

# McDermott Will & Emery

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Clare Connor Ranalli  
Attorney at Law  
cranalli@mwe.com  
+1 312 984 3365

## Via Overnight Delivery and E-Mail

September 16, 2014

Courtney Avery  
Illinois Health Facilities and Services Review Board  
525 West Jefferson, 2nd Floor  
Springfield, Illinois 62761

**RECEIVED**

**SEP 17 2014**

**HEALTH FACILITIES &  
SERVICES REVIEW BOARD**

Re: Project Numbers 14-043 and 14-044 Agenda Placement

Dear Ms. Avery:

You have contacted us with respect to moving the above projects tentatively scheduled for the November agenda of the HFSRB to the December agenda. We understand that the applications are long, but they are in fact simply for a replacement hospital that is not adding any categories of services or beds, and decrease its beds in all bed categories of service offered (and discontinue pediatrics). As a result we respectfully request that the project might remain on the November agenda, because it will be significantly costly to the applicants if it does not, for the following reasons.

While it is pushing the envelope somewhat, the Hospital anticipates being able to break ground if approved in November, due to the climate in Southern Illinois. If the notice to proceed date to our contractors is extended until mid-December, realistically the Hospital could not mobilize the subcontractors until after the holidays. The first construction activity would be installing the temporary access roads and putting in the building pad. The issue with starting in January versus November is that the ground is subject to freezing conditions, which will prohibit achieving compaction with the frozen soil, and interfere with laying concrete necessary for the building pad. One could expect delay then until March, when the soil typically is not frozen. However, in March, the adverse weather dates go up due to rain (see attached chart). While doing earthwork, for every rain day, the contractors need three days for the soil to dry out before going back to work. Thus, the overall delay in construction would most likely take the Hospital to approximately May. However, starting in November would allow the construction necessary to lay the access roads and building pads and the inclement weather in March would not be an issue because the earthwork would already have been done. The Hospital anticipates, if it starts in November, putting in a gravel base on the building pad so that work can be done throughout the winter.

U.S. practice conducted through McDermott Will & Emery LLP.

227 West Monroe Street Chicago, Illinois 60606-5096 Telephone: +1 312 372 2000 Facsimile: +1 312 984 7700 www.mwe.com  
DM\_US 54993920-1.T13706.0010

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The escalation for construction has been trending just over 3% annually for the last few years, and is expected to continue through 2015 and 2016. The escalation numbers include negotiated annual wage increases as well as a rise in material commodity pricing. At an escalation rate of 3% with a delay of a half year, the projected cost of delay could be in the range of approximately \$1.5M to \$2M.

Also, while we are not pricing it out, there is another cost possibly associated with delay. There are multiple major construction projects anticipated for the area in the next six months, and there are only so many subcontractors in the area. It will be beneficial to the Hospital to line up subcontractors to work on the project as soon as possible. If it has to compete for a limited number of subcontractors in the Spring of next year, the contracts amount will undoubtedly be higher.

Lastly, if we are unable to break ground this year, and have to wait until Spring to do so, the applicants will need to request an extension of the project completion date as specified within the CON application(s). While the HFSRB probably would have no objection to such an extension, the total project costs are based on the timeline specified, and moving that back 6-9 months also includes costs with respect to financing, continued maintenance at the current site, and other miscellaneous issues.

Again, we fully understand and appreciate the pressure the HFSRB is under and recognize that its resources are limited. We know HFSRB is fully within its review period to schedule this project for December. However, if it is at all possible to leave the project on the tentative November agenda it would be appreciated. The cost associated with potential delay is indeed a real and significant one.

Thank you for consideration of this request.

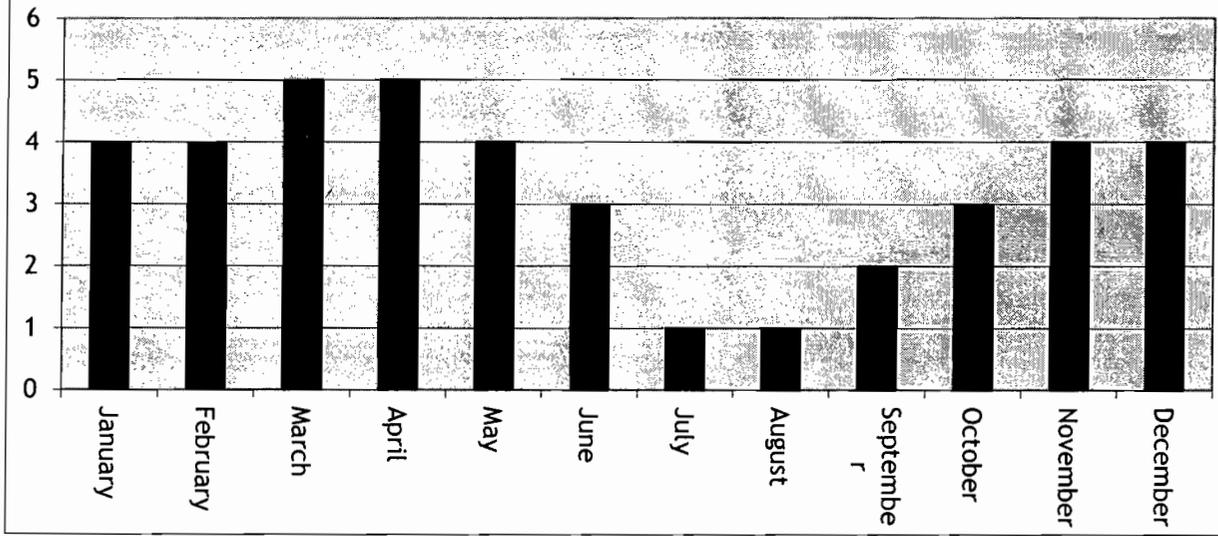
Sincerely,

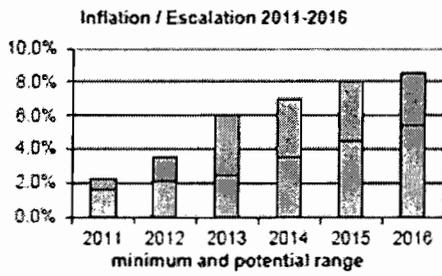
  
Clare Connor Ranalli

Enc.

c: Mike Constantino  
Susan Beeler, Project Manager/HSHS

### Expected Weather Days by Month - St. Louis





Future escalation, in order to capture increasing margins, will be higher than normal labor and material cost growth. Lagging regions will take longer to experience high escalation. Residential escalation is currently near, or even above, the upper end of the range.

- We advise a range of
- 3.5% to 7% for 2014
  - 4.5% to 8% for 2015
  - 5.5% to 8.5% for 2016

[http://info.gilbane.com/summer-2014-gilbane-building-construction-economic-report?utm\\_source=hs\\_email&utm\\_medium=email&utm\\_content=14001288&hsenc=p2ANqtz-VMYyBniDbviGBTaxaiqEQGXdUHWwHDwd-0JbAqIuuux8L66JoTXAeS4IDi9EFZtYoHx07k3wOIGcIGhuA0IGWLffq&hsmi=14001288&hsFormKey=D6E4A74654E2D7621ABF229630E19B67&submissionGuid=49b82dbb-90f4-44f2-9e1e-cd7f7325ffc7#hs\\_thank\\_you\\_message](http://info.gilbane.com/summer-2014-gilbane-building-construction-economic-report?utm_source=hs_email&utm_medium=email&utm_content=14001288&hsenc=p2ANqtz-VMYyBniDbviGBTaxaiqEQGXdUHWwHDwd-0JbAqIuuux8L66JoTXAeS4IDi9EFZtYoHx07k3wOIGcIGhuA0IGWLffq&hsmi=14001288&hsFormKey=D6E4A74654E2D7621ABF229630E19B67&submissionGuid=49b82dbb-90f4-44f2-9e1e-cd7f7325ffc7#hs_thank_you_message)

