



**FRESENIUS
MEDICAL CARE**

July 8, 2015

RECEIVED

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**HEALTH FACILITIES &
SERVICES REVIEW BOARD**

Ms. Courtney Avery
Administrator
Illinois Health Facilities & Services Review Board
525 West Jefferson, 2nd Floor
Springfield, IL 62761

Re: Alteration, Permit #14-012 Fresenius Medical Care Gurnee

Dear Ms. Avery:

At the July 14, 2014 Illinois Health Facilities and Services Review Board meeting Fresenius Medical Care was granted a permit to relocate the above referenced 14-station ESRD facility and expand by 2 additional stations. I am writing to request an alteration to this permit.

Original plans as put forth in the application were for a 12,000 GSF building. After reviewing plans it was decided that a more suitable size for the in-center facility would be 11,000 GSF. Adjustments to permitted amounts being made will address reduction in GSF and related modernization cost reductions. Modernization and contingency costs will be adjusted due to the landlord taking on the responsibility for modernizing the leased space. There are no other changes to the size or scope of the project.

The following pages are replacement pages for the original application that are related to this alteration. These include:

- Page 6 Project Costs and Sources of Funds
- Page 8 Cost/Space Requirements
- Page 17 Availability of Funds
- Page 19 Economic Feasibility
- Page 32-33 Itemized Costs
- Page 35 Cost/Space Requirements
- Page 74 Size
- Page 104 Economic Feasibility – Reasonableness of Project & Related Costs

Enclosed is an alteration fee in the amount of \$1,000. Thank you for your time and attention to this matter.

Sincerely,

Lori Wright
Senior CON Specialist

cc: Clare Ranalli

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 equal.

NOTE: Items that have been altered have been bolded.

Project Costs and Sources of Funds			
USE OF FUNDS	CLINICAL	NONCLINICAL	TOTAL
Preplanning Costs	N/A	N/A	N/A
Site Survey and Soil Investigation	N/A	N/A	N/A
Site Preparation	N/A	N/A	N/A
Off Site Work	N/A	N/A	N/A
New Construction Contracts	N/A	N/A	N/A
Modernization Contracts	1,771,000	N/A	1,771,000*
Contingencies	176,000	N/A	176,000*
Architectural/Engineering Fees	175,000	N/A	175,000
Consulting and Other Fees	N/A	N/A	N/A
Movable or Other Equipment (not in construction contracts)	504,000	N/A	504,000
Bond Issuance Expense (project related)	N/A	N/A	N/A
Net Interest Expense During Construction (project related)	N/A	N/A	N/A
Fair Market Value of Leased Space 2,314,097			
or Equipment 263,700	2,577,797	N/A	2,577,979
Other Costs To Be Capitalized	N/A	N/A	N/A
Acquisition of Building or Other Property (excluding land)	N/A	N/A	N/A
TOTAL USES OF FUNDS	5,203,797	N/A	5,203,797
SOURCE OF FUNDS	CLINICAL	NONCLINICAL	TOTAL
Cash and Securities	679,000	N/A	679,000
Pledges	N/A	N/A	N/A
Gifts and Bequests	N/A	N/A	N/A
Bond Issues (project related)	N/A	N/A	N/A
Mortgages	N/A	N/A	N/A
Leases (fair market value)	4,524,797	N/A	4,524,797**
Governmental Appropriations	N/A	N/A	N/A
Grants	N/A	N/A	N/A
Other Funds and Sources	N/A	N/A	N/A
TOTAL SOURCES OF FUNDS	5,203,797	N/A	5,203,797
NOTE: ITEMIZATION OF EACH LINE ITEM MUST BE PROVIDED AT ATTACHMENT-7, IN NUMERIC SEQUENTIAL ORDER AFTER THE LAST PAGE OF THE APPLICATION FORM.			

*Total modernization and contingency costs are estimated to be \$1,947,000 and will be incurred by the landlord and paid back over the term of the lease as rent.

**FMV of leased space include modernization and contingency cost that are fronted by landlord and paid back through the term of the lease as rent.

Cost Space Requirements

Provide in the following format, the department/area **DGSF** or the building/area **BGSF** and cost. The type of gross square footage either **DGSF** or **BGSF** must be identified. The sum of the department costs **MUST** equal the total estimated project costs. Indicate if any space is being reallocated for a different purpose. Include outside wall measurements plus the department's or area's portion of the surrounding circulation space. **Explain the use of any vacated space.**

Dept. / Area	Cost	Gross Square Feet		Amount of Proposed Total Gross Square Feet That Is:			
		Existing	Proposed	New Const.	Modernized	As Is	Vacated Space
REVIEWABLE							
In-Center Hemodialysis		11,000	11,000		5,203,797		
Total Clinical		11,000	11,000		5,203,797		
NON REVIEWABLE							
Administrative							
Parking							
Gift Shop							
Total Non-clinical							
TOTAL		11,000	11,000		\$5,203,797		
APPEND DOCUMENTATION AS <u>ATTACHMENT-9</u> , IN NUMERIC SEQUENTIAL ORDER AFTER THE LAST PAGE OF THE APPLICATION FORM.							

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:**

<u>679,000</u>	a) Cash and Securities – statements (e.g., audited financial statements, letters from financial institutions, board resolutions) as to: <ol style="list-style-type: none"> 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;
<u>N/A</u>	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.
<u>N/A</u>	c) Gifts and Bequests – verification of the dollar amount, identification of any conditions of use, and the estimated time table of receipts;
<u>4,524,797</u>	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: <ol style="list-style-type: none"> 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.
<u>N/A</u>	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;
<u>N/A</u>	f) Grants – a letter from the granting agency as to the availability of funds in terms of the amount and time of receipt;
<u>N/A</u>	g) All Other Funds and Sources – verification of the amount and type of any other funds that will be used for the project.
<u>5,203,797</u>	TOTAL FUNDS AVAILABLE

APPEND DOCUMENTATION AS **ATTACHMENT-36**, IN NUMERIC SEQUENTIAL ORDER AFTER THE LAST PAGE OF THE APPLICATION FORM.

X. 1120.140 - Economic Feasibility

This section is applicable to all projects subject to Part 1120.

A. Reasonableness of Financing Arrangements

The applicant shall document the reasonableness of financing arrangements by submitting a notarized statement signed by an authorized representative that attests to one of the following:

- 1) That the total estimated project costs and related costs will be funded in total with cash and equivalents, including investment securities, unrestricted funds, received pledge receipts and funded depreciation; or
- 2) That the total estimated project costs and related costs will be funded in total or in part by borrowing because:
 - A) A portion or all of the cash and equivalents must be retained in the balance sheet asset accounts in order to maintain a current ratio of at least 2.0 times for hospitals and 1.5 times for all other facilities; or
 - B) Borrowing is less costly than the liquidation of existing investments, and the existing investments being retained may be converted to cash or used to retire debt within a 60-day period.

B. Conditions of Debt Financing

This criterion is applicable only to projects that involve debt financing. The applicant shall document that the conditions of debt financing are reasonable by submitting a notarized statement signed by an authorized representative that attests to the following, as applicable:

- 1) That the selected form of debt financing for the project will be at the lowest net cost available;
- 2) That the selected form of debt financing will not be at the lowest net cost available, but is more advantageous due to such terms as prepayment privileges, no required mortgage, access to additional indebtedness, term (years), financing costs and other factors;
- 3) That the project involves (in total or in part) the leasing of equipment or facilities and that the expenses incurred with leasing a facility or equipment are less costly than constructing a new facility or purchasing new equipment.

C. Reasonableness of Project and Related Costs

Read the criterion and provide the following:

- 1. Identify each department or area impacted by the proposed project and provide a cost and square footage allocation for new construction and/or modernization using the following format (insert after this page).

COST AND GROSS SQUARE FEET BY DEPARTMENT OR SERVICE									
Department (list below)	A	B	C	D	E	F	G	H	Total Cost (G + H)
	Cost/Square Foot Mod.	New Mod.	Gross Sq. Ft. New Circ.*		Gross Sq. Ft. Mod.	Circ.*	Const. \$ (A x C)	Mod. \$ (B x E)	
ESRD		161.00				11,000		1,771,000	1,771,000
Contingency		16.00				11,000		176,000	176,000
TOTALS		177.00				11,000		1,947,000	1,947,000

* Include the percentage (%) of space for circulation

SUMMARY OF PROJECT COSTS

Modernization Contracts Altered

General Conditions	89,000
Temp Facilities, Controls, Cleaning, Waste Management	4,000
Concrete	23,000
Masonry	27,000
Metal Fabrications	13,000
Carpentry	156,000
Thermal, Moisture & Fire Protection	32,000
Doors, Frames, Hardware, Glass & Glazing	121,000
Walls, Ceilings, Floors, Painting	286,000
Specialities	22,000
Casework, FI Mats & Window Treatments	11,000
Piping, Sanitary Waste, HVAC, Ductwork, Roof Penetrations	567,000
Wiring, Fire Alarm System, Lighting	340,000
Miscellaneous Construction Costs	80,000
Total	1,771,000*

Contingencies Altered

Contingencies **\$176,000***

** Total modernization and contingency costs are estimated to be \$1,947,000 and will be incurred by the landlord and paid back over the term of the lease as rent.*

Architectural/Engineering NO CHANGE

Architecture/Engineering Fees **\$175,000**

Movable or Other Equipment NO CHANGE

Dialysis Chairs	40,000
Misc. Clinical Equipment	35,000
Clinical Furniture & Equipment	36,000
Office Equipment & Other Furniture	51,000
Water Treatment	150,000
TVs & Accessories	84,000
Telephones	23,000
Generator	60,000
Facility Automation	18,000
Other miscellaneous	7,000
Total	\$504,000

Fair Market Value Leased Space & Equipment

FMV Leased Space (11,000 GSF)	\$2,314,097*	Altered
FMV Leased Dialysis Machines	257,850	No Change
FMV Leased Computers	5,850	No Change
Total	\$2,577,797	Altered

*The FMV of leased space without modernization and contingency cost decreased because the rentable GSF decreased (if the alteration is approved).

Cost Space Requirements

Provide in the following format, the department/area GSF and cost. The sum of the department costs **MUST** equal the total estimated project costs. Indicate if any space is being reallocated for a different purpose. Include outside wall measurements plus the department's or area's portion of the surrounding circulation space. **Explain the use of any vacated space.**

Dept. / Area	Cost	Gross Square Feet		Amount of Proposed Total Gross Square Feet That Is:			
		Existing	Proposed	New Const.	Modernized	As Is	Vacated Space
REVIEWABLE							
In-Center Hemodialysis		11,000	11,000		5,203,797		
Total Clinical		11,000	11,000		5,203,797		
NON REVIEWABLE							
Administrative							
Parking							
Gift Shop							
Total Non-clinical							
TOTAL		11,000	11,000		\$5,203,797		
APPEND DOCUMENTATION AS <u>ATTACHMENT-9</u> , IN NUMERIC SEQUENTIAL ORDER AFTER THE LAST PAGE OF THE APPLICATION FORM.							

Criterion 1110.234, Size of Project

SIZE OF PROJECT				
DEPARTMENT/SERVICE	PROPOSED BGSF/DGSF	STATE STANDARD 450-650 BGSF Per Station	DIFFERENCE	MET STANDARD?
ESRD IN-CENTER HEMODIALYSIS	11,000 (16 Stations)	450-650 Per Station	37.5 BGSF Per Station	No

The proposed 11,000 BGSF results in a per station size of 687.5 BGSF which is only 37.5 BGSF per station over the State Standard. However, the alteration reduces the overage per station by 62.5 BGSF, so brings the size closer to alignment with the State standard.

Criterion 1120.310 (c) Reasonableness of Project and Related Costs

Read the criterion and provide the following:

1. Identify each department or area impacted by the proposed project and provide a cost and square footage allocation for new construction and/or modernization using the following format (insert after this page).

COST AND GROSS SQUARE FEET BY DEPARTMENT OR SERVICE									
Department (list below)	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)	
ESRD		161.00				11,000		1,771,000	1,771,000
Contingency		16.00				11,000		176,000	176,000
TOTALS		177.00				11,000		1,947,000	1,947,000

* Include the percentage (%) of space for circulation

Criterion 1120.310 (d) – Projected Operating Costs

No Change

Year 2017

Personnel	1,175,023
Medical Supplies	257,305
Other (Exc. Dep/Amort)	<u>1,499,906</u>
Total	\$2,932,234

Annual Treatments 13,478

Cost Per Treatment \$217.56

Criterion 1120.310 (e) – Total Effect of the Project on Capital Costs

No Change

Year 2017

Depreciation/Amortization	\$238,389
Interest	<u>0</u>
CAPITAL COSTS	\$238,389

Treatments: 13,478

Capital Cost per treatment \$17.69