



STATE OF WASHINGTON  
DEPARTMENT OF HEALTH

**Date:** April 15, 2011

**To:** Certificate of Need stakeholders

**From:** Bart Eggen, Executive Director  
Health Professions and Facilities

**Re:** Interpretation of WAC 246-310-280(2)(d) Building owner tenant improvement

Recently there has been some question of what to include as capital expenditures per WAC 246-310-280(2)(d). The WAC states:

*"Building owner tenant improvements including but not limited to: Asbestos removal, paving, concrete, contractor's general conditions, contractor's overhead and profit, electrical, heating, ventilation and air conditioning systems(HVAC), plumbing, flooring, rough and finish carpentry and millwork and associated labor and materials, and utility fees."*

The primary purpose for this capital expenditure definition in WAC 246-310-280(2) is to have consistent representation of capital expenditures to evaluate the economies of scale criteria found in WAC 246-310-288 – Tie breakers. The total capital expenditures are divided by the number of proposed stations to determine a per station cost.

The program interprets building owner tenant improvements to include all costs of making a building ready for occupancy as a kidney disease treatment center. If the building currently does not exist, this includes the overall cost of constructing the building, or in a multi occupancy building an allocated cost based on square footage of occupancy.

The program expects that applicants can provide contractor estimates that identify the appropriate costs of the project. These estimates in combination with the additional capital expenditure estimates of the applicant will total to the project capital expenditure used for calculating the per station economies of scale.

The capital expenditure identified in the letter of intent should be the capital expenditure as identified in WAC including application of this interpretation. The capital expenditure for purposes of evaluating when an amended Certificate of Need (CoN) is required will be based on the amount of the total capital expenditure estimate that the applicant is directly responsible to pay. The approved capital expenditure on the face of the CoN will also be the applicant's estimated direct qualifying expenses.

Below is an example.

Applicant's direct expenses	\$100
Building owner's portion	\$300
Total Capital Expenditure per WAC 246-310-280(2)	\$400
Capital Expenditure identified on letter of intent	\$400
Capital Expenditure identified on issued CN	\$100
Capital Expenditure used for determining cost overrun	\$100

Please contact Jan Sigman, at (360)236-2956 if you have any questions regarding this interpretation.

