Saad Hospice
HOSPICE WITH HEART
1515 University Boulevard South. Mobile, Alabama 36609

AL2014-027

RECEIVED
Dec 29 2020
STATE HEALTH PLANNING AND DEVELOPMENT AGENCY

December 29, 2020

ELECTRONICALLY FILED VIA EMAIL TO:
shpda.online@shpda.alabama.gov

Ms. Emily Marsal
Executive Director
State Health Planning and Development
100 North Union Street, Suite, 870
Montgomery, Alabama 36104

Re: **AL2014-027, CON 2695-HPC Saad Enterprises, Inc., d/b/a Saad Hospice Services**

Dear Ms. Marsal:

On August 12 and 24th, Saad Hospice Services, (Saad), submitted a progress report and a Final Cost Report for the above referenced issued Certificate of Need. Base thereon, your Agency instructed that a Project Modification Request would need to be filed due to an increase of greater than 10% of the estimated total project cost of $6,843,178.00. As per said instructions, please accept this submission, pursuant to ALA. ADMIN. CODE r. 410-1-10.03(1)(a), for a Project Modification Request submitted on behalf of Saad Hospice Services.

As submitted previously, due to circumstances completely beyond our control and unable to anticipate, Saad's increase in unavoidable costs resulted in total project costs of the following: construction – $9,038,134.26; equipment - $157,386.70; and first year annual operating costs $3,586,303.51. These increased costs resulted in a Total Project Cost of $12,781,824.50.

Based on the increase in total project cost, and pursuant to ALA.ADMIN. CODE r. 410-1-10.03(b), Saad has filed contemporaneously with this submission the required fee of 35% of the original Certificate of Need application fee, which was $22, 995.00. Said fee has already been submitted pursuant to ALA. ADMIN.CODE r. 410-1-3-.09, in the amount of $8,048.25.

In support of our requested approval of this Project Modification request, we submit the foregoing explanation of the specific detailed analysis and the attached **"Hospice Cost Chart"** that details the specific costs involved referenced by the narrative below as follows:

1.) Site costs

Summary: Although the site was determined at the time of creating the estimate there was limited information on soil conditions, city requirements for stormwater, and availability of utilities. The costs associated with site work accounted for a disproportionate amount of the increase. In particular, the requirement to meet 100-year flood concerns of the City of Mobile required the purchase of additional property at the same site and area approved in the CON application, the installation of much larger retention basin, the installation of more robust stormwater management, repositioning of the building, and considerably more excavation. The site had grading challenges that resulted in less of the building being built as slab on grade and much more requiring extensive concrete foundation wall work. The amount of concrete foundation wall that had to be added to the building construction contributed heavily to additional cost incurred beyond what was planned.

The site costs for the Saad Hospice building were driven by three primary factors. The first was the unknown and limited information regarding soils conditions and topography when original CON pro forma was created. At the time of the proforma, Saad had done conceptual drawings and limited site studies that allowed for pricing to be created for the CON application. Given the time constraints for CON application and approval, the information available to do planning and pricing was by necessity limited. The site for instance, although selected, could not be fully surveyed, cleared, and soil conditions evaluated to the level necessary to have full information. Topographical information was taken from city maps. However, the full impact of the topography combined was unknown and the costs associated with it regarding new stormwater requirements put in place after the CON was awarded and state building requirements were unknown until the approval process and could not be were not fully priced until after building construction had begun.

Therefore, the second cause of the site cost increase was the City of Mobile requiring it to meet 100-year flood management standards after the project had been awarded the CON. During the second half of 2014 and after the CON budgeting and application had been completed for the facility by Saad Healthcare, the Mayor of Mobile Alabama Sandy Simpson signed an Ordinance to Amend Mobile City Code, Chapter 17, Storm Water Management and Flood Control, Article I Division 1 that replaced sections 17-1 through 17-16. The first part of the ordinance required Land Disturbance permits be done for any land disturbing activity. This caused additional permitting costs and delayed the project. The most significant impact from the ordinance was from 17-9 which reads "...The plan design provides for

retention for a one-hundred-year frequency storm, and the engineer of record quantifies the pre-development velocity for two-year frequency storm and certifies the at the post-development velocity of storm water released onto the adjacent property is equal to or less than the predevelopment velocity." This change required a significantly larger stormwater management solution than the one initially proposed, anticipated and priced. Not only did the retention pond and the stormwater capture have to be more robust, the land needed to accommodate the larger design necessitated the purchase of an adjoining property and the building location to be reworked. This rework of the building location had significant impacts on the cost of the foundation of the entire building even beyond the cost incurred from the third item mentioned below. It caused increases in the block needed to form the slab on grade for the main floor level as well as the dirt work required to create the parking lot and the building pad. It also increased the size and scope of the stormwater pipe needed to collect and transport the water to the relocated retention pond, sized to meet the new requirements. The resized pond resulted in more clearing needing to be done, additional landscaping needs, and the aforementioned purchase and surveying of additional five-acre property.

The third cause was increases resulting from meeting a building height requirement of the State Health for the building to stay at its construction class Type V, fully sprinkler NFPA-13. The topography of the site, being unique for the area with a grade change of nearly 50 feet from its West to East boundary, was considered in the initial budgeting process. However, it was not and could not have been considered with the understanding of how it would may impact building classification. It was determined the observed grade change created an opportunity to have a lower basement floor for hospice offices and meeting rooms as well as the food service area and dining room. However, the unanticipated result of the topography was the grade change and was so much that the engineers realized after the site had been fully surveyed that one side of the building may be considered two story construction which would not normally be a problem. The impact of this result was apparent after the drawings had been finished, priced, and site clearing had begun as the architect and engineers were going through detailed approvals with the ADPH. The City of Mobile uses the 2012 IBC, and the State Fire Marshal's office uses 2009 IBC and 2009 IFC and 2009 IBC both of which allows for Class V wood frame construction on two story buildings. However, the Alabama Department of Public Health uses Life Safety Code (LSC), NFPA 101 2000. This code allows Class V construction for 1.5 story buildings but NOT for two story construction. The project was considered to be one story on one side and two stories on the other. Moreover, in order to maintain the classification of the lower level as basement and maintain the type V construction per the building code, the building design had to change to make sure that grade adjacent to the building was no more than 12 feet below the level of the first floor. This meant that the elevation of the basement floor had to change from 117' to +-119' (11' floor to floor vs. 13 feet). The elevation of the first floor remained unchanged at 130'. This very minor elevation change of 2 feet had a major impact on construction and cost of the building. An impact that only became apparent as the site work

had already begun as it was not modified in the drawings until after the project had been priced and awarded to Williams-Brown Inc. It also caused significant additional design and engineering related expenses as most of the building had to be reworked once the solution had been decided.

The solution was to create a sub-basement under the lower floor basement that would allow the necessary space to run the HVAC ducts for the lower floor since the change in heights between the two floors eliminated the ability to run ducts in the ceiling. This change was completely unanticipated and resulted in massive increases in cost of excavation, concrete, and framing. For the excavation, the site had to be dug an additional six to eight feet and all the excavated material had to be removed from the site. The sub-basement was either completely or partially underground and required significant concrete foundation walls be built around its entire perimeter. When initially the lower floor would be built on a slab on grade, the modified design required it to be built with steel supported wood framed structural floor system and the slab was poured for the sub-basement instead. This added the entire cost of an additional 10,000 square feet of framing that was not initially budgeted. Furthermore, the sub-basement costs included a requirement for it to be sprinklered, climate controlled, and lighting installed. Furthermore, to meet the building height requirements, the structure required an additional retaining wall be built extending out 10 feet from the building. This was an additional expense in concrete forming, material, and brick. As it relates to the total site work cost increases, this change was the most impactful.

Soft Cost increases included nearly triple the cost than anticipated in site engineering and structural engineering. The site and building factors detailed above caused all relevant engineers to increase fees in order to meet the City of Mobile requirements. It also caused the civil engineering, structural engineering, and electrical engineering costs to increase as a result of the impacts from the State Health regulations. Finally, architectural Cost increased significantly in order to update the building design to make the modifications necessary to satisfy the State Health code regarding building classification.

2.) State Health Building Code Requirements

Summary: When Saad submitted the initial application, it began with again the basic guidelines for its construction as outlined by the State. Saad had not had the experience of building another hospice facility in the state to compare. Such experience would have allowed Saad to go through the process of submitting plans to the state health to review. Consequently, once the full extent of the engineering and architectural requirements of the state were known through discussion and pre-review with Robert Pugh

at the Technical Services Unit, there was additional cost that was not anticipated upon application submittal. For example, the state guidelines required building height limits from one floor to the ground around the building to stay in the building classification planned of wood frame construction. This caused increases in the cost of the sitework, HVAC, Framing, exterior finishes, and Fire Protection. Also, the state required fire protection in areas that had not previously expected it to be required. The measures required a separate dry pipe system be added to serve outside areas. Thirdly, the medical gas installation was far more than anticipated due to requirements of the state and medical gas regulations. The location and extensive design specifics of this installation was not anticipated in the initial estimate.

As detailed in the site work, the costs associated with the addition of the sub-basement included not only the site and foundation work but also the framing, HVAC, sprinkler system, and electrical cost increases to accommodate the change. The addition of an additional basement to the building greatly increased the cost of the HVAC as a standard drop ceiling installation had to be done as a floor installation where the cost of the materials and labor were significantly more. The plumbing, typically done before slab construction, had to be done in a much more difficult and costly manner after the framing and floor construction had been completed. The foundation being much more significantly underground caused additional increases for waterproofing of the foundation previously not part of the building construction.

With the addition of the basement, being the bulk of the cost increase as a result of the State Health Building Code review, the other increases were primarily dealing with the medical gas costs. The costs associated with the medical gas piping greatly exceeded initial budgeting as the pipe had to be run in accordance with NFPA 99. This included the install of a nearly 300 feet of underground 02 line in a containment pipe from Bulk oxygen pad to building. The total cost of the oxygen installation not including the cost anticipated in the building was over $100,000.00 and significantly more than anticipated. The requirement to have the oxygen pipe run to meet this specific requirement outside the building was not known until after the project had been priced and work started and the specification for the Bulk Oxygen location was considerably more than estimated.

Soft Costs were incurred including the inspection services that grew out of the State's requirements as well as the code requirements and certifications for bulk oxygen. Architectural Cost increased significantly in order to make the modifications necessary to satisfy the State Health review and approvals for corridors, fire safety, and bulk oxygen engineering and pad design.

3.) Local Building Code Requirements

Summary: Local Building Code Requirements: City of Mobile engineering, zoning, building, and fire all contributed to increases in the cost of construction. City zoning required an extensive rework of the site layout and ultimately caused considerable additional cost in the project layout. The changes that came from City of Mobile Zoning included the cost to rework the entire site entrance which was originally planned to make use of existing paved surfaces. In 2016, the City of Mobile building department enforced 160 mph wind code which was not expected at the outset of building the project budget as it was adopted during the final design phase. This increased framing costs considerably. The city fire department required, due to site access, considerable additional measures including a much larger dedicated fire water line, a more robust department connection and the installation of fire department connections at multiple points around the building.

On March 3, 2015 the City of Mobile adopted the 2012 edition of the International Building Code and Appendices as part of Ordinance No. 11-036-2015. The project, although approved for the CON, had not been permitted at this point and therefore all construction would have to be in compliance with this change in building code. This included the additional wind requirements for the construction class which included a new 160+ mph wind gust specification. The wind load change was not part of the proposed budget in the CON application and all costs incurred due to the local change made in 2015 would become additional costs to the project. Those costs included primarily structural enhancements but also had material cost increases in association to meeting the new requirements. Specifically, the structural design had to be modified by adding additional wind bracing, additional structural steel connectors, fortified wall specifications and configurations and upgraded truss specification. The building materials had to also be upgraded including the roof selection and materials as well as the windows.

The second City of Mobile related change that resulted in additional costs unanticipated and not part of the original project budget was the result of zoning requirements of the City of Mobile during the final project approval process with the City Building Department. Prior to approval, the city zoning maps showed the property for the project in the same zoning classification as the existing Saad Healthcare building. The classification was B-3 which would have no problems nor restrictions in adding the new building to it. However, upon reviewing the information the property for the building during plan review, the City Zoning determined the parcel was not zoned appropriately and would have to be rezoned as B-1. The original goal was to utilize the existing entrance to the property and make an access to the new building; however, due to this error the City required the property owners to do a new

subdivision of the property where the existing building would be separated from the property where the Hospice Inpatient facility would be located. Consequently, the entrance had to be relocated as well to keep the properties distinct with a shared entrance part of the new subdivided parcel. Moreover, the entire project had to go back through the city council approval process which added cost and time as notice had to be given to neighbors of the change and discussion on its impacts would be brought before the City Council. This process not only increased the cost of the construction due to the rework of the plans and the city permitting costs but also was considerably more expensive in the site development as more property had to be cleared and developed to allow for the new entrance and road.

The third City of Mobile change that caused increased costs involved the requirement by the local Water Board to require the building be tapped off the main line at University Blvd rather than adding on to the existing 8" line already servicing the property. This change included not only the water but also the backflow preventer for the fire protection system which would have to be located by the main entrance. The site utility cost therefore increased by over $50,000.00 to allow for both considerations to be made.

The soft costs involved to satisfy local codes included the purchase of an additional property in order to meet stormwater demands, the zoning approval change that was not anticipated that included city fees as well as the cost of the surveying and engineering to satisfy the zoning department of Mobile. Soft costs were also incurred to meet the legal cost of meeting with the City of Mobile to get approvals for the project because of the zoning change. The utility changes required by the city and utilities greatly increased the fees to MAWSS and Alabama Power. The engineering and architectural costs involved in providing the plans to satisfy City wind code, building code, planning and zoning departments, and transportation department.

4.) Fire Code/Life Safety Requirements

The Fire Code/Life Safety requirements of both the City of Mobile and the State Health Department were far more costly than anticipated in initial project budgeting and proposal. This had a cost impact on every trade that participated in its construction. When the decision on building design and construction type was made the fire code and life safety needs were only partially appreciated by the design team and therefore much of the building design had not undergone the full rigor involved in getting the plans approved by the State and the building inspected by the local and state officials. Furthermore, the initial review that allowed construction to begin was followed but a much more intensive plan review that introduced concerns that had to be priced above those that had been included in initial project pricing. The changes affected the HVAC costs as additional fire dampers, monitoring, equipment, and assemblies were required to satisfy code. It also included the cost of the firewall systems

which included 2-hour assemblies in places where structural components had already been ordered. It also impacted the size and scope of the site utility work. The state also required corridor assemblies to be upgraded to meet fire code requirements in NFPA 101. This significantly increased the cost of door construction and installation for corridors and the additional sheetrock work needed to provide 2-hour assembly between spaces. Door assemblies also had to be significantly upgraded to meet the fire code requirements and this cost was three times more than the project proposal had allocated. Electrical costs increased to meet the requirements of the code including the sizing of the generator, the emergency lighting and electrical systems, the alarm system and monitoring, and the site lighting for safe egress.

The fire department required a much larger service for the building and required standpipe installation around in the perimeter of the building. As for the Fire Sprinkler scope, the initial design allowed for one sprinkler system to be installed to protect the building including the patient porches, screen porch, dining porch, and front entry canopy. This system would be protected from freezing and therefore could be a single wet pipe system. It was not anticipated that the State Health Building Code review would also require a separate dry pipe system to be installed under the patient porches and dining porch. This separate system was a significant additional expenditure including installation and engineering.

The city of Mobile also required several items regarding life safety that included the following. The access to the kitchen exhaust have a platform with railings installed. The flat roofing areas have railings installed for maintenance purposes.

5.) Building Finishes

The building design was unique and its' uniqueness required additional cost that could not have been anticipated. The multiple vaulted ceilings, frequent use of stained woods in ceiling beams, door casings, and other trim details added considerably to the cost of the project. The building made comfort a priority which increased HVAC cost in order to provide more fresh air into the building and give each room individual control of temperature and humidity. The building is one of the finest of its kind and this required considerable additional cost to achieve.

6.) Landscaping Enhancements

The landscaping scope and cost for the facility was increased significantly from the original project proposal. The additional cost was partly due to the City of Mobile requiring additional and unanticipated tree additions after tremendous cost was incurred in keeping as many existing trees as possible on the site. This cost required the purchase of nearly 100 trees. The rest of the cost was incurred in a desire to create a more pleasant outdoor experience for guests and family members that had not been anticipated during initial project planning. Furthermore, the site including the existing corporate building needed

significant enhancements that included completely new signage, installation of new well and irrigation system for both existing corporate building and inpatient hospice project, and additional landscaping for the road frontage of the entire property.

7.) Building Shell Enhancements

The most significant enhancements to the building shell not priced in the original proposal dealt with the buildings long term energy and comfort performance. The three components of this cost increase were in waterproofing and vapor control, upgraded insulation, and higher performance windows. The waterproofing included moving to a fluid applied system for all exterior surfaces with enhanced window and door opening membrane coatings. The system was designed by a consulting firm who specializes in creating the most comfortable, water and vapor tight buildings in the region. This effort was to not only reduce long term energy costs but to provide a building that reduced the risk of mold growth and provide a more stable and controlled environment. The insulation upgrades included a R-35-R40 open and closed cell system installed in all roof assemblies for a sealed attic space and one that greatly reduces heat gain and adds to energy conservation and building comfort. Finally, the window and exterior door costs exceeded original budget in an effort to provide a more energy efficient, long term reliable, and attractive window and door package for the facility. The facility prioritized natural light and therefore the upgrade to this item caused significant increases in total project cost.

Operating Cost Summary

Operating Costs for first year were $3.586 million. This exceeded project proposal of $1,550,512.00 for the following reason. When the project was originally proposed the goal for first year was to have an average daily census by end of first year of 12 to 15 patients. The demand for the care environment from the community was greatly more than expected consequently the facility was serving near its full capacity after five months. The remaining five months of the year census averaged over 18 patients daily. The total patients served in the first year were 300% greater than the proforma had anticipated. The demand in the community for a freestanding hospice facility therefore caused considerable increases in total expenses beyond first year pro forma estimate.

As you can see, based on State, County and City changes and requirements enacted subsequent to the CON approval of the Saad project, we had no choice but to comply with the unexpected changes, which resulted in the cost overrun of the estimated total project costs.

We respectfully request your review and based on your authority as the Executive Director, pursuant to ALA. ADMIN. CODE r. 410-1-10.03(1), request your approval of our Project Modification Request.

Thank you in advance for your review and response. Please feel free to contact me if you have any questions or comments.

Very truly yours,

Phillip S. Fulgham
Vice President of Hospice
Saad Hospice Services

cc: Brad Williams
Karen McGuire
Melissa S. Trehern

Saad Hospice

HOSPICE WITH HEART

CHART 1

TOTAL COSTS VS PROFORMA	CON PROPOSAL	ACTUAL	DIFFERENCE
Cost of Construction (including soft costs):	$5,162,736.00	$9,038,134.26	$3,875,398.26
Equipment:	$129,930.00	$157,386.70	$27,456.70
First Year Annual Expenses	$1,550,512.00	$3,586,303.50	$2,035,791.50
	$6,843,178.00	**$12,781,824.46**	**$5,938,646.46**

CHART 2

COSTS BREAKDOWN DESCRIPTION	Additional cost Caused by Local or State Regulations/Requirements	Costs Unassociated with Local or State Regulations	Costs from increased Demand for Facility
Site Costs	$1,000,000.00		
State Health Building Code	$575,000.00		
Local Building Code	$400,000.00		
Fire Code	$750,000.00		
Building Finishes		$300,000.00	
Landscaping Enhancements	$72,350.00	$468,265.00	
Building Shell Enhancements		$337,240.00	
Operating Expenses			$2,035,791.50
Subtotals:	**$2,797,350.00**	**$1,105,505.00**	**$2,035,791.50**
TOTAL ADDITIONAL COSTS			**$5,938,646.50**
ORIGINAL PROJECT COST			**$6,843,178.00**
TOTAL PROJECT COST			**$12,781,824.50**

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Mobile, AL 36609

P: 251-380-3810
F: 251-287-8948
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