



**MARYLAND HEALTH CARE COMMISSION**

4160 PATTERSON AVENUE – BALTIMORE, MARYLAND 21215  
TELEPHONE: 410-764-3460 FAX: 410-358-1236

**MEMORANDUM**

**To:** Commissioners

**From:** Kevin R. McDonald, Chief  
Certificate of Need

A handwritten signature in black ink, appearing to read "Kevin R. McDonald", written over a horizontal line.

**Date:** January 18, 2018

**Re:** Staff Report and Recommendation:  
Request to Modify a Certificate of Need  
Prince George's Post Acute, L.L.C.  
Docket No. 13-16-2347

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Attached is a Staff Report and Recommendation in the review of the request for a Project Change After Approval (modification) of a Certificate of Need (CON) issued to Prince George's Post Acute, LLC (PGPA) in April 2014 to construct a 150-bed nursing home in Landover, (Prince George's County).

The applicant is requesting an increase in the approved cost of the project, which was originally approved for a total project cost of \$19,070,505. Previously, PGPA requested (in December 2015) and received (in February 16, 2016) MHCC approval for a modification that included raising the total project cost to \$27,929,096. This latest request is to increase total project cost by an additional \$3,066,232, bringing it to \$30,995,328. The additional cost will be funded through a larger equity contribution. MHCC action is required because the capital cost increase exceeds the inflation allowance. The applicant reports the project to be well over 70% complete and expects to have a use and occupancy permit in April.

Staff recommends that the Commission **APPROVE** the proposed changes to the Certificate of Need issued to Prince George's Post-Acute, LLC to construct a 150-bed comprehensive care facility (Docket No. 13-16-2347) and issue a Second Modified Certificate of Need. Staff recommends that the Second Modified CON contain the following conditions:

1. At the time of first use review, Prince George's Post-Acute, L.L.C. shall provide the Commission with a completed Memorandum of Understanding with the Maryland Medical Assistance Program agreeing to maintain at least the minimum proportion of Medicaid patient days required by Nursing Home Standard COMAR 10.24.08.05A(2)(b).
2. Prince George's Post-Acute, L.L.C. shall meet and maintain at least the minimum proportion of Medicaid patient days required by its Memorandum of Understanding with the Maryland Medical Assistance Program and by Nursing Home Standard COMAR 10.24.08.05A(2).
3. Prior to first use review, Prince George's Post-Acute, L.L.C. shall provide the Commission with information demonstrating that PGPA has established collaborative relationships with other types of long term care providers in Prince George's County to assure that each resident has access to the entire long-term care continuum, including, as appropriate, formal transfer and referral agreements.

**IN THE MATTER OF**

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**BEFORE THE**

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**PRINCE GEORGE'S**

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**MARYLAND HEALTH**

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**POST-ACUTE, L.L.C.**

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**CARE COMMISSION**

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**DOCKET NO. 13-16-2347**

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**STAFF REPORT ON SECOND REQUEST  
TO MODIFY CERTIFICATE OF NEED**

**Background**

In April 2014, the Maryland Health Care Commission (“Commission” or “MHCC”) granted a Certificate of Need (“CON”) to Prince George’s Post-Acute, L.L.C. (“PGPA”) for the construction of a 150-bed comprehensive care facility (“CCF”), or nursing home, on Brightseat Road in Landover (Prince George’s County). The 2014 approved cost of the project, based on the estimate made by the applicant, was \$19,070,505.

PGPA will be the operator and lessee of the facility, when built. Prince George’s Post Acute Real Estate, LLC (“PGPA Real Estate”) will own the property and lease the nursing home building to PGPA. Another entity, FC of PGPA, Inc. will be the manager of facility and FutureCare Health and Management Corporation (“FutureCare”) will assist FC of PGPA, Inc. as manager in the form of administrative services, planning, human resources, billing, collections, accounts payable, payroll, information technology, financial reporting and related reimbursement matters and support for facility compliance and quality assurance activities. The ownership interests in PGPA, PGPA Real Estate, FC of PGPA, Inc., and FutureCare are similar and interrelated.

Project implementation has been marked by delays throughout its development. In August 2015, the Commission’s Executive Director granted PGPA a six-month extension of the deadline for achieving its first performance requirement, i.e., the obligation of not less than 51 percent of the approved capital expenditure, documented by a binding construction contract. The extension was granted based on delays in obtaining required approvals from Prince George’s County government and from the Maryland-National Capital Park and Planning Commission. The approved extension pushed the deadline for the first performance requirement to April 17, 2016, which PGPA met.

PGPA also had difficulty achieving its second performance requirement, initiation of construction within four months after the effective date of the binding construction contract, which it also said resulted from a lengthy permit approval process. PGPA’s request for a six-month extension of the second performance requirement was granted on August 4, 2016, pushing it to February 17, 2017. PGPA began construction of the nursing home on January 12, 2017.

Finally, PGPA requested an extension of its third performance requirement, which required completion of the project within 18 months of the effective date of the binding construction contract. The explanation PGPA offered was essentially that the need for this extension stemmed from the earlier delays and problems that delayed the start of construction. The extension was granted and the extended deadline for completion is April 17, 2018. PGPA states that the project is now more than 70 percent complete, and expects to acquire a use and occupancy permit by that date.

### **A Change to the 2014 CON was Approved by the Commission in February 2016**

PGPA submitted a request in December 2015 to authorize several changes in the approved project.

1. An estimated increase in project cost of approximately \$8.86 million above the costs approved by MHCC in 2014 (an increase of approximately 46.5%), far exceeding the permissible inflation allowance.<sup>1</sup> This brought the updated total project cost estimate to \$27,929,096. PGPA's chief explanation for this large difference is that its 2014 estimate was poorly developed;
2. Changes in facility design resulting from further planning related to the delivery of post-acute care that had occurred since the 2013-2014 time period during which the original application was developed and considered. These changes added almost 6,000 square feet to the project (an increase of 6.6%); and
3. A change to the project's financing mechanism. The 2014 CON included a \$17.1 million commercial loan as a funding source. The applicant proposed increasing borrowing to \$22.4 million, and allowing it to consider HUD financing.<sup>2</sup>

The requested changes to the CON were approved by the Commission at its February 2016 meeting, and a first Modified CON was issued to PGPA.

### **November 2017 Change Request**

As mentioned above, PGPA reports that the project is 70% complete. The site has been prepared, utilities are available on site, exterior walls are up, and the building is under roof with ongoing work scheduled through the winter. PGPA expects to complete construction and receive a use and occupancy permit by April 17, 2018.

However, PGPA states that project costs have been higher than expected. In November 2017, PGPA submitted a second request for a change in the approved cost of the project, asking for approval of an additional \$3,066,232 in total project costs. It states that the additional expenditure will be funded with cash.

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<sup>1</sup> The index used by MHCC would only allow an increase in project cost of just under \$500,000 for this nursing home project during the applicable period.

<sup>2</sup> The applicant ultimately used a commercial loan.

PGPA attributes the additional costs to:

1. Upgraded fire proofing of the building's structural columns;
2. Higher architectural and engineering fees to execute the redesign of the facility;
3. An increase in the equipment budget for more advanced therapy equipment "more aligned with the orthopedic, cardiac and pulmonary missions" of the facility;
4. Higher loan placement fees and costs related to gross interest during construction;
5. Higher legal fees resulting from the multiple project delays; and
6. A need for more working capital to be on hand during the first months of operation.

Most of these expense items were increased in the previous change request.

## II. CHANGES TO APPROVED PROJECTS

Commission regulations, at COMAR 10.24.01.17C, identify certain circumstances<sup>3</sup> where a modification is not permitted and a new CON application is required. PGPA's modification request does not involve an impermissible modification. However, COMAR 10.24.01.17B provides that certain listed "changes that would place the project at variance with its Certificate of Need ... shall receive approval from the Commission ...." Significant to the PGPA project is the requirement in subsection .17B(2)<sup>4</sup> that an applicant must receive MHCC approval

[b]efore incurring capital cost increases that exceed the approved capital cost inflated by an amount determined by applying the Building Cost Index published in Health Care Cost Review from the application submission date to the date of the filing of a request for approval of a project change ....

As previously noted, PGPA's request involves a capital cost increase that is in excess of the inflation allowance, and thus requires Commission action. Under COMAR 10.24.01.17D(3), the Commission may: approve the requested change; approve it in part or with conditions; decide not to approve the change for stated reasons; or require a complete CON review because of the scope of the requested change.

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<sup>3</sup> Impermissible modifications include:

- (1) Changes in the fundamental nature of a facility or the services to be provided in the facility from those that were approved by the Commission;
- (2) Increases in the total licensed bed capacity of medical service categories from those approved; and
- (3) Any change that requires an extension of time to meet the applicable performance requirements specified under Regulation .12 of this chapter, except as permitted under Regulation .12E of this chapter.

<sup>4</sup> Other changes that require Commission approval, found at COMAR 10.24.01.17B, are: a significant change in physical plant design; certain increases in revenue or operating expenses; change in financing mechanisms; and a change in the location of the project.

### III. COST INCREASES AND FINANCIAL IMPACT OF THE REQUEST

#### Projected Costs Exceed Inflation Allowance

As shown in Table 1 below, the applicant is projecting that the project’s current capital cost will be 11.5% more than the estimate approved by the Commission in February 2016. (Note that Appendix 1 provides a detailed comparison of the changes to the Project Budget entailed in this change request.)

CON regulations provide for an inflation allowance, but require increases that exceed that allowance to seek Commission approval. The allowance is calculated using the building cost indices published on a quarterly basis by IHS Global Insight in *Healthcare Cost Review* ([http://mhcc.maryland.gov/mhcc/pages/hcfs/hcfs\\_con/documents/con\\_cap\\_cost\\_index\\_4th\\_qtr\\_2016%20final.pdf](http://mhcc.maryland.gov/mhcc/pages/hcfs/hcfs_con/documents/con_cap_cost_index_4th_qtr_2016%20final.pdf).) In February 2016, a total current capital cost of \$25,734,685 for this project was approved. Staff calculated the allowable level of current capital costs after factoring in the inflation allowance to be \$26,434,205 (1.013 x 1.014 x \$25,734,685), an amount that is well under the new total current capital cost in the new proposed project budget (\$28,688,854). As such, the regulations require Commission review of this proposed cost increase.

**Table 1: Projected Total Current Capital Cost as Approved (February 2016) and Requested (November 2017)**

As Requested, November 2017	\$28,688,854
As Approved, February 2016	\$25,734,685
Projected Cost Increase, November 2017	\$2,954,169
Allowable Inflation Allowance for 2016 Modification	\$699,520

#### Current Request Compared with the 2016 Approved Project Change

Overall, PGPA’s second project change request, seeking approval for an additional \$3,066,232 in total project costs, represents an 11% increase from the first project change that the Commission approved in February 2016 (authorizing total project costs of \$27,929,096). A summary of PGPA’s explanation for the major increases in the estimated project cost follows.

- The increase in building costs of \$1,789,078 (or approximately 11.6%) is “due to issues related to inadequate fire proofing design at the building’s structural columns,” and the need for additional work to meet fire safety code standards, which PGPA states has affected the timing of work by the general contractor. PGPA’s second modification sets-aside \$375,000 in contingency allowance, which PGPA states will help to offset some of the increased costs for the building.
- The increase of \$503,088 in architectural and engineering fees (approximately 57.0%) is a result of the redesign of the February 2016 modification and the development of plans necessary for full consideration of financing options. PGPA states that “miscues in the drawings” by the architect and engineers led to re-work on the design of the facility.<sup>5</sup>

<sup>5</sup> PGPA states that “PGPA has put the architect on notice and by association the structural, electrical and plumbing engineers of potential liability.” PGPA estimates that the potential liability claim against these entities is approximately \$500,000, which PGPA expects will be used to offset this additional cost.

- The line item for permits more than doubled, to \$719,739 (162% increase) due in part to higher-than-expected local, State, and federal utility and other fees. Another factor that was not fully anticipated was the fees for third party expeditors in the Prince George’s County system of review, which PGPA states “has allowed the project to move forward within the applicable performance requirements.”
- The \$755,848 increase for movable equipment (33%) is a result of: upgrades to the therapy equipment that will serve the orthopedic, cardiac, and pulmonary needs of the patients; and the installation of equipment designed to improve the security and safety of the facility for both the residents and staff. PGPA states it utilized the services of Reece Engineering as a consultant to assist in enhancing the number and quality of cameras for the security system, and the selection of a robust call system capable of fixed and mobile call summoning and a wander guard protection system with a sophisticated door lock entry system to prevent elopement.
- Loan placement fees rose \$124,730 (11.3%), due to post-closing origination fees and bank inspection costs and gross interest during construction is up \$3,957 due to the longer-than-expected construction period.
- CON application legal fees rose by \$80,000 (an increase of about 94%) to cover the costs for the related CON performance requirement extension and the need to obtain advice on the project modification changes.
- Non-CON application-related legal fees are up \$125,000 (193%) to cover work on contract and loan documents that were more complex and expensive than anticipated.
- Working capital start-up costs were initially underestimated and are now estimated to require an additional \$321,389 (119%).

Appendix 1 shows the detailed line item comparison of the projected costs and funding sources as approved by the Commission in February 2016 and the current request, filed in November 2017.

### **Impact on Financial Performance**

PGPA maintains that its projected operating performance will not be affected by the latest requested cost increase, stating that FutureCare “would assume the cost of these increases,” and that the project cost increase (\$3,066,232) will not be charged back to PGPA in a rent increase. Accordingly, PGPA and FutureCare maintain that that there would be no changes to the statement of projected revenues and expenses, which submitted with its first requested modification that was approved by the Commission in February 2016.<sup>6</sup>

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<sup>6</sup> As stated both in the November 8, 2017 modification request and in an email response to MHCC inquiries on this matter dated January 5, 2018.

The applicant's projections that resulted in the Commission's issuance of a first Modified CON in February 2016 showed that there would be a substantially higher loss in the first year of operation (compared to the 2014 CON), but that this loss would be followed by much higher net income in the following years due to several changes assumed by PGPA, including:

- Higher proportions of Medicare patients, and a lower proportion of Medicaid patients (but still compliant with required minimum levels of Medicaid patient days);
- Higher revenue levels associated with the addition of a ventilator unit; and
- Increased revenue from Medicare Part B therapeutic services.

The projections that accompanied the approved project change – considered to be still applicable by PGPA – are shown in Table 2, and show positive operating results in the second year.

**Table 2: Financial and Statistical Projections, as Approved and Modified, February 2016**

Line Item	Approved Project			Modified Project		
	CY20X1	CY20X2	CY20X3	CY20X1	CY20X2	CY20X3
Number of Licensed Beds	93	150	150	82	150	150
Admissions	387	542	518	468	842	840
Patient Days	21,803	49,105	50,005	21,834	49,105	50,005
Occupancy Percentage (%)	64.4%	89.7%	91.3%	72.8%	89.7%	91.3%
Gross Revenue	\$ 8,228,648	\$ 16,258,236	\$ 16,504,851	\$ 9,025,320	\$ 21,718,390	\$ 22,639,797
Net Operating Revenue	\$ 8,121,692	\$ 16,095,631	\$ 16,338,903	\$ 8,940,345	\$ 21,436,856	\$ 22,342,522
Total Operating Expenses	\$ 9,482,252	\$ 15,623,290	\$ 15,794,619	\$ 10,753,889	\$ 20,296,973	\$ 20,863,090
<b>Net Income</b>	<b>\$ (1,360,560)</b>	<b>\$ 472,341</b>	<b>\$ 544,284</b>	<b>\$ (1,813,544)</b>	<b>\$ 1,139,883</b>	<b>\$ 1,479,432</b>
<i>Patient Mix</i>						
Medicare as % of Patient Days (PD)	39.1%	29.7%	29.2%	42.8%	38.2%	38.0%
Medicaid as a % of PD	48.9%	63.3%	64.2%	45.1%	52.4%	52.6%
Commercial Insurance as a % of PD	4.9%	3.0%	2.9%	5.0%	5.8%	5.8%
Self-pay as % of PD	5.9%	3.0%	2.9%	5.9%	3.0%	2.9%
Hospice as % of PD	1.3%	0.7%	0.7%	1.3%	0.7%	0.7%
Gross Revenue per PD	\$ 377.41	\$ 331.09	\$ 330.06	\$ 413.36	\$ 442.28	\$ 452.75
Net Revenue per PD	\$ 372.50	\$ 327.78	\$ 326.75	\$ 409.47	\$ 436.55	\$ 446.81
Expenses per PD	\$ 434.91	\$ 318.16	\$ 315.86	\$ 492.53	\$ 413.34	\$ 417.22
<b>Operating Margin per PD</b>	<b>\$ (62.40)</b>	<b>\$ 9.62</b>	<b>\$ 10.88</b>	<b>\$ (83.06)</b>	<b>\$ 23.21</b>	<b>\$ 29.59</b>

During its review of the requested first project change, MHCC staff requested in 2015-16 that PGPA supplement its projections with an alternative forecast of financial performance using the same payor mix assumptions used in the (original) 2014 CON application. While the responsive filing by PGPA showed a larger loss in year 1 (about \$1.9 million), it also showed positive results in the second and third years of operation (around \$563,000 and \$660,000, respectively).

With regard to verifying the availability of funding for the current requested changes to the project, PGPA submitted a letter from Simpson H. Gardyn, Gorfine Schiller Gardyn, CPAs and Consultants, attesting that “the Owners and Principals (of Prince George’s Post Acute, LLC and Prince George’s Post Acute Real Estate, LLC) have the funds available for the proposed equity contribution of \$8,595,328 for this project.”



#### IV. ANALYSIS AND RECOMMENDATION

Because there are no material changes occurring either in the location, capacity, or nature of the project, staff concludes that this requested modification does not change the need for the project or its impact on existing providers, consistent with the Commission's prior findings in both the initial CON review (2014) and its approval of the first requested project change (2016). This increase in the total project cost is significant (about 11.0%), especially layered onto the prior increase. Indeed, the cumulative increase of the estimated total cost is almost 63%. However, PGPA Real Estate and PGPA have documented the availability of funds for the project. The applicant continues to project income generation by the second year of operation.

In its report that resulted in the Commission's issuance of a modified CON in February 2016 modification, staff made the following point:

The capital cost increase will not result in higher cost for the Medicare and Medicaid programs. Medicare reimburses prospectively with predetermined rates based on patient acuity. Its rates are established by geographic region and are not facility-specific. Therefore, construction costs have no impact on those rates and are not part of the calculation of the Medicare rate. While Medicaid currently reimburses retrospectively, it has a ceiling for capital that the proposed facility would reach even without this increase. Thus, any increase in construction costs will not increase the level of reimbursement from Medicaid. The applicant could try to raise prices paid by patients or private third-party payors although its ability to do so could be limited, at least somewhat, by conventional market forces. As noted, the applicant believes that this more expensive project will be viable under its assumption that more profitable segments of the CCF market will be captured by the facility.

(2016 Staff Report, p. 8).

This observation is still valid.

The nursing home facility first approved by the MHCC in 2014 is now more than 70 percent complete. PGPA states that it expects to receive a use and occupancy permit by April 17, 2018. The applicant has documented the availability of resources necessary to complete this project. The cost increase will not result in higher costs for the Medicare and Medicaid programs. The additional cost will be funded through a larger equity contribution. The applicant and PGPA Real Estate anticipate no additional borrowing for the project. PGPA states that this more expensive project will be viable under its assumption that more profitable segments of the CCF market will be captured by the facility. As was true with MHCC staff's 2016 recommendation, while the project's "feasibility and viability have become more marginal," given the applicant's representation that the project is 70% complete and will open in April 2018, staff recommends approval of this second request for modification. As MHCC staff noted in February 2016, there is

no indication that demand for CCF beds is at critical levels in Prince George's County. If PGPA implements the project but fails to capture a payor mix that makes the facility profitable, there would also seem to be fairly limited negative repercussions associated with this failure for persons other than PGPA [and related entities] which ... operate[] a system of facilities that would be strained but unlikely to be broken by a weakly performing facility. (2016 Staff Report at p. 8).

For this reason, staff recommends that the Commission **APPROVE** the proposed changes to the Certificate of Need issued to Prince George's Post-Acute, LLC to construct a 150-bed comprehensive care facility (Docket No. 13-16-2347) and issue a Second Modified Certificate of Need. Staff recommends that the Second Modified CON contain the following conditions:

1. At the time of first use review, Prince George's Post-Acute, L.L.C. shall provide the Commission with a completed Memorandum of Understanding with the Maryland Medical Assistance Program agreeing to maintain at least the minimum proportion of Medicaid patient days required by Nursing Home Standard COMAR 10.24.08.05A(2)(b).
2. Prince George's Post-Acute, L.L.C. shall meet and maintain at least the minimum proportion of Medicaid patient days required by its Memorandum of Understanding with the Maryland Medical Assistance Program and by Nursing Home Standard COMAR 10.24.08.05A(2).
3. Prior to first use review, Prince George's Post-Acute, L.L.C. shall provide the Commission with information demonstrating that PGPA has established collaborative relationships with other types of long term care providers in Prince George's County to assure that each resident has access to the entire long-term care continuum, including, as appropriate, formal transfer and referral agreements.

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**CARE COMMISSION**

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**DOCKET NO. 13-16-2347**

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**FINAL ORDER**

Based on Commission Staff's analysis in this second request for project change, it is this 18<sup>th</sup> day of January, 2018, **ORDERED** that:

The second request for changes to the approved project for the establishment of a 150-bed comprehensive care facility on Brightseat Road in Prince George's County, for which a Certificate of Need was issued on April 17, 2014 and for which a Modified Certificate of Need was issued on February 18, 2016 to Prince George's Post-Acute, L.L.C. is **APPROVED**, with a new approved total cost of the project is \$30,995,328.

The Second Modified Certificate of Need is subject to conditions:

1. At the time of first use review, Prince George's Post-Acute, L.L.C. shall provide the Commission with a completed Memorandum of Understanding with the Maryland Medical Assistance Program agreeing to maintain at least the minimum proportion of Medicaid patient days required by Nursing Home Standard COMAR 10.24.08.05A(2)(b).
2. Prince George's Post-Acute, L.L.C. shall meet and maintain at least the minimum proportion of Medicaid patient days required by its Memorandum of Understanding with the Maryland Medical Assistance Program and by Nursing Home Standard COMAR 10.24.08.05A(2).
3. Prior to first use review, Prince George's Post-Acute, L.L.C. shall provide the Commission with information demonstrating that PGPA has established collaborative relationships with other types of long term care providers in Prince George's County to assure that each resident has access to the entire long-term care continuum, including, as appropriate, formal transfer and referral agreements.

**MARYLAND HEALTH CARE COMMISSION**  
**January 18, 2017**

**Appendix 1: Project Budget Comparison - Approved February 2016 Modification  
with Updated November 2017 Cost Estimate**

	<i>Feb. 2016 Modified Cost Approval</i>	<i>Modified Costs</i>	<i>Difference</i>	<i>%Change</i>	
<b>A. USE OF FUNDS</b>					
<b>CAPITAL COSTS</b>					
<b>a.</b>	<b>New Construction</b>				
-1	Building	\$15,452,559	\$17,241,637	\$1,789,078	11.6%
-3	Site and Infrastructure	\$2,114,706	\$2,075,922	(\$38,784)	-1.8%
-4	Architect/Engineering Fees	\$883,202	\$1,386,290	\$503,088	57.0%
-5	Permits (Building, Utilities, Etc.)	\$275,000	\$719,739	\$444,739	161.7%
	<b><i>SUBTOTAL New Construction</i></b>	<b><i>\$18,725,467</i></b>	<b><i>\$21,423,588</i></b>	<b><i>\$2,698,121</i></b>	<b><i>14.4%</i></b>
<b>c.</b>	<b>Other Capital Costs</b>				
-1	Movable Equipment	\$2,319,707	\$3,075,555	\$755,848	32.6%
-2	Contingency Allowance	\$1,000,000	\$375,000	(\$625,000)	-62.5%
-3	Gross Interest during construction period	\$1,045,436	\$1,049,393	\$3,957	0.4%
-4	Other ( <i>Real Estate Taxes, Project Management Insurance, and Other</i> )	\$394,075	\$515,318	\$121,243	30.8%
	<b><i>SUBTOTAL Other Capital Costs</i></b>	<b><i>\$4,759,218</i></b>	<b><i>\$5,015,266</i></b>	<b><i>\$256,048</i></b>	<b><i>5.4%</i></b>
<b>d.</b>	Land Purchased/Donated	\$2,250,000	\$2,250,000	\$0	0.0%
	<b><i>TOTAL CURRENT CAPITAL COSTS</i></b>	<b><i>\$25,734,685</i></b>	<b><i>\$28,688,854</i></b>	<b><i>\$2,954,169</i></b>	<b><i>11.5%</i></b>
<b>e.</b>	Inflation Allowance	\$539,056	\$0	(\$539,056)	-100.0%
	<b><i>TOTAL CAPITAL COSTS</i></b>	<b><i>\$26,273,741</i></b>	<b><i>\$28,688,854</i></b>	<b><i>\$2,415,113</i></b>	<b><i>9.2%</i></b>
<b>Financing Cost and Other Cash Requirements</b>					
<b>a.</b>	Loan Placement Fees	\$1,108,355	\$1,233,085	\$124,730	11.3%
<b>c</b>	CON Application Assistance				
	<i>c1. Legal Fees</i>	\$85,000	\$165,000	\$80,000	94.1%
	<i>c2. Other (Consultants)</i>	\$75,000	\$75,000	\$0	0.0%
	<i>c2. Other (Interior Design Consultants)</i>	\$52,000	\$52,000	\$0	0.0%
<b>d.</b>	Non-CON Consulting Fees				
	<i>d1. Legal Fees</i>	\$65,000	\$190,000	\$125,000	192.3%
	<b><i>SUBTOTAL</i></b>	<b><i>\$1,385,355</i></b>	<b><i>\$1,715,085</i></b>	<b><i>\$329,730</i></b>	<b><i>23.8%</i></b>
	<b>Working Capital Startup Costs</b>	\$270,000	\$591,389	\$321,389	119.0%
	<b><i>TOTAL USES OF FUNDS</i></b>	<b><i>\$27,929,096</i></b>	<b><i>\$30,995,328</i></b>	<b><i>\$3,066,232</i></b>	<b><i>11.0%</i></b>
<b>B. SOURCE OF FUNDS</b>					
	Cash	\$5,529,096	\$8,595,328	\$3,066,232	55.5%
	Mortgage	\$22,400,000	\$22,400,000	\$0	0.0%
	<b><i>TOTAL SOURCES OF FUNDS</i></b>	<b><i>\$27,929,096</i></b>	<b><i>\$30,995,328</i></b>	<b><i>\$3,066,232</i></b>	<b><i>11.0%</i></b>

Source: Project Modification Request November 2017