



STATE OF ILLINOIS HEALTH FACILITIES AND SERVICES REVIEW BOARD

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	BOARD MEETING: September 25, 2025	PROJECT NUMBER: 22-020
BUSINESS ITEM: Declaratory Ruling Request		
FACILITY: Humboldt Park Health		
SUBJECT: Cost Overrun		

STATE BOARD STAFF REPORT **DECLARATORY RULING REQUEST**

I. Request for Declaratory Ruling

Humboldt Park Health (HPH) has requested a declaratory ruling to determine the appropriate course of action regarding a cost overrun.

II. Background Information

In July 2022, the State Board approved Humboldt Park Health's proposal to establish a three-story Wellness Center, comprising 45,500 square feet, at the Southwest corner of Division Street and Richmond Avenue in Chicago, Illinois. The approved permit amount is \$26,119,841 (Permit #22-020).

The Humboldt Park Health Wellness Center features exercise equipment, swimming facilities, fitness training, space for classes, mind-body programming, a track, access to wellness resource tools, nutritional counseling, a community gathering space, and 2,000 square feet dedicated to a rehabilitation/sports medicine clinic. Humboldt Park Health is funding the project with two grants and will either fundraise or cover the remaining project costs directly. One grant is from the State of Illinois Capital Development Board for \$19,000,000,¹ and another grant from the Chicago Recovery Plan Development Grant through the City of Chicago for \$2,500,000². The permit holder was approved for a First Permit Renewal on November 15, 2023, extending the completion date to December 31, 2024, and a second Permit Renewal on June 24, 2025, extending the completion date to September 1, 2025. Table One below outlines the approved permit amount.

1. Rebuild Illinois authorizes \$200 million to Capital Development Board ("CDB") for the new Hospital and Healthcare Transformation Capital Investment Program. CDB will work in coordination with HFS to issue grants to hospitals and healthcare providers to renovate, rehabilitate, and construct facilities to meet the needs of the communities they serve. This program will help low-income communities with high numbers of Medicaid patients to ensure Illinoisans have access to the medical care they need (Source State of Illinois website).

2. A grant through the City of Chicago Recovery Plan Community Development program. The program is designed to assist business owners with building costs such as storefront upgrades, construction, or renovation.

TABLE ONE APPROVED PERMIT AMOUNT Project Cost and Sources of Funds				
	Reviewable	Non-reviewable	Total	% Of Total
Site Preparation	\$14,843	\$375,757	\$390,600	1.50%
New Construction	\$915,619	\$19,914,724	\$20,830,343	79.75%
Contingencies	\$90,232	\$2,284,299	\$2,374,531	9.09%
A&E Fees	\$63,631	\$1,383,971	\$1,447,602	5.54%
Consulting	\$11,326	\$246,345	\$257,671	0.99%
Movable Equipment	\$36,004	\$783,090	\$819,094	3.14%
Total	\$1,131,655	\$24,988,186	\$26,119,841	100.00%
Cash			\$4,619,841	17.69%
Grant			\$21,500,000	82.31%
Total			\$26,119,841	100.00%

III. Reason for the Request

According to the permit holder, a cost overrun has occurred in the amount \$2,039,317 or 7.81% of the total project costs. The Permit Holder is asking the State Board to consider the following options.

1. HPH would ask the Board to allow for a cost overrun for this project, which is expected to be \$2,039,317 or 7.81% more than the originally approved project cost. HPH would agree to file an Alteration Request for the increase and pay the requisite filing fee associated with that increased project amount. **Fee: \$1,000**
2. Alternatively, HPH would ask the Board to approve a cost overrun in the amount of 7.81%. HPH would agree to file an Alteration Request for the increase and pay the requisite filing fee associated with that request. HPH would also agree to provide the in-kind services proposed to the Board's General Counsel and communicated on July 31, 2024. **Fee: \$1,000**
3. If the Board maintains the position that another Certificate of Need application should be filed to maintain compliance with the Planning Act, HPH would respectfully request a waiver of the application fee associated with the filing of the application. The expected application fee would amount to a total of approximately **\$61,950** ($\$26,119,841 + \$2,039,317 = \$28,159,158 \times .0022 = \$61,950$).

IV. Staff Analysis

A permit is valid only for the defined construction or modification, equipment, site, amount, time period, and persons named in the application for the permit and shall not be transferable or assignable. A permit is invalidated by:

- 1) a change in the person who is the permit holder.
- 2) a change in the membership or sponsorship of a not-for-profit corporation that is the permit holder; or
- 3) the transfer or assignment of a controlling interest in, or voting rights of, a for-profit corporation that is the permit holder.

d) Other events causing a permit to become invalid include:

- 1) Change of permit (see Section 1130.710(c));
- 2) Failure to submit the Expenditure Commitment or Financial Commitment Report, which should be included with the annual progress reports.
- 3) Failure to submit annual progress reports to HFSRB.
- 4) Failure to submit Final Cost Reports to HFSRB.

5) Implementation of a prohibited alteration (see Section 1130.750(c)).

Notwithstanding the provisions of subsection (c), the following alterations are not allowed and, if incurred, invalidate the permit: 1) an increase in the total project cost that exceeds 7% of the permit amount.

- 6) Relinquishment of a permit without Board approval; and
- 7) Failure to comply with the requirements of Section 1130.660(d).

Humboldt Park Health has exceeded 7% of the permit amount, and by rule, the permit has been invalidated.

IV. Recommendation

The State Board staff recommends that the State Board require Humboldt Park Health to submit a new application for a permit and **not reduce** the fee for the permit holders. To grant one applicant an alteration rather than an application for a permit is not consistent with past practices of the State Board and would most likely lead to requests by other applicants.

Additionally, all activity of the State Board is funded through the assessment of fees for certificate of need applications, exemptions, permit renewals, alterations, and extensions of obligation. The State Board does not receive an appropriation from the State General Revenue Fund or receive any federal dollars.

V. Applicable Statute and Rules

77 IAC 1130.810 Declaratory Rulings

HFSRB shall render determinations on various matters relating to permits and the applicability of the statute and regulations. Requests for determination shall be made in writing. Pursuant to Section 5-150 of the Illinois Administrative Procedure Act, such determinations are declaratory rulings and are not subject to appeal. The following matters shall be subject to declaratory rulings by HFSRB, including, but not limited to:

- a) whether a proposed project requires a permit or exemption.
- b) corrections to the facility inventories utilized by HFSRB.
- c) recognition that a particular service was in existence before permit requirements.
- d) amount of fees required.
- e) project classification as substantive or non-substantive; and
- f) applicability of rules.

BOARD NOTE: Declaratory ruling requests about an application for a permit or exemption during the review period may be submitted only by the applicant and by IDPH.

V. Other Information

Appended to this report is a copy of the declaratory ruling request.

May 2, 2025

VIA E-MAIL

John P. Kniery
Board Administrator
Illinois Health Facilities and Services Review Board
525 West Jefferson Street, Second Floor
Springfield, Illinois 62702

Re: **Request for Declaratory Ruling- Humboldt Park Health, Chicago**

Dear Mr. Kniery:

We represent Humboldt Park Health (“HPH”) in connection with this request for a Declaratory Ruling related to their anticipated cost overrun for the Humboldt Park Health Wellness Center, Permit #20-020. This letter is being submitted pursuant to 77 Ill. Admin. Code Section 1130.810(f). HPH obtained a Certificate of Need on July 7, 2022, for the establishment of a three-story wellness center at the southwest corner of Division Street and Richmond Avenue. The Board unanimously approved the project and its proposed budget of \$26,119,841. It was determined in July of 2023 that a cost overrun was possible and as legal counsel for the HPH we proactively reached out to counsel for the Board to discuss the issue and propose a resolution to the expected cost overrun. Given the current understanding regarding settlement discussions, HPH is submitting this declaratory ruling to respectfully seek guidance and authority from the Board on the following questions:

1. HPH would ask the Board to allow for a cost overrun for this project which is expected to be \$2,039,317 or 7.81% more than the originally approved project cost. HPH would agree to file an Alteration Request for the increase and pay the requisite filing fee associated with that increased project amount.

2. Alternatively, HPH would ask the Board to approve a cost overrun in an amount of 7.81%. HPH would agree to file an Alteration Request for the increase and pay the requisite filing fee associated with that request. HPH would also agree to provide the in-kind services proposed to the Board’s General Counsel and communicated on July 31, 2024.

3. If the Board maintains the position that another Certificate of Need application should be filed to maintain compliance with the Planning Act, HPH would respectfully request a waiver of the application fee associated with the filing of the application. The expected application fee would amount to a total of approximately \$64,450.

4. If the Board were not willing waive the entirety of the application fee of \$64,450, HPH would request the Board to consider applying the previously paid application fee to this newly filed project, only requiring HPH to pay the increased amount of the application fee.

Background on Project

The HPH Wellness Center was envisioned as a strategic response to one of the most pressing social determinants of health in the Humboldt Park community: equitable access to preventive health resources and wellness infrastructure. Far too often, residents in under-resourced communities face systemic barriers to engaging in regular physical activity, receiving culturally responsive health education, and managing chronic conditions outside of clinical settings. The Wellness Center is designed to serve as a vital hub for health promotion, offering fitness opportunities, nutrition and disease education, and supportive resources aimed at reducing the burden of chronic illnesses such as obesity, heart disease, diabetes, and mental health disorders. Prevention and early intervention are just as critical to long-term health outcomes as access to acute medical care—this Center bridges that gap.

Clinically, the Wellness Center will house a state-of-the-art sports medicine and rehabilitation clinic, providing a continuum of care for patients recovering from injuries related to physical activity, work, or recreational movement. Staffed by multidisciplinary specialists—including orthopedists, physical therapists, exercise physiologists, and emergency-trained providers—the clinic will serve both patients in recovery and community members seeking to improve strength, mobility, and athletic performance.

As a designated safety-net hospital, HPH serves a predominantly Medicaid and uninsured population with limited financial resources, making it uniquely reliant on public support to fulfill its mission. Unlike other institutions that may draw upon private philanthropy, endowments, or commercial payer revenue, safety-net providers like HPH operate with razor-thin margins and are often unable to fund capital projects through traditional means. The vision for the HPH Wellness Center—while essential to the health and well-being of the community—could not have been realized without substantial government investment.

Recognizing the vital role that HPH plays in addressing health disparities and advancing equity, both the State of Illinois and the City of Chicago stepped in to support this transformative project. The State awarded HPH a \$19 million Rebuild Illinois Capital Development Grant, while the City provided a \$2.5 million Chicago Recovery Grant. These public funds, combined with approximately \$6.66 million in institutional contributions from HPH, enabled the hospital to move forward with construction and bring critical wellness infrastructure to a historically disinvested community. The project reflects a model of public-private partnership centered on equity—using targeted government investment to empower a safety-net institution to address the chronic disease burden and health access gaps that afflict the Humboldt Park neighborhood.

Status of Project

Despite Humboldt Park Health’s strong commitment to the timely completion of the Wellness Center, the project experienced a series of unforeseen delays that impacted both its schedule and cost. Initial construction was significantly postponed due to permitting delays with the City of Chicago, pushing the start date to Spring 2023. Once underway, the project faced ongoing challenges related to global supply chain disruptions, particularly in the delivery of specialty equipment. Additionally, changes in electrical contractors and coordination dependencies with ComEd created further setbacks. In response, HPH worked closely with contractors to implement value engineering strategies aimed at containing costs, including the removal of a planned green rooftop feature, which resulted in savings of approximately \$325,000. Despite these hurdles, all major construction components have been completed, and the facility is now in the final phase of work. The only remaining item is the installation of exterior perforated sunshades—estimated at \$360,000—which began on March 24, 2025, and is expected to be completed by June 15, 2025.

Expected Cost Overrun

In July 2024, it became evident that a cost overrun for the HPH Wellness Center project was likely. The original approved budget for the HPH Wellness Center, as authorized under Permit #20-020, was \$26,119,841. As a result of unforeseen permitting delays, supply chain disruptions, and necessary changes to contractors, the total projected cost has risen to \$28,159,158.42—an overage of approximately \$2,039,317.42. This reflects a 7.81% increase over the approved budget. While the Board’s administrative rules allow for a cost overrun of up to 7% without triggering a new application, this modest overage exceeds the threshold by less than one percentage point. Given the project’s substantial completion, HPH’s proactive and transparent communication with the Board, and the unforeseen nature of the delays, HPH respectfully submits that the cost overrun is reasonable, well-justified, and consistent with the intent of the Health Facilities Planning Act and its implementing rules. Such action would not be unprecedented.

On July 31, 2024, as legal counsel for HPH, I submitted a proposed settlement to the Board’s General Counsel in an effort to resolve the matter collaboratively and avoid unnecessary administrative burden. The proposal included both a monetary component and a commitment to provide in-kind services to members of the community served by HPH. Over the past two decades, the Board has accepted and successfully implemented similar settlements, which have ensured program compliance while delivering hundreds of thousands of dollars in free or discounted care to Illinois residents. Consistent with that precedent, HPH submitted its offer in good faith, seeking a resolution that would support regulatory compliance while maintaining continuity of service to its safety-net population.

The situation presented by HPH is reminiscent of the *Palos Community Hospital v. Illinois Health Facilities Planning Board* case, in which the appellate court found that a wellness center did not fall within the Board’s jurisdiction because it did not meet the statutory definition of a “health care facility” under the Planning Act. Similarly, if HPH were to remove the rehabilitative

component of its project, the Wellness Center—focused largely on fitness, education, prevention, and community health—might arguably fall outside the scope of Board oversight altogether. However, rather than circumventing the Board and bypass the process, HPH has chosen to act transparently and in good faith by engaging with the Board throughout the project and seeking guidance through this Declaratory Ruling.

Moreover, this project is uniquely funded almost entirely by public sources, including a \$19 million grant from the State of Illinois and a \$2.5 million grant from the City of Chicago. Given that taxpayer dollars were invested with the express purpose of expanding community health infrastructure, HPH respectfully submits that a modest, unintentional cost overrun—triggered by circumstances outside the hospital’s control—should not give rise to punitive action. Finally, we note that the Board is currently considering amendments to its administrative rules that would increase the allowable cost overrun threshold from 7% to 10%. If that rule were already in effect, this project would be in full compliance. In light of this context, we believe the overage is not only reasonable, but clearly within the spirit of the Board’s evolving regulatory framework.

Conclusion

Humboldt Park Health respectfully requests that the Board grant the relief outlined in this Declaratory Ruling request in recognition of the hospital’s consistent transparency, its demonstrated good faith, and its essential role as a safety-net provider serving one of Chicago’s most underserved communities. The cost overrun—while slightly above the current regulatory threshold—is modest, fully justified by external factors, and well within the scope of changes currently under consideration by the Board. The Wellness Center project is substantially complete and stands as a testament to what government investment and community-centered health planning can achieve. Given the unique public funding structure, the absence of any expansion in project scope, and HPH’s commitment to meeting its regulatory obligations, we believe this matter is most appropriately resolved through the declaratory process, rather than by requiring a new application or imposing any punitive measures.

Ultimately, the purpose of the Board is to increase access to care to indigent and underserved communities. That is exactly what this project was designed to accomplish. Moreover, the conduct of HPH throughout reflects a respect and appreciation for both the letter and the spirit of the law. This did not occur because of a lack of respect for the Board, its rules, or process. To the contrary, this was revealed because of the respect HPH has for the Board and its role in increasing access to care. We appreciate the Board’s thoughtful consideration and remain available to provide any additional information or documentation upon request.

If you should have any questions or need any additional information regarding our submission, please do not hesitate to contact me at 312-212-4967 or via email at JMorado@beneschlaw.com. You can also contact my colleague Mark J. Silberman at 312-212-4952 or via email at MSilberman@benseschlaw.com.

Very truly yours,
BENESCH, FRIEDLANDER,
COPLAN & ARONOFF LLP

A handwritten signature in black ink, appearing to read "Juan Morado, Jr.", with a stylized flourish at the end.

Juan Morado, Jr.

JMJ

cc: Mike Constantino, Senior Project Reviewer