NUMERIC SEQUENTIAL ORDER AFTER THE LAST PAGE OF THE APPLICATION FORM.

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.

Owner & Operator:

Provide Data for Projects Classified as:	**Category A or Category B (last three years)**			**Category B (Projected)**
Enter Historical and/or Projected Years:				2018
Current Ratio				4.14
Net Margin Percentage				4.23%
Percent Debt to Total Capitalization				66.47%
Projected Debt Service Coverage				1.64%
Days Cash on Hand				128
Cushion Ratio				3.08

Provide the methodology and worksheets utilized in determining the ratios detailing the calculation and applicable line item amounts from the financial statements. Complete a separate table for each co-applicant and provide worksheets for each.

2. 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.

APPEND DOCUMENTATION AS ATTACHMENT 41, IN NUMERICAL ORDER AFTER THE LAST PAGE OF THE APPLICATION FORM.

EXHIBIT C

Alden Courts of Shorewood #12-032

APPENDIX A

Revised November 19, 2015

Project Costs and Sources of Funds

Complete the following table listing all costs 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 equal.

Project Costs and Sources of Funds			
USE OF FUNDS	**CLINICAL**	**NONCLINICAL**	**TOTAL**
Preplanning Costs	$0	$0	$0
Site Survey and Soil Investigation	$8,700	$5,800	$14,500
Site Preparation	$239,580	$159,720	$399,300
Off Site Work	$30,000	$20,000	$50,000
New Construction Contracts	$4,356,000	$2,904,000	$7,260,000
Modernization Contracts	$0	$0	$0
Contingencies	$435,600	$290,400	$726,000
Architectural/Engineering Fees	$416,602	$279,735	$699,337
Consulting and Other Fees	$344,377	$229,584	$573,961
Movable or Other Equipment (not in construction contracts)	$242,880	$161,920	$404,800
Bond Issuance Expense (project related)	$0	$0	$0
Net Interest Expense During Construction (project related)	$94,500	$63,000	$157,500
Fair Market Value of Leased Space or Equipment	$0	$0	$0
Other Costs To Be Capitalized	$86,040	$57,360	$143,400
Acquisition of Building or Other Property (excluding land)	$0	$0	$0
TOTAL USES OF FUNDS	**$6,257,279**	**$4,171,519**	**$10,428,798**
SOURCE OF FUNDS	**CLINICAL**	**NONCLINICAL**	**TOTAL**
Cash and Securities	$1,343,279	$895,519	$2,238,798
Pledges			
Gifts and Bequests			
Bond Issues (project related)			
Mortgages	$4,914,000	$3,276,000	$8,190,000
Leases (fair market value)			
Governmental Appropriations			
Grants			
Other Funds and Sources			
TOTAL SOURCES OF FUNDS	**$6,257,279**	**$4,171,519**	**$10,428,798**

EXHIBIT "D"

Courts of Shorewood
Viability Ratios

	December 31, 2016	Standard	December 31, 2017	Standard	December 31, 2018	Standard
Current Ratio:						
Current Assets	$ 1,859,559	2.26	$ 2,073,865	2.13	$ 2,029,785	3.78
Current Liabilities	$ 824,053		$ 974,199		$ 537,472	
Net Margin:						
Net Income	$ (498,832)	-17.02%	$ (123,129)	-2.53%	$ 456,400	8.64%
Net Operating Revenues	$ 2,931,070		$ 4,862,327		$ 5,284,440	
Debt to Capitalization:						
Long Term Debt	$ 8,076,404	66.87%	$ 7,981,643	67.54%	$ 7,883,285	65.73%
Equity plus Long term debt	$ 12,077,159		$ 11,817,217		$ 11,992,699	
Debt Coverage Ratio:						
Net Income	$ (496,832)		$ (123,129)		456,400	
Depreciation	78,201		342,804		352,166	
	$ (418,631)		$ 219,675		$ 808,566	
Debt Service	$ 347,182	(1.21)	$ 347,182	0.63	347,182	2.33
Days Cash on Hand:						
Cash on Hand and Mortgage escrows	$ 1,103,750	141	$ 1,297,819	115	$ 1,417,151	125
Annual operating costs	$ 2,848,598		$ 4,125,689		$ 4,152,026	
Cushion:						
Cash in bank and Short Term Investments	$ 1,061,750	3.06	$ 1,252,819	3.61	$ 1,367,151	3.94
Annual Debt Service	$ 347,182		$ 347,182		$ 347,182	

Attachment 41