



STATE OF ILLINOIS HEALTH FACILITIES AND SERVICES REVIEW BOARD

525 WEST JEFFERSON ST. • SPRINGFIELD, ILLINOIS 62761 • (217) 782-3516 FAX: (217) 785-4111

DOCKET ITEM: B-03	BOARD MEETING: June 4, 2019	PROJECT NUMBER: 17-002
PERMIT HOLDERS(S): Mercy Health Corporation - Mercy Crystal Lake Hospital and Medical Center, Inc.		
FACILITY NAME and LOCATION: Mercy Crystal Lake Hospital and Medical Center, Inc., Crystal Lake, Illinois		

STATE AGENCY REPORT FINANCIAL COMMITMENT EXTENSION REQUEST

On June 20, 2017, the State Board approved Project #17-002. The permit authorized the establishment and construction of a new hospital with eleven medical surgical beds, two ICU beds, seven emergency rooms, two operating rooms, two procedure rooms, diagnostic imaging, lab and pharmacy in 111,346 GSF of space at a cost of \$79,515,524. The expected completion date is November 30, 2020.

Also, on June 20, 2017, the State Board approved Permit #17-001 the establishment of a 2-story medical office building at cost of \$18,814,876 in Crystal Lake, Illinois.

Permit #17-002 has not been financially committed. In accordance with the Planning Act, the permit is valid provided that the project is financially committed prior to June 20, 2019. On May 15, 2019, the permit holders submitted a request to extend the financial commitment period for one year.

I. The Permit Extension Request

- A. **Requested Obligation Date:** The Permit Holders are requesting an extension of the financial commitment date from June 20, 2019 to June 20, 2020, which is the maximum extension allowed under the State Board's rules (12 months).
- B. **Status of the Project and Components Yet to be Finished:** The Permit Holder has not begun the planning and construction of the hospital because of a court challenge to the Board's approval of Permit #17-002.
- C. **Reason(s) Why the Project Has Not Been Financially Committed:** The project has been delayed because of the court challenge to the Board's approval of Permit #17-002-the establishment of a 13-bed hospital. Per the Permit Holders "*while construction of the medical office building and hospital projects are not interdependent, the architectural footprint was designed to allow for the construction to occur simultaneously and the redesign would result in the unnecessary expenditure of funds.*" The Circuit Court ruled to overturn the Board's decision regarding Mercy Health's Permit #17-002. Because of this decision, the City of Crystal Lake has refused to issue the necessary permits to allow construction to continue while this matter is being reviewed by the Appellate Court. As a result, the expenditure of

funds related to the planning and construction of the hospital project have been put on hold, while the case is being reviewed at the Appellate Court.

The scope and cost of the Permit remains unchanged.

STATE BOARD STAFF FINDS THE PROPOSED EXTENSION OF THE FINANCIAL COMMITMENT PERIOD IS IN CONFORMANCE WITH (77 ILAC 1130.730)

II. Background Information

Permit Issuance Date:	June 20, 2017
Project Completion Date:	November 30, 2020
Permit Amount:	\$79,515,524
Financial Commitment Date:	June 20, 2019
Proposed Commitment Date:	June 20, 2020
Project Completion Date:	November 30, 2020
Final Project Costs (estimated):	\$79,515,524

III. Applicable Rules for Financial Commitment Extension Requests

Section 1130.720 - Financial Commitment

- a) *A permit holder shall financially commit projects for construction, establishment or modification by expending or committing to expend at least 33% of the total project cost no later than:
 - 1) *24 months for major construction projects; or*
 - 2) *12 months for all projects that do not include major construction; or*
 - 3) *The HFSRB completion date of the permit, if it occurs before the deadlines in subsections (a)(1) and (a)(2).**
- b) *Projects that have no cost shall be considered financially committed upon HFSRB issuance of a permit.*
- c) *Permits for projects that have a cost and that have not been financially committed as stated in this Section shall be considered expired and the project abandoned. A permit holder who fails to meet the financial commitment requirements shall be subject to fines under the Act and Section 1130.790.*

Section 1130.730 - Extension of the Financial Commitment Period

- a) *HFSRB may grant the permit holder a single extension to financially commit at least 33% of the total project costs. An extension shall be for a period of up to one year from the previously defined financial commitment date.*
- b) *The permit holder shall submit a written request for extension, along with an application-processing fee.*
- c) *A request for extension must be in writing and received by HFSRB at least 45 days prior to the defined financial commitment date or the permit expiration date if, based on the 12-month or 24-month requirement for financial commitment, the permit expiration date comes before the defined financial commitment date. A request for extension shall be assessed a \$500 application processing fee and is subject to the requirements of Section 1130.230. A request for extension that is received less than 45 days prior to the permit financial commitment date shall be subject to an additional \$500 late application-processing fee. If HFSRB does not receive payment, the request for extension will not be processed.*
- d) *HFSRB staff shall review the request for extension and prepare a report of its findings. If the findings are that the request is in conformance with all HFSRB criteria, HFSRB staff findings and all related documentation shall be sent to the Chairman. The Chairman, acting on behalf of HFSRB, shall approve or deny the request, or refer the request to HFSRB for action. If HFSRB staff find that not all criteria are positive, or if the Chairman refers this to the full Board for action, then the matter shall be sent by HFSRB staff to HFSRB members. HFSRB shall evaluate the information submitted in making its determination whether to grant the extension. Projects that continue to comply with the provisions of 77 Ill. Adm. Code 1110 and 1120 and that have shown good cause by submitting the required information for an extension request specified in subsection (b) of this Section, and for which the causes for delays are beyond the permit holder's control, shall be approved for extension. Denial by HFSRB of an extension request shall constitute the final HFSRB decision and is not subject to administrative appeal.*

IV. Other Information

Appended to this report are the permit holder's materials for an extension request.

Via FedEx

May 16, 2019

Ms. Courtney Avery
Administrator
Illinois Health Facilities and Services Review Board
525 West Jefferson Street, 2nd Floor
Springfield, IL 62761

RE: Mercy Health Hospital and Medical Center Crystal Lake – Hospital
Project # 17-002
Request for Extension – Financial Commitment

Dear Ms. Avery,

The Illinois Health Facilities and Services Review Board approved Project #17-002 on June 20, 2017, for construction of a medical office building in Crystal Lake. This project is one of two Mercy Health projects approved on that date. The other project is Mercy Health Hospital and Medical Center Crystal Lake – Medical Office Building, Project #17-001, for construction of a medical office building.

As you are aware, the approvals of the two projects were challenged by competitors and, the Circuit Court ruled to overturn the Board's decision regarding Mercy Health's Project 17-002. We are confident that the Board's decision was proper and would continue construction if we were able to do so. However, because of this decision, the City of Crystal Lake has refused to issue the necessary permits to allow construction to continue while this matter is being reviewed by the Appellate Court. As a result, the expenditure of funds related to the planning and construction of the hospital project have been put on hold, while the case is being reviewed at the Appellate Court.

While construction of the medical office building and hospital projects are not interdependent, the architectural footprint was designed to allow for the construction to occur simultaneously and the redesign would result in the unnecessary expenditure of funds. Accordingly, Mercy Health has postponed the expenditure of funds related to the planning and construction of the hospital and the medical office building. Mercy Health has not committed an expenditure of at least 33% of total project cost, as required for financial commitment of the permit 17-002. The approved permit stipulated that financial commitment must occur by June 20, 2019. Mercy Health hereby requests a one year extension of the financial commitment period, consistent with the requirements of Section 1130.730.

Enclosed is a check to the Illinois Department of Public Health in the amount of \$1,000, for the extension application processing fee.

If you have any questions, please contact me at (608) 756-6158.

Sincerely,

A handwritten signature in black ink, appearing to read 'Paul Van Den Heuvel', with a large, stylized loop at the end.

Paul Van Den Heuvel

Vice President of Legal Affairs & Risk Management and General Counsel

c: Ralph Weber, CON Consultant

17-002 Mercy Health Hospital - Crystal Lake

