



STATE OF ILLINOIS
HEALTH FACILITIES AND SERVICES REVIEW BOARD

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

DOCKET NO: H-04	BOARD MEETING: June 27, 2023	PROJECT NO: 23-012	PROJECT COST:
FACILITY NAME: Ignite Batavia		CITY: Batavia	Original: \$25,349,517
TYPE OF PROJECT: Substantive			HSA: VIII

PROJECT DESCRIPTION: The Applicants (LBG Batavia, LLC., Ignite Batavia, LLC., Batavia Manager, LLC, Batavia Senior Partners, LLC and Ignite Medical Batavia, LLC.) propose the establishment of a 96-bed long term care facility at a cost of approximately \$25,349,517 with an expected completion date of July 1, 2025.

Information on this Application for Permit can be found at
<https://hfsrb.illinois.gov/projects/project.23-012.html>

EXECUTIVE SUMMARY

PROJECT DESCRIPTION:

- The Applicants (LBG Batavia, LLC., Ignite Batavia, LLC., Batavia Manager, LLC, Batavia Senior Partners, LLC and Ignite Medical Batavia, LLC.) propose the establishment of a 96-bed long term care facility at a cost of approximately \$25,349,517 with an expected completion date of July 1, 2025. Ignite Medical manages four facilities in Illinois: Ignite McHenry, and Thrive of Lake County, Fox Valley, and Lisle.
- The proposed facility will have a total of 96 beds, including private occupancy beds/rooms with private bathrooms, primarily for short-term rehabilitation patients. In a separate area, the facility will offer semi-private (shared two-person) rooms with beds for skilled and long-term care residents. The facility will have a rehabilitation center with indoor gym/therapy space as well as outdoor therapy space. **The** building will also have a large, well-appointed lobby area, upscale dining area and a spa that will accommodate both patients and guests. The facility will have 60 private rooms and 18 semi-private rooms. The proposed facility will be 62,590 GSF.

WHY THE PROJECT IS BEFORE THE STATE BOARD:

- This project is before the State Board because the project establishes a health care facility as defined by the Illinois Health Facilities Planning Act. (20 ILCS 3960/3)

PURPOSE OF THE PROJECT:

- The purpose of this project is to provide nursing care to residents of Kane County.

PUBLIC HEARING/COMMENT:

- A public hearing was offered regarding the proposed project, but no public hearing was requested. No letters of support or opposition were received by the State Board Staff. Community support letters were included in the Application for Permit.

SUMMARY:

- There is a **calculated need for 160 long term care beds** in the Kane County Planning Area by 2024. There are 14 long term care facilities with 1,321 long term care beds within the 10-mile geographical service area of the proposed project that for the years 2020 and 2021 have operated at 70%. Over this two-year period there has been approximately 380 authorized beds available annually in this 10-mile GSA to accommodate the residents of the GSA. These 14 long-term care facilities reported approximately 65% Medicaid days as a percentage of total days over this two-year period.
- The Applicants are proposing a payor mix of 64% Medicare, 25% Medicaid, and 11% private pay.
- The Applicants addressed a total of twenty-two (22) criteria and were not compliant with the following:

Criteria	Reasons for Non-Compliance
77 ILAC 1125.530 – Planning Area Need	The Applicants did not provide referral letters as required by rule. In lieu of referral letters a market study was provided. The market study can be found at pages 94-125 of the Application for Permit.
77 ILAC 1125.570 – Service Accessibility	It does not appear there are service access issues in the Kane County Planning Area. There are existing long term care facilities within the 10-mile radius that are currently operating below target occupancy of 90%. Average utilization of these 14-facilities is approximately 70%.
77 ILAC 1125.580 – Unnecessary Duplication/Maldistribution	There are 14 existing long term care facilities within the 10-mile radius that are currently operating below target occupancy of 90%. Average utilization of these facilities is approximately 70%. The proposed facility will result in a duplication of service in this 10-mile GSA.
77 ILAC 1125.630 – Zoning	As of the date of this report zoning of the property has not been approved.
77 ILAC 1125.800 – Financial Viability	The Applicants have not successfully addressed all the financial viability ratios that are required in rule.



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STATE BOARD STAFF REPORT

Project #23-012

Ignite Batavia

APPLICATION CHRONOLOGY	
Applicants	LBG Batavia, LLC., Ignite Batavia, LLC., Batavia Manager, LLC, Batavia Senior Partners, LLC and Ignite Medical Batavia, LLC.
Facility Name	Ignite Batavia
Location	37W284 Main Street, Batavia, Illinois
Permit Holder	LBG Batavia, LLC., Ignite Batavia, LLC., Batavia Manager, LLC, Batavia Senior Partners, LLC and Ignite Medical
Operating Entity/Licensee	Ignite Medical Batavia LLC
Owner of Site	Batavia Senior Partners, LLC
Gross Square Feet	62,590 GSF
Application Received	February 8, 2023
Application Deemed Complete	February 23, 2023
Anticipated Completion Date	July 1, 2025
Review Period Extended by the State Board Staff?	No
Can the Applicant request a deferral?	Yes

I. Project Description

The Applicants (LBG Batavia, LLC., Ignite Batavia, LLC., Batavia Manager, LLC, Batavia Senior Partners, LLC and Ignite Medical Batavia, LLC.) propose the establishment of a 96-bed long term care facility at a cost of approximately \$25,349,517 with an expected completion date of July 1, 2025.

II. Summary of Findings

- A. The State Board Staff finds the proposed project is **not** in conformance with all relevant provisions of Part 1110.
- B. The State Board Staff finds the proposed project is **not** in conformance with all relevant provisions of Part 1120.

II. General Information

The Applicants are LBG Batavia, LLC., Ignite Batavia, LLC., Batavia Manager, LLC, Batavia Senior Partners, LLC and Ignite Medical Batavia, LLC. LBG Batavia, LLC. (40% interest) and Ignite Batavia, LLC., (60% interest) are the two joint venture partners. Batavia Manager, LLC was created to hold the ownership interests of the two joint venture partners in the proposed facility. LBG Batavia, LLC was created to hold the ownership interest of Tom Smith and Ignite Batavia, LLC was created to hold the ownership interest of Tim Fields and Barry Carr. Batavia Manager, LLC was created as the joint venture entity that maintains an ownership interest in both the proposed licensee and the property company that will own the land where the facility will be located. This is a substantive project subject to a Part 1110 and Part 1120 review. Financial commitment for this project will occur after permit issuance.

IV. Long Term Planning Area

The proposed 96-bed facility will be in the Kane County Planning Area. There are currently 32 licensed free standing long-term care facilities in this planning area. There are total of 2,500 licensed long term care beds with an average occupancy for the period 2016-2020 of approximately 66% in the Kane County Planning Area. Of the 2,500 beds, 2,172 are certified for Medicare and 2,371 certified for Medicaid. As of May 2023, there is a calculated need for 160 long term care beds in this planning area.

V. Uses and Sources of Funds

The Applicants are funding this project with cash in the amount of \$7.6 million and a mortgage of \$17.7 million.

TABLE ONE				
Use and Sources of Funds				
Use of Funds	Reviewable	Non-Reviewable	Total	% Of Total
Preplanning	\$107,076	\$87,324	\$194,400	0.77%
Site Survey Soil Investigation	\$12,393	\$10,107	\$22,500	0.09%
Site Preparation	\$425,883	\$347,325	\$773,208	3.05%
New Construction	\$9,733,151	\$7,937,784	\$17,670,935	69.71%
Contingencies	\$499,248	\$407,157	\$906,405	3.58%
A&E Fees	\$379,501	\$309,499	\$689,000	2.72%
Consulting or Other Fees	\$753,206	\$614,270	\$1,367,476	5.39%
Movable or Other Equipment	\$982,068	\$800,917	\$1,782,985	7.03%
Net Interest During Construction	\$525,790	\$428,803	\$954,593	3.77%
Other Costs to be Capitalized	\$544,199	\$443,816	\$988,015	3.90%
Total Uses of Funds	\$13,962,515	\$11,387,002	\$25,349,517	100%
Sources of Funds				
Cash			\$7,604,855	30%
Mortgage			\$17,744,662	70%
			\$25,349,517	100%

VI. Background of the Applicants, Purpose of the Project, Safety Net Impact Statement, Alternatives to the Project

- A) Criterion 1125.520 - Background of the Applicants**
- B) Criterion 1125. 320 - Purpose of the Project**
- C) Criterion 1125. 330 - Alternatives to the Proposed Project**

A) Background of the Applicants

The Applicants are LBG Batavia, LLC., Ignite Batavia, LLC., Batavia Manager, LLC, Batavia Senior Partners, LLC and Ignite Medical Batavia, LLC. Batavia Senior Partners, LLC is the owner of the proposed facility and Ignite Medical Batavia, LLC is the licensee. Ownership of these entities are as follows:

- **LBG Batavia, LLC**- Tom Smith 26.66%, Leo Justin Brown 26.66%, Michael Wagner 26.66%, William Morton 10%, and Christopher King 10%.
- **Ignite Batavia, LLC**- Tim Fields 40%, Barry Carr 32%, Jared Carr 4%, Ryan Carr 4% (through Gold Pearl, LLC), Jared Carr 2.85%, Jim White 2.85%, Matt Thengil 2.85%, Nichole Jablanoski 2.85%, Kevin Gillis 2.85%, and Marc Rose 2.85%.
- **Batavia Manager, LLC**- Ignite Batavia, LLC 60%, LBG Batavia, LLC 40%

The entity with final control over the licensed entity will be Batavia Manager, LLC. The Managers of that entity are made up of the ownership of LBG Batavia, LLC and Ignite Batavia, LLC. Ignite Medical manages four facilities in Illinois: Ignite McHenry, and Thrive of Lake County, Fox Valley, and Lisle. Table Two shows the Medicaid days and total days of these four facilities in 2021.

TABLE TWO					
The Four Facilities Managed by Ignite Medical					
Facilities	Beds	Days		% Of Total Days	Facility Utilization
		Medicaid	Total	Medicaid	Total
Ignite McHenry	84	2,371	23,177	10.23%	75.59%
Thrive of Fox Valley	68	165	7,795	2.12%	31.41%
Thrive of Lisle	68	624	13,486	4.63%	54.34%
Thrive of Lake County	185	8,716	44,998	19.4%	66.63%
1. Ignite McHenry – Permit #15-044 2. Thrive of Fox Valley – Permit #16-002 3. Thrive of Lisle – Permit #15-056 4. Thrive of Lake County – Permit #16-012 5. Information from Long Term Care Annual Survey					

The Applicants have provided licensure and certification information as required. The Applicants have also certified that they have not had any adverse actions within the past three years. The Applicants are fit, willing and able and have the qualifications, background, and character to adequately provide a proper standard of healthcare service for the community.

B) Purpose of the Project

According to the Applicants the purpose of this project is to serve residents of Kane County and surrounding communities. The Applicants believe the short-term rehabilitation model being proposed will provide a “relief valve” for patients who require intensive short-term rehabilitation and hospitals who need to open-up beds for patients with more acute conditions. The Applicants believe they will be able to provide care to patients discharged from Northwestern Medicine Delnor Hospital (4.3 miles) and Northwestern Medicine Central DuPage Hospital (10-miles) as well as Rush Copley (14.5 miles) and Ascension Mercy Aurora (5.3 miles) Hospitals. The Applicants have identified 614,400 residents in the 10-mile geographic service area.

Patient Characteristics

The Applicants state the 5 most common diagnosis for patients requiring care in the proposed facility would be care related to Orthopedic, Cardiac, Pulmonary, Stroke and Wound Care issues. The Applicants state that based on previous experience in operating facilities nationwide and specifically at Ignite McHenry, the average length of stay will vary by age and diagnosis. According to the Applicants it is expected that certain residents with less acute medical conditions will have average lengths of stay between 20-25 days. Additionally, the facility will also have patients who will have longer term stays at the facility and on average those stays have ranged between 12 to 24 months. The Applicants state the facility plans to have nearly 20,907 patient days for patients with shorter stays at the facility and 7,655 patient days for those patients who will have longer stays at the facility. The Applicants state the average age of patients will be between 80-90 years old based upon previous experience.

C) Alternatives to the Proposed Project

The Applicants considered four alternatives to the proposed project.

1. Maintain the Status Quo
2. Larger Project
3. Smaller Project
4. Utilize Existing Providers

According to the Applicants **maintaining the status quo** was rejected because of the calculated need for 160 long term care beds as of May 2023. **A larger project** was rejected according to the Applicants because it would lead to an increase in expense and would not add comparative value to the community because according to the Applicants it would discourage expansion by other providers. **A smaller project** was rejected because according to the Applicants it would have an adverse impact on access to care. **Utilize other providers** was rejected because it would not address the need for additional beds in the Kane County Planning Area.

VII. Size of the Project

A) Criterion 1125.620 – Size of the Project

The proposed facility will have a total of 96 beds, including private occupancy beds/rooms with private bathrooms, primarily for short-term rehabilitation patients. In a separate area, the facility will offer semi-private (shared two-person) rooms with beds for skilled and long-term care residents. The facility will have a rehabilitation center with indoor gym/therapy space as well as outdoor therapy space. **The** building will also have a large, well-appointed lobby area, upscale dining area and a spa that will accommodate both patients and guests. The Applicants are proposing a total of 62,590 GSF for the 96-beds in which 34,561 GSF is considered clinical space by the Applicants. The State Board Standard is 570 DGSF per bed or 54,720 GSF. The Applicants are proposing 361 GSF per bed.

VIII. Long Term Care Category of Service

PROJECT TYPE	REQUIRED REVIEW CRITERIA	
	Section	Subject
Establishment of Services or Facility	.520	Background of the Applicant
	.530(a)	Bed Need Determination
	.530(b)	Service to Planning Area Residents
	.540(a) or (b) + (c) + (d) or (e)	Service Demand – Establishment of General Long-Term Care
	.570(a) & (b)	Service Accessibility
	.580(a) & (b)	Unnecessary Duplication & Maldistribution
	.580(c)	Impact of Project on Other Area Providers
	.590	Staffing Availability
	.600	Bed Capacity
	.610	Community Related Functions
	.620	Project Size
	.630	Zoning
	.640	Assurances

A) Criterion 1125.530 (a) - Planning Area Need

The proposed facility will be in the Kane County Planning Area. There is a calculated need for **160 long term care beds** in this planning area.

B) Criterion 1125.530 (b) – Service to Residents of the Planning Area

C) Criterion 1125.540 (a) - Service Demand

If the applicant is not an existing facility and proposes to establish a new general LTC facility, the Applicants shall submit the number of annual projected referrals.¹

No referral letters were provided by the Applicants. In lieu of referral letters the Applicants provided a market study that can be found at pages 94-125 of the Application for permit. The Applicants determined their primary market area (PMA) for analysis for the proposed Batavia location would be the service areas of the major area hospitals in Batavia and surrounding zip codes. 74.7% of the discharges from three zip codes were from Rush Copley Medical Center, Ascension Mercy Aurora Hospital and Northwestern Delnor Hospital. According to the Applicants Central DuPage Hospital and Marianjoy Hospital comprise another 17.3% of all PMA resident discharges. The Applicants believe the support for the proposed project will come from the three zip codes listed in the Table below.

The Applicants state that based upon the population of the Primary Market Area there will be 428 Medicare patients that will require skilled nursing. Of the 428 Medicare patients the Applicants believe they will have a capture rate of 13.3% and the proposed facility would see 57 Medicare patients annually. The Applicants expect 22 Medicaid patients annually or a capture rate of 10.8% and 10 private pay patients annually or a capture rate of 4.9%. The Applicants believe by year two that 89 of the 96 beds would be utilized at the proposed facility.

¹ According to the Applicants they were informed that it is Northwestern Medicine’s policy to not provide referral letters or letters of support for CON applications not filed by the organization itself.

TABLE THREE					
2021 Discharges from these three zip codes by Hospital ⁽¹⁾					
City	Miles from Proposed Location	Batavia	Geneva	North Aurora	Total Discharges
Zip Code		60510	60134	60542	
Population		26,084	28,565	17,099	
Hospitals					
Northwestern Delnor Hospital	3.9	693	623	226	1,542
Ascension Mercy Aurora	6	33	18	225	276
Central DuPage Hospital	13.3	98	98	46	242
Marianjoy Rehab Hospital	13.6	83	85	29	197
Rush Copley Medical Center	15.5	21	0	55	76
Advocate Sherman Hospital	16.3	11	0	0	11
Edward Hospital	20.2	17	0	35	52
Advocate Good Samaritan	26.8	17	12	20	49
Adventist Glenoaks	32.0	0	12	0	12
Rush University Medical Center	41.7	12	0	0	12
Northwestern Memorial Hospital	47.1	28	22	15	65
Total		1,013	870	651	2,534
1. Information provided in Market Study provided by the Applicants					

D) Criterion 1125.570 – Service Accessibility

The applicant shall document that at least one of the following factors exists in the planning area, as applicable:

- 1) The absence of the proposed service within the planning area.
- 2) Access limitations due to payor status of patients/residents, including, but not limited to, individuals with LTC coverage through Medicare, Medicaid, managed care, or charity care.
- 3) Restrictive admission policies of existing providers.
- 4) The area population and existing care system exhibit indicators of medical care problems, such as an average family income level below the State average poverty level, or designation by the Secretary of Health and Human Services as a Health Professional Shortage Area, a Medically Underserved Area, or a Medically Underserved Population.
- 5) For purposes of this Section 1125.570 only, all services within the established radii outlined in 77 Ill. Adm. Code 1100.510(d) meet or exceed the occupancy standard specified in Section 1125.210(c).

There is no absence of service in the Kane County Planning Area and there are no access limitations due to payor status of patients/residents. No restrictive admission policies of existing providers have been identified. There are 14 facilities within the 10-mile geographical service area and one facility is at the target occupancy of 90%. Average Medicaid days for this 2-year period has been approximately 65% at these 14 facilities. The Applicants have not met the requirements of this criterion.

TABLE FOUR Facilities within the 10-mile GSA						
FACNAME	CITY	Gen Beds	2021		2020	
			Occ	Medicaid Days as % of Total Days	Occ	Medicaid Days as % of Total Days
Asbury Gardens Nursing & Rehab	North Aurora	75	79.52%	52.98%	80.15%	56.22%
Avantara Aurora	Aurora	87	62.08%	61.01%	41.09%	55.34%
Batavia Rehab & Hlthcare Ctr.	Batavia	63	42.65%	85.06%	55.10%	85.77%
Bria of Geneva	Geneva	107	82.24%	66.25%	76.39%	61.19%
Elmwood Terrace Healthcare Ctr	Aurora	68	53.44%	94.68%	61.53%	90.35%
Greenfields of Geneva	Geneva	43	90.19%	4.30%	90.88%	2.57%
Grove of St. Charles	St. Charles	120	71.55%	84.80%	78.64%	76.18%
Jennings Terrace	Aurora	60	83.32%	41.50%	56.91%	40.93%
Michaelsen Health Center	Batavia	99	72.93%	22.64%	77.42%	20.46%
North Aurora Care Center	North Aurora	129	66.81%	98.84%	75.22%	98.88%
River Crossing of St Charles	St. Charles	109	67.12%	71.55%	71.85%	64.92%
Symphony of Orchard Valley	Aurora	203	51.95%	73.32%	61.33%	73.30%
The Grove of Fox Valley	Aurora	158	77.64%	72.83%	78.80%	73.30%
		1,321	69.34%	63.83%	69.85%	65.35%
<ol style="list-style-type: none"> 1. Medicaid information taken from Long Term Care Report found at https://hfs.illinois.gov/medicalproviders/costreports/2020ltccostreports.html 2. Medicaid Occupancy represents a percentage of total patient days. 						

E) Criterion 1125.580 (a) (b) (c) – Unnecessary Duplication/Maldistribution

As seen in the Table above there are 14 facilities with 1,321 beds in the 10-GSA with an average utilization over the past two years of approximately 70%. Within this 10-mile GSA the population is approximately 614,400 residents in 28 zip codes. The ratio of beds to population in the 10-mile GSA is 1 bed for every 465 residents. There are approximately 88,500 licensed long term care beds in the State of Illinois with a population of approximately 12.67 million residents. The ratio of beds to population in the State of Illinois is 1 bed for every 144 residents. Based upon the ratio of beds to population there is not a surplus of beds in this 10-mile GSA.

As shown in the Table above there is one facility at the target occupancy of 90%. The proposed 96-bed facility will result in a duplication of service in this 10-mile GSA based upon the failure of existing facilities to be at the target occupancy of 90%. There are approximately 380 beds available for use in this 10-mile GSA based upon the 2020 and 2021 utilization of these 14 facilities. The establishment of this proposed facility will result in a duplication of service in this 10-mile GSA.

The Applicants state based on the historical utilization of existing facilities that even if the proposed facility operates at 90% occupancy it would not lower the utilization of other existing providers below the 90% occupancy standard, nor will the proposed facility lower to a further extend the utilization of other area providers operating below the 90% occupancy standard.

F) Criterion 1125.590 - Staffing

The Applicants provided the staffing pattern for the proposed facility at page 131 of the Application for Permit. The Applicants state the facility's proposed staffing plan will be achieved by initial pre-opening job fairs, community outreach, talking to local nursing and vocational schools, direct mailers, networking with existing Ignite Illinois facility staff, and social media marketing. According to the Applicants staff will be screened by facility management, hired, and will go through a one-week orientation program. As census for the facility increases, local human resource representatives will work to stay ahead of the census ramp up by hiring and orienting more employees. The Applicants state this strategy has proven successful around the country and here in Illinois. The Applicants have successfully addressed this criterion.

G) Criterion 1125.600 – Bed Capacity

The maximum bed capacity of a general long term care facility is 250 beds. The Applicants are proposing 96 long term care beds at this facility. The Applicants have successfully addressed this criterion.

H) Criterion 1125.620 – Community Relations

The Application contained several letters of support from the community. This information can be found at pages 133-140 of the Application for Permit. The Applicants have successfully addressed this criterion.

I) Criterion 1125.630 -Zoning

The Applicants have asked the Village of Batavia for a zoning variance and as of the date of this report no decision has been made. The Applicants state the zoning hearing is scheduled for June

21st and while the town's elected officials are supportive, the zoning variance will not be approved by the HFSRB board meeting on June 27th.

J) Criterion 1125.640 - Assurances

The Applicants have attested that the proposed facility will achieve and maintain the State Board's target occupancy of 90% if approved.

XI. Review Criteria - Financial Feasibility

A) Availability of Funds

B) Financial Viability

The Applicants are funding this project with cash in the amount of \$7.6 million and a mortgage of \$17.7 million. As can be seen in the shaded areas in the Tables below the Applicants (licensee and owner of the property) have not met all the financial viability ratios as required.

TABLE FIVE				
Ignite Medical Batavia LLC				
Ratio	State Standard	2025	2026	2027
Current Ratio	≥1.5	1.86	2.53	3.34
Net Margin Ratio	≥2.5%	1.40%	7.50%	7.70%
Percent Debt to Total Capitalization	≤50%	na	na	na
Projected Debt Service Coverage	≥1.5	na	na	na
Days Cash on Hand	≥45 days	36.84	27.26	55.54
Cushion Ratio	≥3	na	na	na

TABLE SIX				
Batavia Senior Partners, LLC Landlord				
Ratio	State Standard	2025	2026	2027
Current Ratio	≥1.5	1.64	3.4	5.11
Net Margin Ratio	≥2.5%	-98.40%	2.20%	5.00%
Percent Debt to Total Capitalization	≤50%	75.4%	74.9%	74.1%
Projected Debt Service Coverage	≥1.5	1	1.57	1.6
Days Cash on Hand	≥45 days	2.83	269.02	559.87
Cushion Ratio	≥3	0.01	0.57	1.17

XII. Review Criteria - Economic Feasibility

A. Reasonableness of Financing Arrangements

B. Conditions of Debt Financing

The Applicants are funding this project with cash in the amount of \$7.6 million and a mortgage of \$17.7 million. The financing appears reasonable. The conditional terms of the loan are outlined below.

<p>LOAN AMOUNT: Up to a \$22,572,126 Construction Loan limited to the lesser of:</p> <ul style="list-style-type: none">• 80% of Appraised Value• 80% of Total Project Costs, OR• 1.25x Debt Service Coverage Ratio based on the applicable underwriting rate <p>COLLATERAL:</p> <ul style="list-style-type: none">• 1. A first real estate mortgage together with a first security interest in all inventories, equipment, fixtures, major movables, contract rights, accounts, accounts receivable, instruments, documents, chattel paper, trademarks, licenses, letter of credit, rights, supporting obligations, general intangibles and any other real or personal property• 2. A first assignment of all construction contracts.• 3. A first assignment and pledge of all leases and rents, together with any guaranties of any such leases.• 4. A first security interest in all funds deposited with Lender. <p>TERM</p> <ul style="list-style-type: none">• 1. Construction Loan: 36 Month Construction Period.• 2. Mini-Perm Loan: 36 Month Mini-Perm Loan Period. <p>AMORTIZATION:</p> <ul style="list-style-type: none">• 1. Construction Loan: Interest Only• 2. Mini-Perm Loan: 25 Years <p>PRICING:</p> <ul style="list-style-type: none">• 1. Construction Loan: Floating 400 basis points over SOFR• 2. Mini-Perm Loan: Option to Fix or Float upon conversion to Mini-Perm<ul style="list-style-type: none">• a. Fixed: 400 basis points over the 3-year Federal Home Loan Bank Advance Rate• b. Float: 400 basis points over 30-day SOFR
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C. Reasonableness of Project Cost

Preplanning Costs - These costs total \$107,076 or less than 1 % of construction, contingencies and equipment costs totaling \$11,214,467. These costs appear reasonable when compared to the State Board Standard of 1.8%.

Site Survey Soil Investigation and Site Preparation - These costs total \$438,276 and are 4.28% of new construction and contingencies. These costs appear reasonable when compared to the State Board Standard of 5.0%.

New Construction Contracts and Contingency Costs - These costs amount to \$10,232,399 which is \$296.06 per GSF, which appears reasonable when compared to the State Board standard of \$316.73.

Contingencies - These costs amount to \$499,248 which is 4.88% of construction and contracts. This appears reasonable when compared to the State Board standard of 10%.

Architectural and Engineering Fees - These costs amount to \$379,501 or 9.6% of construction costs and contingencies, which is reasonable when compared to the State Agency standard of 7.86%.

Movable Equipment Costs – These costs \$982,068 and are 10,230 per bed. This appears reasonable when compared to the State Board Standard of \$10,416 per bed.

The State Board does not have a standard for these costs.

Consulting or Other Fees	\$753,206
Net Interest During Construction	\$525,790
Other Costs to be Capitalized	\$544,199

C) Criterion 1120.310.d., Projected Operating Costs

D) E. Criterion 1120.310.e., Total Effect of the Project on Capital Costs

The Applicants stated the expense per patient day (including depreciation and interest expense is \$474 per patient day by the second year after project completion. The State Board does not have a standard for this cost

Appendix I

Assumptions Used in Preparation of Projected Financial Statements

The operating assumptions were based upon the Applicant's actual experience operating the Ignite Medical Resort McHenry and other newly constructed skilled nursing facilities throughout the country. This is due to the similar design and operating expectations for the proposed facility.

Below is a summary of the major assumptions:

- Inflation Assumption: 3% annually
- Revenue Rate per Patient Day:
 - Medicare: \$664
 - Managed Care: \$521
 - Medicaid: \$260
 - Private: \$350
- Census: Based on market study of demand for potential Medicare and Managed Care patients. Managed care penetration is assumed to be 47% based on publicly reported managed care data.
- Salaries, Benefits and Taxes of \$262 per patient day is based upon actual experience.
- Other Controllable Operating Expenses are primarily budgeted on a per patient day basis, with the exceptions of utilities which are based upon an average cost per foot.
- Non-Controllable Expenses: Primarily budgeted on a per patient day basis with the exception of:
 - Bad debt expense: 2% of revenue.
 - Operational Taxes: PPD for bed tax plus \$414,545 for real estate taxes based upon the estimated assessed value times the tax rates.
- Interest Expense: 6% interest rate is assumed
- Depreciation Expense: 25 years for the cost of the building and 7 years for the cost of Major Movable Equipment.

Appendix II Projected Financial Statement Licensee						
Ignite Medical Batavia, LLC		% Of Total Revenue		% Of Total Revenue		% Of Total Revenue
Projected Statement of Profit and Loss	2025		2026		2027	
Average Daily Census						
Medicare	24		30		30	
Managed Care	13		27		27	
Medicaid	7		11		11	
Private	7		10		10	
Total Average Daily Census	51		78		78	
Occupancy %						
Room & Board Revenue						
Medicare	\$5,357,258		\$7,554,679		\$7,781,319	
Managed Care	\$1,615,517		\$5,285,591		\$5,444,159	
Medicaid	\$932,672		\$2,149,256		\$2,213,733	
Medicaid Managed Care	\$0		\$0		\$0	
Medicaid Pending - - -	\$0		\$0		\$0	
Hospice Medicaid - - -	\$0		\$0		\$0	
Private	\$1,017,354		\$1,496,964		\$1,541,873	
Total Room & Board	\$8,922,801		\$16,486,490		\$16,981,084	
Ancillary & Other Revenue						
Medicare and Managed Care Part B Therapy	\$121,168		\$234,825		\$241,870	
Other Income	\$17,310		\$33,546		\$34,553	
Total Ancillary & Other Revenue	\$138,478		\$268,371		\$276,423	
Total Revenue	\$9,061,279		\$16,754,861		\$17,257,507	
Salaries, Benefits and Taxes						
Wages	\$4,101,721		\$7,135,622		\$7,349,691	
Benefits	\$188,450		\$339,991		\$350,191	

Appendix II						
Projected Financial Statement Licensee						
Ignite Medical Batavia, LLC		% Of Total Revenue		% Of Total Revenue		% Of Total Revenue
Payroll Taxes	\$326,928		\$589,826		\$607,521	
Total Salaries, Benefits & Taxes	\$4,617,099	51.0%	\$8,065,439	48.1%	\$8,307,403	48.1%
Other Controllable Operating Expenses						
Medicare and Managed Care Expenses	\$638,479		\$1,151,907		\$1,186,465	
Employee Recruiting and Retention	\$124,337		\$224,322		\$231,052	
Nursing Expenses	\$279,676		\$504,575		\$519,713	
Hospitality Expenses	\$24,287		\$43,817		\$45,131	
Dietary Expenses	\$144,112		\$279,290		\$287,669	
Maintenance Expenses	\$38,515		\$69,487		\$71,571	
Utilities	\$189,237		\$197,430		\$203,353	
Housekeeping & Laundry	\$13,176		\$25,535		\$26,301	
Marketing	\$19,417		\$35,032		\$36,083	
Office Expense	\$56,286		\$101,549		\$104,595	
Company Vehicle	\$5,972		\$10,774		\$11,097	
Other	\$73,951		\$133,418		\$137,421	
Total Other Controllable Operating Expenses	\$1,607,445		\$2,777,136		\$2,860,451	
Total Controllable Expenses	\$6,224,547		\$10,842,575		\$11,167,853	
Operating Margin	\$2,836,732	31.3%	\$5,912,285	35.3%	\$6,089,654	35.3%
Non-Controllable Expense						
Professional Services	\$102,625		\$105,704		\$108,875	
Technology	\$143,946		\$148,265		\$152,712	
Insurance	\$161,114		\$280,434		\$288,847	
Travel	\$14,120		\$14,544		\$14,980	
Operational Taxes	\$435,188		\$466,074		\$478,967	
Bad Debt	\$135,919		\$251,123		\$258,863	

Appendix II Projected Financial Statement Licensee						
Ignite Medical Batavia, LLC		% Of Total Revenue		% Of Total Revenue		% Of Total Revenue
Management Fee and Asset Management Fee	\$498,370		\$921,517		\$949,163	
Interest Expense	\$1,519,344		\$1,537,401		\$1,481,958	
Amortization Expense	\$1,688,160		\$1,688,160		\$1,688,160	
Rent Expense - - -	\$0		\$0		\$0	
Total Non-Controllable Expenses	\$4,698,786		\$5,413,222		\$5,422,525	
Net Income	-\$1,862,055	-20.5%	\$498,863	3.0%	\$667,129	3.9%