

GENERAL COUNSEL'S REPORT

August 26, 2015

B. Shannondale Rehabilitation Center, Knoxville (Knox County), TN – CN1307-024A

On October 23, 2013, the Agency unanimously approved this application for Shannondale Rehabilitation Center to establish a 30* bed Medicare certified skilled nursing facility on 2.97 acres at 7510 and 7522 Middlebrook Pike, Knoxville (Knox County), TN. Shannondale Rehabilitation Center will be part of the Shannondale Continuing Care Retirement Community (SCCRC) campus. Shannondale Rehabilitation Center will be located adjacent to the existing Shannondale Health Care Center (SHCC) which is also located on the SCCRC campus. SHCC is an existing 200 bed dually certified nursing home, which the applicant will share services such as Administrative, Dietary, Rehabilitation, nursing, environmental and maintenance staff. Shannondale Rehabilitation Center will be licensed separately from the existing Shannondale Health Care Center. SHCC will de-license 24 semi-private nursing home beds and operate the current 200 bed skilled nursing facility as a 176 bed facility with all private rooms. In addition to the nursing home, Shannondale CCRC also includes 81 independent living units, 125 apartments and a 49 bed assisted living center. * These beds were subject to the 2013-2014 Nursing Home Bed Pool.

The estimated project cost was \$6,609,488. The actual project cost is \$8,344,488. The principal reason for the cost overrun is due to the increase in construction costs between the time Shannondale's costs estimates were prepared in the late Summer of 2013, just as the economy was recovering, and when the rehabilitation project was let for bids in the Spring of 2014, when the economy in Knoxville, as in Nashville, was on the upswing. A secondary reason for the cost increase was an unanticipated expense related to the back-up fuel supply due to a change in the city of Knoxville's building code. Other than the unanticipated increase in construction cost, the project did not change in any way.

Shannondale Rehabilitation Center requests an increase in the approved project cost to \$8,344,488.

J. DOUGLAS OVERBEY
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July 29, 2015

The Honorable James B. Christoffersen
General Counsel
Tennessee Health Services and Development Agency
Andrew Jackson Building, 9th Floor
502 Deaderick Street
Nashville, TN 37243

Re: Shannondale Rehabilitation Center -- Certificate of Need No. CN1307-024A

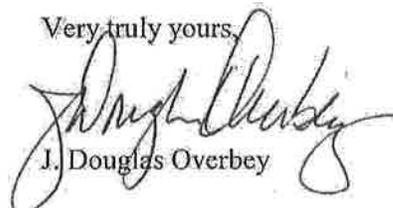
Dear Mr. Christoffersen:

In accordance with our recent telephone conversation regarding the above-referenced Certificate of Need, we are requesting, on behalf of our client, Shannondale Rehabilitation Center, to be placed on the Agenda for the August 26, 2015, meeting of the Health Services and Development Agency. The reason for this request is that we reasonably anticipate the Final Project Report will show an overrun of the project cost. The final project cost will reflect an overrun of approximately \$1,735,000, for expenses directly related to patient care, which is approximately 26% above the estimated project cost of \$6,609,488, as reflected in Certificate of Need No. CB1307-024A.

The principal reason for the cost overrun is the increase in construction costs between the time Shannondale Rehabilitation Center's cost estimates were prepared in the late Summer of 2013, just as the economy was recovering, and when the rehabilitation project was let for bids in the Spring of 2014, when the economy in Knoxville, as in Nashville, was on the upswing. A secondary reason for the cost increase was an unanticipated expense related to the back-up fuel supply due to a change in the city of Knoxville's building code. Other than the unanticipated increase in construction costs, the project did not change in any way from the description given in Shannondale Rehabilitation Center's CON application and during the project presentation to the Board on October 23, 2013.

We understand this request will be considered by the Agency Board as an Agenda item under the report of the General Counsel. If you have any questions or need additional information, please do not hesitate to call.

Very truly yours,



J. Douglas Overbey

cc: Mr. William R. Thomas, Jr.



State of Tennessee

Health Services and Development Agency

Andrew Jackson Building, 9th Floor, 502 Deaderick Street, Nashville, TN 37243

www.tn.gov/hsda

Phone: 615-741-2364

Fax: 615-741-9884

ANNUAL PROGRESS REPORT
ANNUAL REVIEW FOLLOWING CERTIFICATION

Project Name: Shannondale Rehabilitation Center Certificate of Need #: CN1307-024A

Legal Owner: Presbyterian Homes of Tennessee, Inc. Approval Date: October 23, 2013

Expiration Date: December 1, 2015

Project Description:

******PLEASE SUBMIT EVIDENCE TO SUPPORT EACH ANSWER******

In a brief narrative, please describe the current stage of completion for the project (use another sheet of paper if necessary). **Please note that this report will not be considered complete without this information.**

A. CONSTRUCTION PROJECTS

1. Anticipated date of project completion. May 31, 2015
2. Provide written confirmation from the contractor documenting the stage of construction at the current time.
(See Attached Letter From Johnson and Galyon)
3. If proposed construction costs have increased over ten (10%) percent please provide information as an attachment to this form. Please note that such an overrun could require additional action before the Agency.
(See Attachment from Construction Contract)

B. NON-CONSTRUCTION PROJECTS

1. Anticipated date of service implementation, acquisition or operation of the facility or equipment as certified.

2. Provide written confirmation from the institutional representative verifying the occupancy/opening date for the service, equipment, or facility.

William R. Thomas

Signature of Authorized Agent or Chief Operating Officer

11-3-14

Date



State of Tennessee

Health Services and Development Agency

Andrew Jackson Building, 9th Floor, 502 Deaderick Street, Nashville, TN 37243

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Fax: 615-741-9884

HSDA-0054 (Revised 11/18/2010 – All forms prior to this date are obsolete)

JOHNSON & GALYON

C O N S T R U C T I O N



November 1, 2014.

Mr. Bill Thomas
801 Vanosdale Road
Knoxville, TN 37909

RE: Status of the Construction on the Shannondale Rehabilitation Center

Dear Bill,

The purpose of this letter is to provide you with an update on the construction status at the Shannondale Rehabilitation Center. As of October 31, 2014, Johnson & Galyon, Inc. is approximately 5% complete on a cost-to-date basis. Our goal is to complete the project by the end of May. Let me know if you need any other information.

Sincerely,

A handwritten signature in black ink, appearing to read "Jon R. Lawler".

Jon R. Lawler
Chief Operating Officer

NA

NA

§ 4.1 The Owner shall pay the Contractor the Contract Sum in current funds for the Contractor's performance of the Contract. The Contract Sum shall be Nine Million Nine Hundred Five Thousand Eight Hundred Eighty-Six Dollars (\$ 9,905,886), subject to additions and deductions as provided in the Contract Documents.

NA

NA

See Attachment A - Allowance Section

28th day of the month

§ 5.1.3 Provided that an Application for Payment is received by the Architect not later than the 1st day of a month, the Owner shall make payment of the certified amount to the Contractor not later than the 20th day of the same month. If an Application for Payment is received by the Architect after the application date fixed above, payment shall be made by the Owner not later than Fifteen (15) days after the Architect receives the Application for Payment.

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- 1 Take that portion of the Contract Sum properly allocable to completed Work as determined by multiplying the percentage completion of each portion of the Work by the share of the Contract Sum allocated to that portion of the Work in the schedule of values, less retainage of Five percent (5 %). Pending final determination of cost to the Owner of changes in the Work, amounts not in dispute shall be included as provided in Section 7.3.9 of AIA Document A201™-2007, General Conditions of the Contract for Construction;
- 2 Add that portion of the Contract Sum properly allocable to materials and equipment delivered and suitably stored at the site for subsequent incorporation in the completed construction (or, if approved in advance by the Owner, suitably stored off the site at a location agreed upon in writing), less retainage of Five percent (5 %).

NA

PAGE 5

NA

Arbitration pursuant to Section 15.4 of AIA Document A201-2007

STATE OF TENNESSEE
Health Services and Development Agency



Certificate of Need No. CN1307-024A is hereby granted under the provisions of T.C.A. § 68-11-1601, *et seq.*, and rules and regulations issued thereunder by this Agency.

To: Presbyterian Homes of Tennessee, Inc.
801 Vanosdale Road
Knoxville, TN 37909

For: Shannondale Rehabilitation Center

This Certificate is issued for: The establishment of a new thirty (30)* bed Medicare skilled nursing home. The facility will be located on the campus of Shannondale Continuing Care Retirement Community at 7510 and 7522 Middlebrook Pike, Knoxville (Knox County), TN.

* These beds are subject to the 2013-2014 Nursing Home Bed Pool.

CONDITION: Shannondale Health Care Center will delicense 24 beds concurrent with the licensure of Shannondale Rehabilitation Center.

On the premises located at: 7510 & 7522 Middlebrook Pike
Knoxville (Knox County), TN 37909

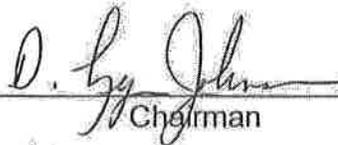
For an estimated project cost of: \$6,609,488.00

The Expiration Date for this Certificate of Need is

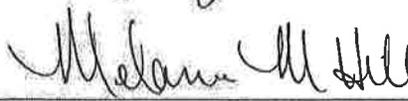
December 1, 2015

or upon completion of the action for which the Certificate of Need was granted, whichever occurs first. After the expiration date, this Certificate of Need is null and void.

Date Approved: October 23, 2013


Chairman

Date Issued: November 20, 2013


Executive Director

