**Section 1125.800 Estimated Total Project Cost**

a) All applicants shall address the requirements listed in this Section, as applicable. The applicant shall provide project cost information for each of the following components as is applicable.  When a project or any component of a project is to be accomplished by lease, donation, gift or any other means, the fair market value or dollar value that would have been required for purchase, construction or acquisition shall be included in the estimated total project cost.

1) Preplanning costs – includes costs incurred prior to the submission of an application, such as development and feasibility studies, market studies, legal fees, bid solicitation, etc.;

2) Site survey and soil investigation fees – includes costs for surrounding surveying of a proposed project site and resulting soil investigation fees;

3) Site preparation – includes costs of rental equipment for earthwork, concrete, lifting and hoisting, site drainage, utilities, demolition of existing structures, clearing, grading and earthwork;

4) Off-site work – includes costs of drainage, pipes, utilities, sewage, roads and walks;

5) Construction and modernization contracts – includes expenses covered under the construction contract, including major medical and other fixed equipment, contractor's overhead and profit;

6) Contingencies – means an allowance for unforeseeable events relating to construction or modernization;

7) Architectural & engineering fees – includes fees associated with the development and implementation of drawings and design materials for a proposed project;

8) Consulting and other fees – includes charges for the services of various types of consulting and professional expertise, including environmental impact, acoustical studies, computer software fees, etc.;

9) Movable capital equipment not in construction contracts – includes the cost of all movable capital equipment, including any movable major medical equipment and the cost of installation of the equipment, excluding any trade-in allowances on existing equipment;

10) Bond issuance expense – includes all costs associated with the issuance of bonds to finance a project, including issuer's fees, bond counsel's fees, official statements (feasibility study), official statement printing, printing of bonds, survey of the collateral site, title insurance to property, auditor's fees, trustee fees, underwriters' discount and government fees (if applicable);

11) Net interest expense during construction – means the difference between interest earned on funds for construction and interest expense on the amount of borrowed funds;

12) Other costs to be capitalized – includes miscellaneous fees and working capital expenses related to the project; and

13) Acquisition of buildings or other property – includes the cost incurred (or the fair market value) for the acquisition of buildings or property for the project.  Any acquisition that has occurred within two years from the date the application for permit is submitted must be included as part of project costs.

b) Related Cost Data

1) Land Acquisition Cost − The applicant shall provide the purchase price or fair market value, whichever is applicable, for the acquisition of land that is required in order to undertake the project.  Acquisition of land is not a capital expenditure and is not included as part of project costs.

2) Operating Start-Up Cost − The applicant shall provide a schedule of estimated non-capitalized operating start-up costs and an estimate of any initial operating deficit.

HFSRB NOTE:  Any capitalized costs that are related to the start-up costs of a facility must be included in the total estimated project cost.

3) Construction and Modernization Costs and Schedule − The applicant shall provide a construction or project completion schedule that details the anticipated dates and percent of project construction or modernization completion at the 25th, 50th, 75th, 95th and 100th percentile of project funds expended.

4) Debt Service Relief Fund − Applicants shall provide the amount that will be placed in a debt service reserve fund and shall also provide the terms and conditions of uses of the fund.

c) Information Requirements for Financial Feasibility

1) The applicant shall provide (for the LTC facility or for the person who controls the LTC facility) either documentation of a U.S. Department of Housing and Urban Development (HUD) insured mortgage commitment, historical financial statements, or evidence of financial resources to fund the project.

2) Historical Financial Statements − The applicant shall provide (for the LTC facility or for the person who controls the LTC facility) the most recent three years' financial statements (if available) that include the following:

A) Balance sheet;

B) Income statement;

C) Changes in fund balance; and

D) Change in financial position.

3) Projected Capital Costs − The applicant must provide the annual projected capital costs (depreciation, amortization and interest expense) for:

A) The first full fiscal year after project completion; or

B) The first full fiscal year when the project achieves or exceeds the average occupancy rate in the market area (or target occupancy), whichever is later.

4) Projected Operating Costs – The applicant shall provide projected operating costs (excluding depreciation and stated in current dollars based on the full-time equivalents (FTEs) and other resource requirements) for the first full fiscal year after project completion or the first full fiscal year when the project achieves or exceeds the average occupancy rate in the market area (or target occupancy), whichever is later, including:

A) Annual operating costs; and

B) Annual operating costs change (increase or decrease) attributable to the project.

5) Availability of Funds − The applicant shall document that financial resources will be available and be equal to or exceed the estimated total project cost and any related cost. An applicant that has no documented HUD insured mortgage commitment shall document that the project and related costs will be:

A) Funded in total with cash and equivalents, including investment securities, unrestricted funds, and funded depreciation as currently defined by the Medicare statute (42 USC 1395 et seq.); or

B) Funded in total or in part by borrowing because:

i) a portion or all of the cash and equivalents must be retained in the balance sheet asset accounts in order that the current ratio does not fall below 2.0 times; or

ii) Borrowing is less costly than the liquidation of existing investments.

6) Operating Start-up Costs − The applicant shall document that financial resources will be available and be equal to or exceed any start-up expenses and any initial operating deficit.

7) Financial Viability − The applicant shall demonstrate the financial feasibility of the project based upon the projection of reasonable Medicare, Medicaid and private pay charges, expenses of operation, and staffing patterns relative to other facilities in the market area in which the proposed project will be located.

8) Previous Certificate of Need Projects − The applicant shall describe its previous record of implementing certificate of need-approved LTC projects.

9) Financial and Economic Review Standard Ratios for New Facilities − The proposed project shall comply with the ratio standards cited in Appendix B. Applicants not in compliance with any of the viability ratios shall document the reasons for non-compliance.