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JUN 14 2016

HEALTH FACILITIES & SERVICES REVIEW BOARD

June 13, 2016

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Via Federal Express

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

Re: Palos Community Hospital (Proj. No. 16-001)

Dear Ms. Avery:

Pursuant to Section 1130.750 of the Illinois Health Facilities and Services Review Board ("State Board") rules, I am writing on behalf of The Saint George Corporation and Palos Community Hospital (the "Permit Holders") to request an alteration of Project Permit No. 16-001 to decrease the size and the cost of the project.

As you are aware, on March 29, 2016, the State Board approved the Permit Holders' application to expand its South Campus outpatient complex located at the southwest corner of 153rd Street and West Avenue. The project consists of three components: (1) the construction of a medical office building, (2) a building connection joining two existing office buildings and the new medical office building, and (3) a below-grade parking garage (the "Project"). Since receiving the CON permit, the Permit Holders have engaged in value engineering, evaluating the space needs to make the Project more economical. Through these efforts, the Permit Holders determined a fourth floor on the medical office building was unwarranted; building connectors were only needed on the first floor rather than on all three floors; and façade renovation would not be as extensive as initially contemplated in the application due to shifting of the building to accommodate the fitness center. This work will result in a 31,690 gross square foot reduction in the size of the Project and $16,499,379 decrease in project costs.

For your review, I have attached the following:

- Check for $1,000 made payable to the Illinois Department of Public Health for the Post-Permit Alteration Processing Fee;

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- Revised Project Costs and Sources of Funds table;
- Revised itemized table of Project Costs and Sources of Funds (Attachment – 7);
- Revised Cost Space Requirements table (Attachment – 9)
- Revised Reasonableness of Project and Related Costs table (Attachment – 39C); and
- Revised Availability of Funds table.

We believe this request is in compliance with the State Board's standards and request the State Board Chair approve the alteration of Project Permit No. 16-001 as a desk review.

If you have any questions or need any additional information regarding the project or this alteration request, please feel free to contact me

Sincerely,

Anne M. Cooper

Attachments

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.

Project Costs and Sources of Funds			
USE OF FUNDS	**CLINICAL**	**NONCLINICAL**	**TOTAL**
Preplanning Costs		$197,394	$197,394
Site Survey and Soil Investigation		$103,500	$103,500
Site Preparation	-	$7,478,263	$7,478,263
Off Site Work		$1,236,000	$1,236,000
New Construction Contracts		61,661,743	61,661,743
Modernization Contracts		$4,311,591	$4,311,591
Contingencies		$6,812,913	$6,812,913
Architectural/Engineering Fees		$5,391,467	$5,391,467
Consulting and Other Fees		$890,000	$890,000
Movable or Other Equipment (not in construction contracts)		$28,386,761	$28,386,761
Bond Issuance Expense (project related)			
Net Interest Expense During Construction (project related)			
Fair Market Value of Leased Space or Equipment			
Other Costs To Be Capitalized		$333,781	$333,781
Acquisition of Building or Other Property (excluding land)			
TOTAL USES OF FUNDS		**$116,803,413**	**$116,803,413**
SOURCE OF FUNDS	**CLINICAL**	**NONCLINICAL**	**TOTAL**
Cash and Securities		$116,803,413	$116,803,413
Pledges			
Gifts and Bequests			
Bond Issues (project related)			
Mortgages			
Leases (fair market value)			
Governmental Appropriations			
Grants			
Other Funds and Sources			
TOTAL SOURCES OF FUNDS		**$116,803,413**	**$116,803,413**

NOTE: ITEMIZATION OF EACH LINE ITEM MUST BE PROVIDED AT ATTACHMENT-7, 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:**

$116,803,413	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;
_____	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.
$116,803,413	**TOTAL FUNDS AVAILABLE**	

Section I, Identification, General Information, and Certification
Project Costs and Sources of Funds

Table 1120.110			
Project Cost	**Clinical**	**Non-Clinical**	**Total**
Preplanning Costs		$197,394	$197,394
Site Survey and Soil Investigation			
Site Survey & Investigation		$75,000	$75,000
Geo Tech – Soil Borings Follow Up		$25,000	$25,000
Arborist		$3,500	$3,500
Total Site Survey and Soil Investigation		$103,500	$103,500
Site Preparation			
Site Work		$6,087,763	$6,087,763
Site Signage		$154,500	$154,500
Landscape		$1,236,000	$1,236,000
Total Site Preparation		$7,478,263	$7,478,263
Off Site Work			
Roadway & Signaling Improvement		$721,000	$721,000
Electric, Gas, Sewer, Water Upgrades		$515,000	$515,000
Total Off Site Work		$1,236,000	$1,236,000
New Construction Contracts			
MOB		$30,554,964	$30,554,964
Garage		$17,144,144	$17,144,144
New Entry, Canopy & Connectors		$6,340,734	$6,340,734
MEP Upgrades		$7,621,901	$7,621,901
Total New Construction Contracts		$61,661,743	$61,661,743
Modernization Contracts			
Building Facade Modifications		$2,855,988	$2,855,988
Interior Renovations for Connections		$1,455,603	$1,455,603
Total Modernization Contracts		$4,311,591	$4,311,591
Contingencies			
New Construction (10%)		$6,166,174	$6,166,174
Modernization (15%)		$646,739	$646,739
Total Contingencies		$6,812,913	$6,812,913
Architectural/Engineering Fees		$5,391,467	$5,391,467
Consulting and Other Fees			
Materials Testing		$320,000	$320,000
3rd Party Reviews & Commissioning		$200,000	$200,000
CON Consultants		$75,000	$75,000

Table 1120.110			
Project Cost	**Clinical**	**Non-Clinical**	**Total**
Marketing		$50,000	$50,000
Permits Plan Review Fees		$145,000	$145,000
Legal/Consultants Fees		$100,000	$100,000
Total Consulting and Other Fees		$890,000	$890,000
Moveable and Other Equipment			
MOB Medical Equipment		$22,880,451	$22,880,451
MOB FFE		$1,794,359	$1,794,359
Interior Signage		$136,743	$136,743
Art		$68,743	$68,743
Low Voltage, Computers, Servers, IT, Security		$3,506,465	$3,506,465
Total Moveable and Other Equipment		$28,386,761	$28,386,761
All other Capital Costs			
Activation Expenses		$125,000	$125,000
Builder's Risk		$208,781	$208,781
Total All other Capital Costs		$333,781	$333,781
Total Project Costs		**$116,803,413**	**$116,803,413**

Section I, Identification, General Information, and Certification
Cost Space Requirements

		Gross Square Feet		Amount of Total Gross Sq Ft That Is:			
Dept/Area	**Cost**	**Existing**	**Proposed**	**New Const.**	**Modernization**	**As Is**	**Vacated Space**
CLINICAL							
Total Clinical							
NON-CLINICAL							
Physician offices, exam, treatment	$21,064,024		36,075	36,075			
Reception/ Registration	$475,339		1,084	1,084			
Storage, supplies, equip	$1,049,169		2,762	2,762			
Patient lockers, toilet	$605,374		1,690	1,690			
Staff lockers, lounges	$760,856		2,664	2,664			
Public toilet	$387,235		1,140	1,140			
MEP, Facilities, housekeeping	$7,421,587		9,838	9,838			
Communications, IT, electric	$316,793		826	826			
Entry, circulation, waiting	$6,096,488		11,096	11,096			
Parking	$17,144,144		125,000	125,000			
New Entry, Canopy, and Connectors	$6,340,734		10,000	10,000			
Connector Renovations	$1,455,603	5,000			5,000		
Building Skin Renovations	$2,855,988	26,450			26,450		
Total Non-clinical	$65,973,334	31,450	202,175	202,175	31,450		
TOTAL SPACE (dgsf)	$65,973,334	31,450	202,175	202,175	31,450		
Building gross			14,895	14,895			
TOTAL SPACE (bgsf)	$65,973,334	31,450	217,070	217,070	31,450		
OTHER COSTS							
Preplanning Costs	$197,394						
Site Survey and Soil Investigation	$103,500						
Site Preparation	$7,478,263						

		Gross Square Feet		Amount of Total Gross Sq Ft That Is:			
Dept/Area	**Cost**	**Existing**	**Proposed**	**New Const.**	**Modernization**	**As Is**	**Vacated Space**
Off Site Work	$1,236,000						
Contingencies	$6,812,913						
A&E Fees	$5,391,467						
Consulting and Other Fees	$890,000						
Moveable or Other Equipment	$28,386,761						
Other Costs to be Capitalized	$333,781						
TOTAL OTHER COSTS	$50,730,079						
Grand Total	$116,803,413						

Notes: Total space includes 92,070 bgsf of MOB space, 125,000 bgsf of new parking structure,

New Entry, Canopy and Connectors line item includes a new main lobby and new circulation and building connectors.
Connector Renovations includes area that requires modification to accept new building connectors on main level without modifying program
Building skin renovations includes the areas of the building that are impacted as part of upgrading the building envelope. Without modifying program.
MEP Facilities and housekeeping includes area for a new central plant that will service the existing facility as well as the new MOB.

Section X, Economic Feasibility Review Criteria
Criterion 1120.140(c), Reasonableness of Project and Related Costs

1. The Cost and Gross Square Feet by Department is provided in the table below.

COST AND GROSS SQUARE FEET BY DEPARTMENT OR SERVICE									
Department (list below) CLINICAL	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)	
CLINICAL									
Contingency									
TOTAL CLINICAL									
NON-CLINICAL									
Physician offices, exam, treatment	$467		45,144	30%			$21,064,024		$21,064,024
Reception/ Registration	$350		1,357	35%			$475,339		$475,339
Storage, supplies, equip	$304		3,456	25%			$1,049,169		$1,049,169
Patient lockers, toilet	$286		2,116	25%			$605,374		$605,374
Staff lockers, lounges	$228		3,339	25%			$760,856		$760,856
Public toilet	$271		1,428	35%			$387,235		$387,235
MEP, Facilities, housekeeping	$7556		9,811	10%			$7,421,587		$7,421,587
Communications, IT, electric	$306		1,035	10%			$316,793		$316,793
Entry, circulation, waiting	$424		14,384	100%			$6,096,488		$6,096,488
Parking	$137		125,000	N/A			$17,144,144		$17,144,144
New Entry, Canopy, and Connectors	$634		10,000	100%			$6,340,734		$6,340,734
Connector Renovations		$326			5,000	N/A	0	$1,455,603	$1,455,603
Building Facade Renovations		$113			26,450	N/A	0	$2,855,988	$2,855,988
Contingency	$28	$21	217,070		31,450		$6,166,174	$646,739	$6,812,913
TOTAL NON-CLINICAL	$312	$146	217,070		31,450		$67,827,917	$4,958,330	$72,786,247
TOTAL	**$312**	**$146**	**217,070**		**31,450**		**$67,827,917**	**$4,958,330**	**$72,786,247**
* Include the percentage (%) of space for circulation									