



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: A-06	BOARD MEETING: August 6, 2019	PROJECT NUMBER: 17-048
PERMIT HOLDERS(S): US HealthVest, LLC V Covington, LLC V Covington Realty, LLC		
FACILITY NAME and LOCATION: Lake Behavioral Hospital, Waukegan		

STATE BOARD STAFF REPORT **PERMIT RENEWAL REQUEST**

I. Background

On January 9, 2018, the State Board approved Project #17-048. The permit authorized the renovation and expansion of an existing acute care hospital, resulting in a 146-bed Acute Mental Illness (AMI) treatment facility in Waukegan. The State Agency notes the project is financially committed, and the current project completion date is October 31, 2019. Project cost: \$30,192,180.

State Board Staff notes the permit holders submitted the permit renewal request on July 30, 2019. This submittal was in accordance with 77 IAC 1130.740(d), which states that the State Board must receive renewal requests at least 45 days prior to the permit expiration date. A \$500.00 permit renewal fee accompanied the renewal request.

II. Findings

State Board Staff notes this is the first renewal request for this project and the permit holders have submitted all of the information required in Section 1130.740 for a permit renewal.

III. The Permit Renewal Request

- A. Requested Completion Date: The permit holders request a project completion date of October 1, 2020. This would extend the project's completion date eleven months, from October 31, 2019 to October 1, 2020.
- B. Status of the Project and Components Yet to be Finished: The permit holders state the project is approximately 30% complete. Construction is proceeding with due diligence, with remaining finish construction and life safety inspections/licensure inspections to follow.
- C. Reason(s) Why the Project Has Not Been Completed: The permit holders' state the project experienced adverse weather conditions during both winters in the construction timeline. These delays, combined with unanticipated administrative delays during the permitting processes delayed the project by 13-15 weeks.
- D. Evidence of Financial Commitment to Fund the Project: The permit holders indicate that \$7,186,150 (23.8% of the overall project cost), has been expended to date, and the permit holders can attest to the existence of sufficient financial resources to complete the project.
- E. Anticipated Final Cost of the Project: The permit holders estimate the project will not deviate from the original permit amount of \$30,192,180.

IV. Project Description & Other Background Information

The permit authorized the renovation and expansion of an existing acute care hospital, resulting in a 146-bed Acute Mental Illness (AMI) treatment facility in Waukegan. Project cost: \$30,092,180.

Permit Issuance Date:	January 9, 2018
Project Obligation Date:	September 7, 2018
Original Project Completion Date:	October 31, 2019
Proposed Project Completion Date: (11-month renewal request)	October 1, 2020

V. Applicable Rules for Permit Renewal Requests

77 IAC 1130.740 specifies that a permit holder may request a change in the approved project completion date by applying for a permit renewal.

77 IAC 1130.230(h)(5) states that failure to complete a project or to renew a permit within the prescribed timeframes will subject the permit holders to the sanctions and penalties provided in the Act and this Subpart.

77 IAC 1130.740(b) states that a permit renewal will commence on the expiration date of the original or renewed completion period.

77 IAC 1130.740(c) states that the State Board must be in receipt of a permit renewal request at least 45 days prior to the expiration date of the completion period, and include the following: 1) the requested completion date; 2) a status report on the project detailing what percent has been completed and a summary of project components yet to be finished and the amount of funds expended on the project to date; 3) a statement as to the reasons why the project has not been completed; and 4) confirmatory evidence by the permit holders' authorized representative that the project's costs and scope are in compliance with what the State Board approved and that sufficient financial resources are available to complete the project.

77 IAC 1130.740(d) states the State Board staff will review the request and prepare a report of its findings. If the findings are that the request is in conformance with all HFSRB criteria, and if this is the first request for this project, then the request, staff's findings, and all related documentation shall be sent to the Chairman. The Chairman, acting on behalf of HFSRB, will approve, deny or refer the request to the HFSRB for action. If staff finds that all criteria are not positive or, if this is not the first request for this project, or if the Chairman refers this to HFSRB for action, then HFSRB will evaluate the information submitted to determine if the project has proceeded with due diligence (as defined in 77 IAC 1130.140). Denial of a permit renewal request constitutes HFSRB's Notice of Intent to revoke a permit and the permit holders will be afforded an opportunity for an administrative hearing.

VI. Other Information

Appended to this report are the following: the permit holders' documents for a permit renewal.



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July 26, 2019

VIA FEDEX

Courtney Avery
Board Administrator
Health Facilities and Services Review Board
Illinois Department of Public Health
525 West Jefferson Street, Second Floor
Springfield, Illinois 62761

Re: Permit Renewal Request-Lake Behavioral Hospital, Project #17-048

Dear Ms. Avery:

On January 9, 2018, the Illinois Health Facilities and Services Review Board ("HFSRB") approved Project #17-048, an application to renovate and expand the existing facility to a 146 bed Acute Mental Illness facility in 88,180 gross square feet. The facility will be located at 2614 West Washington, Waukegan, Illinois 60085. The purpose of this letter is to request a Permit Renewal pursuant to 77 Ill. Admin. Code 1130.740. Enclosed you will find a check with the permit renewal fee. This is our first renewal request.

Request Project Completion Date

The permit holder requests that the HFSRB grant a permit renewal and establish Thursday October 1, 2020 as the project completion date for this project.

Status of the Project

This project involves the conversion and expansion of Lake Behavioral Hospital. The project was able to begin construction in earnest this past year. While we expected more progress on construction, given the harsh winter weather we were unable to continue work for weeks at a time. Currently the project is approximately 30% complete. We anticipate an additional 13-15 months of construction will be required to complete the new building and allow for the requisite Illinois Department of Public Health ("IDPH") life safety and licensure inspections. This additional time will also allow for the final reconciliation of costs and expenses for the project.

The project was also financially committed through the execution of the agreement with the General Contractor on September 7, 2018 for management and construction of the project.

Statement Regarding Project Completion

Despite an unexpected administrative delay in obtaining the state and local permits, we are happy to report that we have received approval from IDPH for construction of the facility and have obtained the requisite building permits from the City of Waukegan. As part of this renovation we have completed the demolition and abatement of the building on the campus that will be replaced as part of the facility's expansion.

We planned to begin construction of the project in late last year, however, we experienced delays that made continued construction during the harsh winter unfeasible. A substantial portion of the initial work included pouring of concrete. While it is possible to pour concrete during the winter, the cost associated with undertaking that work was considerable and pushing forward would have added additional costs that were inconsistent with our approved project costs.

The site prep and foundations are now completed and structural work on the expansion portion of the building is ready to begin. Plumbing, electrical, and mechanical work for the existing portion of the building is ongoing and the metal stud exterior wall has also been completed and is ready for cladding. The interior metal stud installation is currently in progress.

Given the scope of the overall undertaking, we are requesting additional time to ensure appropriate completion of the project. To date approximately \$7,186,150 of the approved \$30,192,180 has been expended on the project. The remaining components are design and related to construction costs.

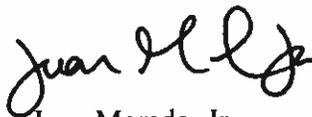
Confirmatory Evidence of Permit Compliance

Enclosed is a verified statement from Martina Sze that confirms the permit holders are currently complying with the scope, costs, and conditions of the project approved by the HFSRB, pursuant to the permit letter issued for this project. Additionally, the aforementioned verified statement confirms that there are sufficient financial resources available to complete this project.

If you have any questions or need any additional information regarding the project or this permit renewal request, please feel free to contact me at 312-212-4967.

Very truly yours,

BENESCH, FRIEDLANDER,
COPLAN & ARONOFF LLP



Juan Morado, Jr.

JM:
Enclosures

cc: Mike Constantino, Senior Project Reviewer (via email)

State of Illinois
County of Cook

Verification

I, Martina Sze, being first duly sworn, on oath, depose and state as follows:

1. I serve as Executive Vice-President and Chief Development Officer for US HealthVest, LLC the parent company of V Covington, LLC d/b/a Lake Behavioral Hospital.

2. This project involves the renovation and expansion of an existing 46 bed hospital to a 146 bed acute mental illness facility located at 2615 West Washington, Waukegan, Illinois 60085.

3. We experienced an unexpected administrative delay with the issuance of the building permit from the City of Waukegan. However, the permit have been issued at this time.

4. The full demolition and abatement of the building that will be replace as part of the facility's expansion has been completed.

5. At this time construction of the site has begun in earnest with progress on both the existing and new structure. However, harsh weather over the winter months caused additional delays in construction of the project.

6. Our project costs and scope remain consistent with the terms of the project approved by the Illinois Health Facilities and Services Review Board as Project #17-048.

7. Sufficient financial resources remain available for the permit holders to complete Project #17-048.

Under penalties as provided by law pursuant to § 1-109 of the Code of Civil Procedure, the undersigned certifies that the statements set forth in this instrument are true and correct.

 (signature)

July 26, 2019 (date)