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July 24, 2012

VIA E-MAIL & FEDERAL EXPRESS

Alva M. Lambert
Executive Director
State Health Planning & Development Agency
100 North Union Street, Suite 870
Montgomery, AL 36104

**Re: Project Modification Request
Flor Dialysis, LLC d/b/a Magic City Dialysis
Project No. AL 2009-047
CON 2301-ESRD-MOD 1**

Dear Mr. Lambert:

This Project Modification Request is in regards to CON 2301-ESRD-MOD 1 issued to Flor Dialysis, LLC d/b/a Magic City Dialysis ("Magic City Dialysis") on March 14, 2011, to establish and operate an end stage renal disease ("ESRD") facility consisting of fourteen (14) hemodialysis stations, two (2) hemodialysis isolation stations, four (4) home training peritoneal dialysis stations, and two (2) home hemodialysis training stations in southeastern Jefferson County ("Project").

Pursuant to CON Rule 410-1-10-.03, Magic City Dialysis respectfully requests the issuance of a project modification by the Executive Director of the State Health Planning and Development Agency ("SHPDA") for an increase in estimated costs for this Project as set forth in the attached replacement CON Application pages. This Project Modification Request proposes only a change in Total Project Cost from \$7,934,643 to \$8,709,111 which is an increase of \$774,468.

This Request is necessary for the following reasons:

- As reported to SHPDA in a letter dated February 1, 2012, the actual cost of construction for Magic City Dialysis was \$1,792,765, which is \$180,515 more than projected in the CON Application, and the actual cost of equipment for Magic City Dialysis was \$740,390, which is \$47,953 more than projected in the CON Application.
- The increase in construction cost was due to the addition of a lift pump with a back-up generator that was required by Jefferson County due to the condition of the existing sewer service. The fees associated with tapping the fire line to install the sprinkler system were also greater than anticipated.



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- The increase in equipment cost was due to requirements imposed by the City of Birmingham to provide a hospital grade UL Listed nurse call system and to provide independent third-party inspection and certification of the scales at Magic City Dialysis which required an expert to be flown in from North Carolina.
- The actual lease cost for Magic City Dialysis was also higher than projected. The actual lease cost is \$2,196,000, which is \$546,000 more than projected in the CON Application. Only 69% of the space under lease, however, is being used by Magic City Dialysis; the remainder of the lease space is used for the DaVita's Southland Divisional Office which includes both administrative offices, as well as meeting and training space. It is also important to note that the actual annual lease rate (\$146,400) is less than projected in the CON Application (\$165,000) but the actual lease term (15 years) is longer than projected (10 years), which accounts for the substantial increase in actual lease cost.

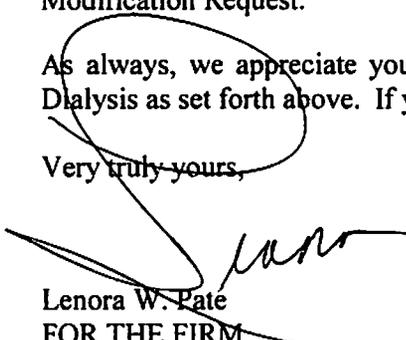
For these reasons, we request that the Estimated Cost in Section I(10) of CON 2301-ESRD-MOD 1 be modified from "\$7,934,643" to "\$8,709,111."

This Project Modification Request falls below the financial thresholds for review provided in CON Rule § 410-1-4-.01; does not involve a physical relocation of the facility to a location other than that generally designated in the CON; and does not involve a change in bed capacity or the provision of new services. Thus, this Project Modification is due to be approved by the Executive Director of SHPDA.

As required, enclosed are the replacement CON Application pages impacted by this Project Modification Request including a new executed Signature Page. As there was no opposition to the approved CON, there are no parties of record in the underlying administrative proceeding that must be notified regarding this Project Modification Request.

As always, we appreciate your assistance and look forward to receiving a modified CON for Magic City Dialysis as set forth above. If you have any questions, please give me a call immediately.

Very truly yours,


Lenora W. Pate
FOR THE FIRM

LWP/lc
Enclosures

c: Brandon King
Kelli F. Robinson, Esq.

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COST

A.	Construction (includes modernization expansion)	
1.	Predevelopment	\$ _____
2.	Site Acquisition	\$ _____
3.	Site Development	\$ _____
4.	Construction	\$1,699,765
5.	Architect and Engineering Fees	\$ 93,000
6.	Renovation	\$ _____
7.	Interest during time period of construction	\$ _____
8.	Attorney and consultant fees	\$ _____
9.	Bond Issuance Costs	\$ _____
10.	Contingency	\$ _____
	TOTAL COST OF CONSTRUCTION	\$1,792,765
B.	Purchase	
1.	Facility	\$ _____
2.	Major Medical Equipment	\$ 371,524
3.	Other Equipment	\$ 368,866
	TOTAL COST OF PURCHASE	\$ 740,390
C.	Lease	
1.	Facility Cost Per Year <u>\$146,400</u> x <u>15</u> Years=	\$ 2,196,000
2.	Equipment Cost per Month _____ x _____ Months =	\$ _____
3.	Land-only Lease Cost per Year _____ x _____ Years	\$ _____
	TOTAL COST OF LEASE(s) (compute according to generally accepted accounting principles)	\$ 2,196,000
	Cost if Purchased	\$ _____
D.	Services	
1.	_____ New Service	
2.	_____ Expansion	
3.	_____ Reduction or Termination	
4.	_____ Other	
	FIRST YEAR ANNUAL OPERATING COST	\$3,979,956
E.	Total Cost of this Project (Total A through D) (should equal V-C on page A-4)	\$8,709,111

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IV. COST (continued)

F.	Proposed Finance Charges	
1.	Total Amount to Be Financed	\$ _____
2.	Anticipated Interest Rates	\$ _____
3.	Term of Loan	\$ _____
4.	Method of Calculating Interest on Principal Payment	\$ _____

V. ANTICIPATED SOURCE OF FUNDING

A.	Federal	Amount	Source
1.	Grants	\$ _____	_____
2.	Loans	\$ _____	_____
B.	Non-Federal		
1.	Commercial Loan	\$ _____	_____
2.	Tax-exempt Revenue Bonds	\$ _____	_____
3.	General Obligation Bonds	\$ _____	_____
4.	New Earning and Revenues	\$ _____	_____
5.	Charitable Fund Raising	\$ _____	_____
6.	Cash on Hand	\$8,709,111	DaVita, Inc.
7.	Other	_____	_____
C.	TOTAL (should equal IV-E on page A-3)		\$8,709,111

VI. TIMETABLE

A.	Projected Start/Purchase Date	<u>Upon award of CON</u>
B.	Projected Completion Date	<u>12 months following award of CON</u>

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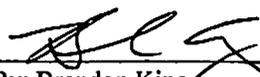
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I. CERTIFICATION

The information contained in this application is true and correct to the best of my knowledge and belief.

FLOR DIALYSIS, LLC D/B/A MAGIC CITY
DIALYSIS ("APPLICANT")

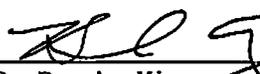
By: Renal Treatment Centers, Inc.
Its: General Partner



By: Brandon King

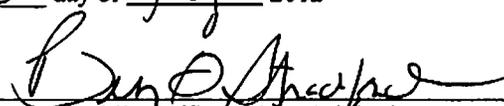
Its: Regional Operations Director

DAVITA, INC.
("PARENT COMPANY")



By: Brandon King

Its: Regional Operations Director

3rd day of July 2012


Notary Public (Affix seal on Original)
My commission expires 6/25/15

Author: Alva M. Lambert

Statutory Authority: § 22-21-267, 271, 275, Code of Alabama, 1975

History: Amended March 19, 1996 and July 25, 2002