



STATE OF ILLINOIS
HEALTH FACILITIES AND SERVICES REVIEW BOARD

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DOCKET NO: H-06	BOARD MEETING: September 22, 2020	PROJECT NO: 20-033	PROJECT COST:
FACILITY NAME: Restorative Care Institute		CITY: Chicago	Original: \$34,604,766
TYPE OF PROJECT: Substantive			HSA: VI

PROJECT DESCRIPTION: The Applicants (Restorative Care Institute, LLC and 50 Huron Properties, LLC) propose to establish a 98-bed skilled nursing home located at 50 East Huron Street, Chicago, at a cost of \$34,604,766. The anticipated completion date is September 30, 2022.

EXECUTIVE SUMMARY

PROJECT DESCRIPTION:

- The Applicants (Restorative Care Institute, LLC and 50 Huron Properties, LLC) propose to establish a 98-bed skilled nursing home in an 8-story building, located at 50 East Huron Street, Chicago, at a cost of \$34,604,766. The anticipated completion date is September 30, 2022.
- The proposed skilled care facility will consist of 83,100 GSF of newly constructed space. The current building is a two-story structure that will require the construction of six upper stories for project completion. The proposed facility will provide administrative services and a resident common area on the first floor of the building. The lower level will consist of a parking garage, storage, maintenance, and plant operation and utility rooms. The second floor is devoted to nursing, physical therapy and occupational therapy. Floors three through eight will include resident rooms.
- According to the Applicants the proposed facility will provide post-acute level of care. Post-acute care refers to a range of medical care that support a patient’s continued recovery from illness or management of a chronic illness or disability. Many patients require continued medical care after hospitalization, either at home or in a skilled care facility, long-term acute care hospital or inpatient rehabilitation hospital (Source cms.org).
- The Applicants state: *“The proposed Restorative Care Institute will deliver higher levels of infection control while specializing in rehabilitation and wound care through collaboration and innovation within the healthcare community. There are 82 skilled nursing facilities within the Restorative Care Center 10-mile geographic service area, none of these facilities provide the same level of post-acute care and have capacity to accommodate the projected demand for post-acute care. Restorative Care Institute will primarily serve post-acute patients, including ventilator dependent patients, and will provide state of the art infection control and wound care.”*

PUBLIC HEARING/COMMENT:

- A public hearing was offered in regard to the proposed project, but none was requested. No opposition letters were received by the State Board Staff. Letters of Support have been received and are included at the end of this report.

SUMMARY:

- There is a calculated need for 207 LTC Beds in the 6-B Planning Area per the July 2020 update to the LTC Inventory. There are 19 LTC facilities with 2,990 LTC beds within the 6-B Planning Area with an average occupancy of 60.5%.
- There are 82 LTC facilities with 14,319 beds within a 10-miles radius of the proposed facility with an average occupancy of 66% (See Table at the end of this report). There is approximately 4,800 Long-Term Care Beds in this 10-mile GSA not being utilized.
- The referral letters support the number of beds being requested and from those referral letters it appears the facility will be providing care to residents of the 10-mile GSA.
- The Applicants addressed 20 criteria and have not met the following:

Criteria	Reasons for Non-Compliance
77 ILAC 1125.570 - Service Accessibility	With 82 LTC facilities within the proposed 10-mile GSA with an occupancy of approximately 66% it appears there is sufficient service access to accommodate the patients identified to receive care at the proposed facility. There are approximately 4,800 beds not occupied in this 10-mile GSA. (See Table at the end of this report)

Criteria	Reasons for Non-Compliance
77 ILAC 1125. 540 – Unnecessary Duplication/Maldistribution	63 (76.9%) of the 82 LTC facilities in the 10-mile service area are operating beneath the State Board Standard of 90%. (See Table at the end of this report)
77 ILAC 1125.800 – Availability of Funds	Board Staff could not determine if the Applicants have sufficient liquid assets to fund the cash portion of the project. Additionally, a letter from Lakeside Bank was provided with a proposal to provide the financing of the project; however, the letter stated is was for “discussion purposes only” and was not a commitment to fund the project.
77 ILAC 1125.800 – Financial Viability	The Applicants do not meet the State Board’s ratio for the Days Cash on Hand or Cushion Ratio for all three projected years after project completion. [See page 16 of this report]
77 ILAC 1125.800 – Reasonableness of Financing Arrangements	A letter from Lakeside Bank was provided with a proposal to provide the financing of the project; however, the letter stated is was for “discussion purposes only” and was not a commitment to fund the project.
77 ILAC 1125.800 – Conditions of Debt Financing	A letter from Lakeside Bank was provided with a proposal to provide the financing of the project; however, the letter stated is was for “discussion purposes only” and was not a commitment to fund the project.

**STATE BOARD STAFF REPORT
Restorative Care Institute
PROJECT #20-033**

APPLICATION SUMMARY/CHRONOLOGY	
Applicants	Restorative Care Institute, LLC 50 Huron Properties, LLC
Facility Name	Restorative Care Institute
Location	50 East Huron Street Chicago, Illinois
Application Received	July 6, 2020
Application Deemed Complete	July 9, 2020
Review Period Ends	November 3, 2020
Permit Holder	Restorative Care Institute, LLC
Operating Entity/Licensee	Restorative Care Institute, LLC
Owner of the Site	50 Huron Properties, LLC
Project Financial Commitment Date	September 22, 2022
Gross Square Footage	83,100 GSF
Project Completion Date	September 30, 2022
Expedited Review	Yes
Can Applicants Request a Deferral?	Yes
Has the Application been extended by the State Board?	No

I. The Proposed Project

The Applicants (Restorative Care Institute, LLC and 50 Huron Properties, LLC) are proposing to establish a 98-bed skilled nursing facility in an 8-story building, located at 500 East Huron Street, Chicago, Illinois at a cost of \$36,604,766. The anticipated completion date is September 30, 2022.

II. Summary of Findings

- A. The State Board Staff finds the proposed project does **not** appear to be in conformance with the provisions of Part 1125.
- B. The State Board Staff finds the proposed project does **not** appear to be in conformance with the provisions of Part 1125.800

III. General Information

The Applicants are Restorative Care Institute, LLC and 50 Huron Properties, LLC. Both Applicants are newly-formed entities for the purpose of owning the property and operating the Long Term Care (LTC) facility. 50 Huron Properties, LLC will maintain ownership/control of the property, while Restorative Care Institute will be the licensee/operator of the LTC facility. Restorative Care Institute, LLC and 50 Huron Properties, LLC are owned 100% by Michael Hamblet, Jr. According to the Application

“Michael J. “Mitch” Hamblet, Jr. has over 25 years of experience owning, developing and managing real estate, healthcare and construction focused businesses. From 1992 to present Mr. Hamblet developed over 1,100 residential apartment units, including office space, assisted living and supportive living facilities and single-family residences. His prior experience includes overseeing a \$110 million portfolio of business as senior vice president for Inland Real Estate – Oak Brook. Mr. Hamblet’s sister developed Multiple Sclerosis which inspired Hamblet’s work with the disabled. He developed housing for physically disabled and continues to fight for the rights of people living with disabilities. He developed Illinois’ first Supportive Living Facility for young adults with physical disabilities. A unique style of facility offering medical assistance and support, daily wellness, housekeeping, property maintenance, meals, activities and services. He has been credited with pioneering a new level of community housing for individuals whose prior choices were institutional living or nursing homes and is the recipient of multiple awards for innovations in housing for the disabled. To date, he owns and operates supportive living facilities in Chicago, Fox Valley, South Shore and Champaign. In 2004, the Council for Disability Rights recognized Hamblet by awarding him with the Gargoyle Award for working with people with disabilities. In 2007, he received the Silver Knight Award for disability advocacy. In 2008, he was appointed to the Affordable Assisted Living Coalition board of directors. He had Illinois Real Estate Broker’s License. Hamblet remains a spokesperson for the cause of accessible housing and the needs of people with physical disabilities. He believes that providing safe, quality housing for everyone, regardless of income, is a matter of economic and social justice. “

Financial commitment for this project will occur after permit issuance. This is a substantive project subject to an 1125 review.

Substantive Projects are projects that are defined in the Act and classified as substantive. *Substantive projects include no more than the following:*

- *Projects to construct a new or replacement facility located on a new site; or a replacement facility located on the same site as the original facility and the costs of the replacement facility exceed the capital expenditure minimum.*
- *Projects proposing a new service or a discontinuation of a service; shall be reviewed by the Board within 60 days.*
- *Projects proposing a change in the bed capacity of a health care facility by an increase in the total number of beds or by a redistribution of beds among various categories of service or by a relocation of beds from one facility to another by more than 20 beds or more than 10% of total bed capacity, as defined by the State Board in the Inventory, whichever is less, over a 2-year period. [20 ILCS 3960/12]*

IV. Health Planning Area

The facility will be in the 6-B Long Term Care Planning Area. There is a calculated need for 207 LTC Beds in the 6-B Planning Area per the July 2020 update to the Inventory. This LTC Planning Area encompasses the following communities: North Center, Lakeview, Lincoln Park, Near North Side, Dunning, Montclare, Belmont Cragin, Hermosa, Logan Square, Humboldt Park, West Town, Austin, West Garfield Park, East Garfield Park, Near West Side, North Lawndale, South Lawndale, Lower West Side, Loop, and O'Hare. The Geographical Service Area (GSA) for this project is a 10-mile radius. There are 82 LTC facilities within the 10-mile GSA of the proposed facility. The State

Board is estimating an increase in the population in the 6-B planning area of 1.33% by 2022.

Age Cohort	2017	2022	% increase (+) decrease (-)
0-64	863,400	859,100	-0.50%
65-74	59,300	70,000	+18.04%
75+	36,700	43,100	+17.44%
Total	959,400	972,200	+1.33%

V. Project Details

The Restorative Care Institute will be a 98-bed skilled nursing facility, located in an 8-story building located at 50 East Huron Street, in Chicago. Restorative Care Institute, LLC. (lessee) is the licensee and 50 Huron Properties, LLC will maintain ownership of the property (lessor)

The proposed facility will contain 83,100 GSF of space, with 40,541 GSF classified as clinical/reviewable. All beds will be licensed under the Illinois Department of Public Health Long Term license and certified by Medicare and Medicaid. The current building is a two-story structure. There will be 70 private rooms and 14 semi-private rooms. There will be 70 Medicare certified beds and 28 Medicare/Medicaid beds. The Applicant’s draft admission policies state *“that the admission policies apply to all residents admitted to the facility regardless of race, color, creed, national origin, age, sex, religion, handicap, ancestry, marital, or veteran status, and/or payment.”*

The proposed project calls for the construction of 6 additional floors/levels, which will be used for the following:



- Lower Level: Parking garage, storage, maintenance, and operations/utilities
- 1st Level: Resident common area and administrative services
- 2nd Level: Nursing/Physical Therapy/Occupational Therapy
- 3rd – 8th Levels: Resident living areas

The Applicants note the exterior of the existing structure will be removed, and load bearing walls will be constructed to accommodate the upper 6 levels.

I. Project Costs and Sources of Funds

The Applicants are funding this project with cash/securities in the amount of \$8,651,191 and a mortgage in the amount of \$25,953,575. The estimated start-up and operating deficit cost is \$1,575,156.

TABLE ONE
Project Uses and Sources of Funds

Uses of Funds	Reviewable	Non- reviewable	Total	% of Total Costs
Site Survey and Soil Investigation	\$319,082	\$506,238	\$825,320	2.4%
Site Preparation	\$314,918	\$499,629	\$814,547	2.3%
New Construction	\$10,800,491	\$8,127,036	\$18,927,527	54.7%
Contingencies	\$1,080,049	\$812,704	\$1,892,753	5.5%
Architectural & Engineering Fees	\$775,889	\$814,511	\$1,590,400	4.6%
Moveable or Other Equipment	\$800,383	\$0	\$800,383	2.3%
Consulting and Other Fees	\$579,187	\$608,017	\$1,187,204	3.4%
Net Interest During Construction	\$348,143	\$365,473	\$713,616	2%
Other Costs to be Capitalized	\$1,489,438	\$1,563,578	\$3,053,016	8.8%
Acquisition of Building/Property	\$2,341,718	\$2,458,282	\$4,800,000	14%
Total	\$18,849,298	\$15,755,468	\$34,604,766	100.00%
Sources of Funds				
Cash/Securities	\$4,712,324	\$3,938,867	\$8,651,191	25%
Mortgages	\$14,136,974	\$11,816,601	\$25,953,575	75%
Total	\$18,849,974	\$15,755,468	\$34,604,766	100.00%

VII. General Long Term Care

A) Criterion 1125.520 - Background of the Applicant

To document compliance with this criterion the Applicants must demonstrate that it is fit, willing and able, and *has the qualifications, background and character, to adequately provide a proper standard of LTC service for the community.* [20 ILCS 3960/6] In evaluating the qualifications, background and character of the applicant, HFSRB shall consider whether adverse actions have been taken against the applicant, or against any LTC facility owned or operated by the applicant, directly or indirectly, within three years preceding the filing of the application. An LTC facility is considered "owned or operated" by every person or entity that owns, directly or indirectly, an ownership interest. If any person or entity owns any option to acquire stock, the stock shall be owned by that person or entity. (See Section 1125.140 for the definition of "adverse action".)

- Both Applicants are new entities and formed in May of 2020 and attest to not previously owning or operating any other health care facilities applicable to this criterion.
- Certificates of Good Standing for the Applicants have been provided as required. An Illinois Certificate of Good Standing is evidence that an Illinois business franchise (i.e. Illinois Corporation, LLC or LP) is in Existence, is authorized to transact business in the state of Illinois and complies with all state of Illinois business requirements and therefore is in "Good Standing" in the State of Illinois. [Application for Permit pages 29-30]
- The Applicants provided evidence that the facility is in compliance with Executive Order #2006-05 that requires *all State Agencies responsible for regulating or permitting development within Special Flood Hazard Areas shall take all steps within their authority to ensure that such development meets the*

requirements of this Order. State Agencies engaged in planning programs or programs for the promotion of development shall inform participants in their programs of the existence and location of Special Flood Hazard Areas and of any State or local floodplain requirements in effect in such areas. Such State Agencies shall ensure that proposed development within Special Flood Hazard Areas would meet the requirements of this Order. [Application for Permit page 71-72]

4. The proposed location of the facility is in compliance with the Illinois State Agency Historic Resources Preservation Act which requires *all State Agencies in consultation with the Director of Historic Preservation, institute procedures to ensure that State projects consider the preservation and enhancement of both State owned and non-State-owned historic resources* (20 ILCS 3420/1). [Application for Permit pages 73-82]

B) Criterion 1125.320 - Purpose of the Project

To demonstrate compliance with this criterion the Applicants must document that the project will provide health services that improve the long-term nursing care or well-being of the market area population to be served. The applicant shall define the planning area or market area, or other, per the applicant's definition.

The Applicants stated:

“The proposed Restorative Care Institute will deliver higher levels of infection control while specializing in rehabilitation and wound care through collaboration and innovation within the healthcare community. Further, it will enhance patient outcomes through improved physical plant design and infection prevention systems while increasing staff protocols, thus resulting in better outcomes, lower chance of subsequent infection-related care. Importantly, there have been very limited development of skilled nursing facilities in Chicago in nearly 40 years, and no skilled nursing facility that provides the level of care proposed at Restorative Care Institute. Currently, there are 82 skilled nursing facilities within the Restorative Care Center 10-mile geographic service area, and none of these facilities provide the same level of post-acute care and have the capacity to accommodate the projected demand for post-acute care. Restorative Care Institute will primarily serve post-acute patients, including ventilator-dependent patients, and will provide state of the art infection control and wound care.” (See Page 83 of the Application for Permit)

C) Criterion 1125.330 - Alternatives to the Proposed Project

To demonstrate compliance with this criterion the Applicants must document that the proposed project is the most effective or least costly alternative for meeting the LTC needs of the population to be served by the project.

The Applicants considered four alternatives:

1. Do Nothing
2. Purchase an Existing Facility
3. Expand an Existing Facility
4. Establish a Skilled Nursing Facility/Project as Proposed

The Applicants rejected the first alternative, based on the need for 207 additional skilled nursing beds in the HSA. The Applicants rejected the second alternative, based on lack of facilities currently offered for sale in the Chicago/River North area. The Applicants rejected the third alternative, because they currently do not own a skilled care facility to expand. The Applicants chose the project as proposed, based on the need for additional beds/facilities in the planning area, and

note the proposed facility will be the first nursing facility approved in the City of Chicago in ten years. Cost of this option: \$34,604,766.

D) Section 1125.530 - Planning Area Need – Review Criterion

To demonstrate compliance with this criterion the Applicants must document that the number of beds to be established or added is necessary to serve the planning area's population, based on the following:

a) Bed Need Determination

The July 2020 Update to the Long-Term Care Inventory estimates a calculated need for 207 additional long term care beds in the 6-B Planning Area. The proposed project will add 98-long term care beds to this planning area.

b) Service to Planning Area Residents

To demonstrate compliance with this sub criterion the Applicants must document that the primary purpose of the project will be to provide necessary LTC to the residents of the area in which the proposed project will be physically located (i.e., the planning or geographical service area, as applicable), for each category of service included in the project.

The Applicants attest that the primary purpose of this project is to serve the residents of Near-North Chicago and the 6-B Planning Area. The Applicants attest the proposed facility will deliver high quality skilled nursing care to an area that has not had a new LTC facility introduced in the last ten years. The Applicants note that of the 82 LTC facilities in the 10-mile service area, none currently provide the high level of care required to care for ventilator-dependent patients. In addition, the Applicant-facility will provide wound care and infection control not available at the existing facilities. The Applicants propose to serve a patient base (ventilator-dependent/patients with infectious diseases) that historically has been difficult to find accommodations.

The Applicants have met this criterion because the project proposes LTC beds in an area that currently has a calculated need for additional LTC beds.

STATE BOARD STAFF FINDS THE PROPOSED PROJECT IN CONFORMANCE WITH CRITERION PLANNING AREA NEED (77 ILAC 1125.530)

E) Criterion 1125.540 - Service Demand – Establishment of General Long-Term Care

If the applicant is not an existing facility and proposes to establish a new general LTC facility, the applicant shall submit the number of annual projected referrals. To demonstrate compliance with this criterion the Applicants must document projected referral information for the prior 12-month period and the number of estimated referrals within 24-months after project completion.

The projected referral letters must contain

- 1) total number of prospective residents (by zip code of residence) who have received care at existing LTC facilities located in the area during the 12-month period prior to submission of the application. Referral sources shall verify their projections and the methodology used;
- 2) An estimated number of prospective residents whom the referral sources will refer annually to the applicant's facility within a 24-month period after project completion. The anticipated number of referrals cannot exceed the referral sources' documented historical LTC caseload. The percentage of project referrals used to justify the proposed expansion cannot exceed the historical percentage of applicant market share, within a 24-month period after project completion;
- 3) Each referral letter shall contain the referral source's Chief Executive Officer's notarized signature, the typed or printed name of the referral source, and the referral source's address; and

- 4) Verification by the referral sources that the prospective resident referrals have not been used to support another pending or approved Certificate of Need (CON) application for the subject services.

To estimate demand for the proposed 98 long term care beds, the Applicants provided referral letters from area physicians and a supportive living facility (Asbury Gardens), containing historical referral practices to include zip codes of patient origin and the facility the patients were referred to. Table Two identifies the physician/surgery center, their historical referral data, and the projected number of patients to be referred to the Applicant’s facility annually within 24 months of project completion. However, the Center for Plastic Surgery did not provide the zip code of residence who have received care at existing facilities located in the area during the 12-months prior to submission of the Application for Permit as required and could not be accepted.

TABLE TWO			
Referral Data for Restorative Care Institute LLC			
Physician	2018 Referral Data	2019 Referral Data	Projected Referral Data
Krushen Pillay, DO	0	100	100
Zukowski Mark, MD	348	320	200
Ibrahim Majzoub	37	29	20
Preferred Surgicenter	0	148	45
Elgin Surgery Center	0	32	20
Gailee Medical Center	90	70	55
Fullerton Surgery Center	81	77	90
Total			530

The Applicants referrals are sufficient to support the number of beds being requested at the 90% target occupancy. The Applicants have met the requirements of this criterion.

STATE BOARD STAFF FINDS THE PROPOSED PROJECT IN CONFORMANCE WITH CRITERION SERVIC DEMAND-ESTABLISHMENT OF A LONG-TERM CARE FACILITY (77 ILAC 1125.540)

Criterion 1125.570 - Service Accessibility

To demonstrate compliance with this criterion the Applicants must document that the number of beds being established for each category of service is necessary to improve access for planning area residents. 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).**

2. There does not appear to be access limitations due to payor status as there are existing Medicare and Medicaid beds available in the planning area.

With 82 LTC facilities within the 10-mile GSA with an occupancy of 66% it appears that patients identified to utilize the proposed facility can be accommodated with the existing facilities.

With 78% of the existing facilities operating below the 90% target occupancy it appears that service accessibility can be addressed with the existing facilities.

STATE BOARD STAFF FINDS THE PROPOSED PROJECT NOT IN CONFORMANCE WITH CRITERION SERVICE ACCESSIBILITY (77 ILAC 1125.570)

G) Criterion 1125.580(a), (b) and (c) - Unnecessary Duplication/ Mal-distribution of Service, Impact on Other Facilities

To demonstrate compliance:

- a) **The applicant shall document that the project will not result in an unnecessary duplication.**
- b) **The applicant shall document that the project will not result in mal-distribution of services. Mal-distribution exists when the identified area (within the planning area) has an excess supply of facilities, beds and services.**
- c) **The applicant shall document that, within 24 months after project completion, the proposed project will not impact existing facilities.**

- a) There are 82 long term care facilities within the 10-mile service area that surrounds the proposed facility. Of the 82 facilities, four did not report patient days as required. Two of the 82 facilities are for developmentally disabled residents, and do not admit post-acute care patients. Five of the facilities are classified as continuing care retirement communities (CCRC). The Applicants note that of the 71 remaining facilities, only 8 admit ventilator-dependent patients, and of these 8 facilities, 2 do not admit patients with infectious diseases, leaving 6 of the mentioned facilities providing the range of services proposed by the Applicants. (See Table at the end of this Report)

- b) The State of Illinois as of September 2019 has 93,006 LTC Beds and an estimated population for 2020 of 12,746,480 which equates to 1 bed to every 137 residents. There are 14,319 LTC Beds in the 10-mile service area and 2,446,525 residents as of 2018. The ratio of LTC beds to population is 1 bed for every 171 residents. To have a surplus of beds in the prescribed service area that is 1.5 times the State of Illinois ratio would require a ratio of 1 bed for every 92 residents.

- c) The Applicants are requesting 98-beds which is well within the calculated need for 207 LTC beds (July 2020). As demonstrated in the Table above, of the 82 facilities in the service area, only 19 (23.1%) are operating at target occupancy of 90%. The proposed facility would impact other facilities in this planning area.

THE STATE BOARD STAFF FINDS THE PROPOSED PROJECT NOT IN CONFORMANCE WITH CRITERION UNNECESSARY DUPLICATION/MALDISTRIBUTION/IMPACT ON OTHER FACILITIES (77 IIAC 1125.570 (a) (b) (c))

Criterion 1125.590 - Staffing Availability

To demonstrate compliance with this criterion the Applicants must document that relevant clinical and professional staffing needs for the proposed project were considered and that staffing requirements of licensure, certification and applicable accrediting agencies can be met. In addition, the applicant shall document that necessary staffing is available by providing letters of interest from prospective staff members, completed applications for employment, or a narrative explanation of how the proposed staffing will be achieved.

The staffing information was provided at page 98 of the Application for Permit and from the Board Staff's review of the information provided it appears sufficient staffing will be available should the proposed project be approved.

I) Criterion 1125.600 - Bed Capacity

To document compliance with this criterion the Applicants must document that the proposed facility does not exceed the maximum bed capacity of a general LTC facility of 250 beds, unless the applicant documents that a larger facility would provide personalization of patient/resident care and documents provision of quality care based on the experience of the applicant and compliance with IDPH's licensure standards.

The proposed facility will be a 98-bed facility, and the Applicants have met the requirements of this criterion which mandates a maximum bed capacity of 250 beds.

J) Criterion 1125.610 - Community Related Functions

To document compliance with this criterion the Applicants must document cooperation with and the receipt of the endorsement of community groups in the town or municipality where the facility is or is proposed to be located.

Support letters were included in the Application for Permit urging the State Board to approve the proposed project: Letters were received from the following:

- Sarah Feigenholtz, State Senator, 6th District
- Lamont Robinson, Jr., State Representative, 5th District
- Dr. Sheila Khanna, M.D.
- Michael A. Bearce, Executive Director, Fall Prevention Clinics of America

K) Criterion 1125.630 - Zoning

To demonstrate compliance with this criterion the applicant must document one of the following:

- a) The property to be utilized has been zoned for the type of facility to be developed;
- b) Zoning approval has been received; or
- c) A variance in zoning for the project is to be sought.

A letter was provided from Anderson & Moore P.C., Attorneys at Law, attesting to their efforts to amend zoning restrictions in regard to permitted use of the proposed project. The attorneys expect the zoning restrictions to be amended by Fall 2020, for the property at 50 East Huron Street, Chicago.

STATE BOARD STAFF FINDS THE PROPOSED PROJECT IS IN CONFORMANCE WITH CRITERION STAFFING AVAILABILITY, BED

CAPACITY, COMMUNITY RELATED FUNCTIONS, ZONING (77 IAC 1125.590, 600, 610, 630))

L) Criterion 1125.620 - Project Size

To demonstrate compliance with this criterion the Applicants must document that the size of the project meets the State Board Standard in Part 1125 Appendix A

Upon project completion, the proposed will comprise 83,100 gross square feet of space. The reviewable portion will consist of 40,541 GSF of space or 414 GSF per room. The State Board Standard is 435-713 gross square feet per bed. The Applicants have met this criterion.

**TABLE FOUR
Cost Space Requirements**

Reviewable	Costs	Modernized	New Construction
Nursing	\$15,407,782	17,895	15,244
Living/Dining	\$951,741	1,105	942
Kitchen/Food Service	\$511,438	594	506
Rehabilitation	\$1,150,272	1,336	1,138
Clean/Soiled Utility	\$828,065	962	819
Total Reviewable	\$18,849,298	21,892	18,649
Non-Reviewable			
Administrative	\$607,133	886	754
Employee Lounge/Lockers	\$639,340	933	794
Mechanical/Electrical	\$604,912	882	752
Lobby	\$838,510	1,223	1,042
Storage/Maintenance	\$74,040	108	92
Corridors/Public Toilets	\$5,274,652	7,694	6,554
Stairs/Elevators	\$2,308,586	3,367	2,869
Housekeeping	\$159,187	232	198
Parking	\$3,888,982	5,673	4,832
Building/Structural Elements	\$1,360,126	1,984	1,690
Total Non-reviewable	\$15,755,468	22,982	19,577
Total	\$34,604,766	44,874	38,226

STATE BOARD STAFF FINDS THE PROPOSED PROJECT IS IN CONFORMANCE WITH CRITERION PROJECT SIZE (77 IAC 1125.620))

M) Criterion 1125.640 - Assurances

To demonstrate compliance with this criterion the Applicants must attest that the proposed number of long term care beds will be at target occupancy within two years after project completion.

The Applicants provided the necessary assurances at page 117 of the Application for Permit signed by Michael Hamblet Jr, Restorative Care Institute, LLC.

STATE BOARD STAFF FINDS THE PROPOSED PROJECT IS IN CONFORMANCE WITH CRITERION ASSURANCE (77 IIAC 1125.640))

VIII. Financial Viability

A) Criterion 1125.800 - Availability of Funds

The Applicants shall document that financial resources shall be available and be equal to or exceed the estimated total project cost plus any related project costs by providing evidence of sufficient financial resources.

The Applicants are funding this project with cash in the amount of \$8,651,191 and mortgage debt total. Start-Up costs and deficit are estimated to be \$1,575,156. No information was provided as evidence the Applicants have sufficient liquid assets or easily liquidated assets to fund the cash portion of the project of \$8,651,19 of the estimated start-up costs and deficit. In addition, no information was provided regarding the mortgage to be obtained by the Applicants. The Applicants supplied pro forma financial statements and projected financial viability ratios for the first three years after project completion for Restorative Care Institute, LLC only and not the other applicant (Application, pgs. 131-137).

**TABLE FIVE
Restorative Care Institute, LLC**

	Projected Years		
	Year 1	Year 2	Year 3
Cash	\$250,000	\$250,000	\$250,000
Current Assets	\$2,686,264	\$9,936,178	\$17,639,370
Other Assets (Reserves)	\$1,276,264	\$3,148,784	\$3,382,451
Total Assets	\$34,734,745	\$40,819,367	\$47,357,307
Current Liabilities	\$1,561,103	\$1,615,938	\$1,672,891
LTD	\$26,189,887	\$25,516,556	\$24,813,297
Total Liabilities	\$27,750,990	\$27,132,494	\$26,486,188
Net Resident Service Revenue	\$9,634,559	\$21,173,876	\$22,209,354
Total Revenues	\$9,962,537	\$22,456,290	\$22,908,494
Expenses	\$9,250,552	\$13,445,792	\$13,633,498
Non-Operating Revenue	0	0	0
Revenues in Excess of Expenses	\$711,985	\$9,010,498	\$9,274,996

STATE BOARD STAFF FINDS THE PROPOSED PROJECT IS IN CONFORMANCE WITH CRITERION AVAILABILITY OF FUNDS (77 ILAC 1125.800)

B) Criterion 1125.800 – Financial Viability

The applicant or co-applicant that is responsible for funding or guaranteeing funding of the project shall provide viability ratios for the latest three years for which audited financial statements are available and for the first full fiscal year at target utilization, but no more than two years following project completion. When the applicant's facility does not have facility specific financial statements and the facility is a member of a health care system that has combined or consolidated financial

statements, the system's viability ratios shall be provided. If the health care system includes one or more hospitals, the system's viability ratios shall be evaluated for conformance with the applicable hospital standards.

Projected Financial viability ratios were provided for Restorative Care Institute, LLC, the entity that is guaranteeing the debt for this project. Restorative Care Institute, LLC does not meet the Days Cash on Hand or Cushion Ratio standards for all years presented. [Application for Permit page 137]

TABLE SIX
Projected Financial Ratios

Ratios	State Board Standard	Year 1	Year 2	Year 3
Current Ratio	>1.5	1.7	6.1	10.5
Net Margin %	>3.5%	7.10%	40.10%	40.50%
Percent Debt to Total Capitalization	<80%	79%	65%	54%
Projected Debt Service Coverage	>1.5	1.97	6.57	6.72
Days Cash on Hand	>45 days	12	8	8
Cushion Ratio	>3.0	0.8	1.9	2

STATE BOARD STAFF FINDS THE PROPOSED PROJECT IS NOT IN CONFORMANCE WITH CRITERION FINANCIAL VIABILITY (77 ILAC 1125.800)

IX. Economic Feasibility

A. Criterion 1125.800 - Reasonableness of Financing Arrangements

The applicant shall document the reasonableness of financing arrangements by submitting a notarized statement signed by an authorized representative that attests to one of the following:

1. That the total estimated project costs and related costs will be funded in total with cash and equivalents including investment securities, unrestricted funds, received pledge receipts and funded depreciation; or
2. That the total estimated project costs and related costs will be funded in total or in part by borrowing because:
 - A. A portion or all of the cash and equivalents must be retained in the balance sheet asset accounts in order to maintain a current ratio of at least 1.5 times for LTC facilities; or
 - B. Borrowing is less costly than the liquidation of existing investments, and the existing investments being retained may be converted to cash or used to retire debt within a 60-day period.

The Applicants provided the necessary documentation at page 141 of the Application for Permit that borrowing is less costly than liquidating existing investments and the existing investments being retained may be converted to cash or used to retire debt within a 60-day period. A letter from Lakeside Bank was provided with a proposal to provide the financing of the project; however, the letter stated is was for “discussion purposes only” and was not a commitment to fund the project.

STATE BOARD STAFF FINDS THE PROPOSED PROJECT IS NOT IN CONFORMANCE WITH CRITERION REASONABLENESS OF FINANCING ARRANGEMENTS (77 ILAC 1125.800)

B. Criterion 1125.800 - Conditions of Debt Financing

This criterion is applicable only to projects that involve debt financing. The applicant shall document that the conditions of debt financing are reasonable by submitting a notarized statement signed by an authorized representative that attests to the following, as applicable:

1. That the selected form of debt financing for the project will be at the lowest net cost available;
2. That the selected form of debt financing will not be at the lowest net cost available but is more advantageous due to such terms as prepayment privileges, no required mortgage access to additional indebtedness term (years) financing costs and other factors;
3. That the project involves (in total or in part) the leasing of equipment or facilities and that the expenses incurred with leasing a facility or equipment are less costly than constructing a new facility or purchasing new equipment.

The Applicants provided the necessary documentation at page 141 of the Application that the selected form of financing for the project will be at the lowest net cost available to the Applicant. A letter from Lakeside Bank was provided with a proposal to provide the financing of the project; however, the letter stated is was for “discussion purposes only” and was not a commitment to fund the project.

STATE BOARD STAFF FINDS THE PROPOSED PROJECT IS NOT IN CONFORMANCE WITH CRITERION TERMS OF DEBT FINANCING (77 ILAC 1125.800)

C) Criterion 1125.800 – Reasonableness of Project Costs

The Applicant must document that the project costs meet the State Board Standards as published in 77 ILAC 1125. Appendix B.

The reviewable space for this project is 40,541 GSF. The Applicants note the Long-Term Care Facility is being financed with a combination of cash/securities totaling \$8,651,191, and a mortgage totaling \$25,953,575.

Site Survey/Soil Investigation are \$319,082, and are 2.7% of the new construction, and contingencies costs of \$11,880,540. This appears to be reasonable when compared to the State Board standard of 5%.

Site Preparation Costs are \$314,918, and are 2.6% of the new construction and contingency costs of \$11,880,540. This appears reasonable when compared to the State Board standard of 5%.

New Construction Costs are \$10,800,491 or \$266.41 per GSF. This appears reasonable when compared to the State Board Standard of \$284.51 per GSF (2021 construction mid-point).

Contingency Costs/New Construction are \$1,080,049 or 9.9% of new construction costs (\$10,800,491). This appears reasonable when compared to the State Board Standard of 10%.

Architectural and Engineering Costs/New Construction are \$775,889 and are 6.5% of the new construction and contingency costs (\$11,880,540). This appears reasonable when compared to the State Board Standard of the 5.76% - 8.66%.

Consulting and Other Fees are \$579,187. The State Board does not have a standard for these costs.

Movable and Other Equipment are \$800,383, which amounts to \$8,167.17 per bed. The State Board standard for this criterion is \$9,532.14 per bed for LTC facilities with a construction mid-point of 2021.

TABLE SEVEN
Movable and Other Equipment not in the Construction Contract
State Board Standard

Year	2015	2016	2017	2018	2019	2020	2021	2022
Standard	\$7,983	\$8,223	\$8,469	\$8,723	\$8,985	\$9,255	\$9,532	\$9,818

Net Interest Expense During Construction are \$348,143. The State Board does not have a standard for these costs for LTC facilities.

Acquisition of Building or Other Property are \$2,341,718. The State Board does not have a standard for these costs for LTC facilities.

Other Costs to be Capitalized are \$1,489,438. The State Board does not have a standard for these costs.

STATE BOARD STAFF FINDS THE PROPOSED PROJECT IN CONFORMANCE WITH CRITERION REASONABLENESS OF PROJECT COSTS (77 ILAC 1120.140(c))

D) Criterion 1125.800 - Direct Operating Costs

The applicant shall provide the projected direct annual operating costs (in current dollars per equivalent patient day or unit of service) for the first full fiscal year at target utilization but no more than two years following project completion. Direct cost means the fully allocated costs of salaries, benefits and supplies for the service.

The direct operating cost per equivalent patient day is \$285.51 per patient day. The Applicant has addressed this criterion.

STATE BOARD STAFF FINDS THE PROPOSED PROJECT IN CONFORMANCE WITH CRITERION DIRECT OPERATING COSTS (77 IAC 1125.800))

E) Criterion 1125.800 – Total Effect of the Project on Capital Costs

The applicant shall provide the total projected annual capital costs (in current dollars per equivalent patient day) for the first full fiscal year at target utilization but no more than two years following project completion.

The capital costs per equivalent patient day is \$51.69 per patient day. The Applicant has addressed this criterion.

STATE BOARD STAFF FINDS THE PROPOSED PROJECT IN CONFORMANCE WITH CRITERION EFFECT OF PROJECT ON CAPITAL COSTS (77 IIAC 1125.800))

TABLE EIGHT
Facilities within the 10-Mile Service Area of Restorative Care Institute LLC

Facility	City	Beds	Total Bed	HSA	Met Standard	Star Rating ⁽²⁾
			Occ. ⁽¹⁾			
Terraces at the Clare>	Chicago	99	60.60%	6	No	5
Warren Barr Pavilion	Chicago	271	0.20%	6	No	3
Christian Buehler Home	Chicago	78	77.60%	6	No	3
Symphony of Lincoln Park	Chicago	248	88.70%	6	No	3
Lakeview Rehab & Nursing	Chicago	178	74.40%	6	No	2
Warren Barr Lincoln Park	Chicago	109	71.30%	6	No	4
Southview Manor Nursing	Chicago	200	0.20%	6	No	2
Warren Barr South Loop	Chicago	210	78.90%	6	No	1
AMITA St. Joseph Hospital	Chicago	26	65.30%	6	No	5
Presence St Mary & Elizabeth	Chicago	28	73.50%	6	No	5
Carlton at the Lake	Chicago	244	79.30%	6	No	3
Center Home for Hispanic Elderly	Chicago	156	44.20%	6	No	2
Winston Manor Nursing Home	Chicago	180	53.30%	6	No	5
Kensington Place Nursing & Rehab	Chicago	155	87.50%	6	No	1
Woodbridge Nursing Pavilion	Chicago	222	89.40%	6	No	1
California Gardens Nursing & Rehab	Chicago	297	0.30%	6	No	1
St. Paul's House>	Chicago	110	73.70%	6	No	4
All American Nursing Home	Chicago	144	69%	6	No	2
Little Village Nursing & Rehab	Chicago	106	89.90%	6	No	1
Uptown Health Center	Chicago	310	83.90%	6	No	1
Aperion Care International	Chicago	218	0.00%	6	No	1
Wesley Place	Chicago	108	70%	6	No	4
Beacon Health Center	Chicago	143	58.10%	6	No	1
Estates of Hyde Park	Chicago	155	71.40%	6	No	2
Foster Health & Rehab Ctr.	Chicago	46	84.60%	6	No	4
Ambassador Nursing & Rehab	Chicago	190	0.20%	6	No	4
Alden Lakeland Healthcare	Chicago	302	51.90%	6	No	4
Swedish Covenant Hospital	Chicago	37	38.60%	6	No	4
Austin Oasis	Chicago	316	30.10%	6	No	5
Continental Nursing & Rehab	Chicago	208	57.20%	6	No	1
Elston Nursing & Rehab	Chicago	117	0.00%	6	No	3
Cityview Multicare Ctr.	Chicago	485	59.90%	6	No	1
Mayfield Care Ctr.	Chicago	156	88%	6	No	1
St. Joseph Village Chicago>	Chicago	54	87.40%	6	No	3
Fairmont Care Centre	Chicago	186	83.30%	6	No	5
Montgomery Place>	Chicago	40	86.50%	6	No	5
Park View Rehab Ctr.	Chicago	128	0.00%	6	No	2

TABLE EIGHT
Facilities within the 10-Mile Service Area of Restorative Care Institute LLC

Facility	City	Beds	Total Bed	HSA	Met Standard	Star Rating ⁽²⁾
			Occ. ⁽¹⁾			
Chalet Living & Rehab Ctr.	Chicago	219	15.50%	6	No	1
Buckingham Pavilion	Chicago	347	39.10%	6	No	5
Ridgeview Rehab & Nursing	Chicago	404	88.60%	6	No	3
Berkeley Nursing & Rehab	Oak Park	72	0.20%	7	No	3
Princeton Rehabilitation Ctr.	Chicago	225	76.40%	6	No	3
Westwood Manor	Chicago	115	87.80%	6	No	4
Glencrest Healthcare	Chicago	312	84.70%	6	No	3
Alden Village North*	Chicago	150	66.60%	6	No	3
Oak Park Oasis	Oak Park	204	64.50%	7	No	1
Mosaic of Lakeshore	Chicago	313	72.80%	6	No	1
Birchwood Plaza	Chicago	200	77.50%	6	No	3
Parkshore Estates Nursing	Chicago	318	63.30%	6	No	1
Alden Town Manor Rehab	Chicago	237	18.90%	6	No	1
Peterson Park Healthcare	Chicago	196	88.40%	6	No	4
Dobson Plaza Nursing & Rehab	Evanston	97	82.60%	7	No	5
Rush Oak Park Hospital	Oak Park	36	49.90%	7	No	5
Alden Estates of Skokie	Skokie	56	45.70%	7	No	5
Bethesda Rehab & Senior Care	Chicago	113	38.80%	6	No	5
Wentworth Rehab & Health	Chicago	300	65.80%	6	No	3
Community First Med. Ctr.	Chicago	66	7.70%	6	No	5
Villa at Windsor Park	Chicago	240	77%	6	No	2
MacNeal Memorial Hospital	Berwyn	25	71.40%	7	No	5
Generations at Elmwood Park	Elmwood Pk.	245	69.10%	7	No	2
Aperion Forest Park	Forest Park	232	70.60%	7	No	1
Pershing Gardens Healthcare	Stickney	51	0.00%	7	No	4
West Suburban Medical Ctr	Oak Park	50	45.80%	7	No	5
Little Sisters of the Poor	Chicago	76	91.50%	6	Yes	4
Alden Lincoln Rehabilitation	Chicago	96	92.10%	6	Yes	4
Symphony of Bronzeville	Chicago	302	90.30%	6	Yes	1
Admiral at the Lake>	Chicago	36	95.20%	6	Yes	5
MADO Uptown	Chicago	132	90.60%	6	Yes	1
Harmony Nursing & Rehab	Chicago	180	90.80%	6	Yes	2
Balmoral Home	Chicago	213	90.60%	6	Yes	4
Astoria Place Living & Rehab	Chicago	164	94.60%	6	Yes	5
Symphony of Chicago West	Chicago	234	94.80%	6	Yes	1
Symphony at Midway	Chicago	349	93.30%	6	Yes	2
Sheridan Shores Rehab Ctr.	Chicago	191	92.80%	6	Yes	1

**TABLE EIGHT
Facilities within the 10-Mile Service Area of Restorative Care Institute LLC**

Facility	City	Beds	Total Bed	HSA	Met Standard	Star Rating ⁽²⁾
			Occ. ⁽¹⁾			
McAuley Residence*	Chicago	125	94.90%	6	Yes	5
Central Nursing & Rehab	Chicago	245	91.70%	6	Yes	4
Arbour HealthCare Ctr.	Chicago	99	92.60%	6	Yes	3
Clark Manor Convalescent	Chicago	267	93.70%	6	Yes	2
Lakefront Nursing & Rehab	Chicago	99	93.60%	6	Yes	2
Waterford Nursing & Rehab	Chicago	141	93.40%	6	Yes	4
Warren Park Health & Living	Chicago	127	96.50%	6	Yes	1
Atrium Health Care Ctr.	Chicago	160	94.10%	6	Yes	3
Total		14,319	65.42%			2.94

*Under 22yrs/Developmentally Disabled

>CCRC

1. Occupancy % taken from 2018 profile information; most current data available.

2. CMS quality ratings vary over time; thus, unless we specifically state otherwise, we will refer to the facilities' CMS ratings as of the time we received the CON application. It should be noted, however, that despite our use of the present tense, the ratings at any of the facilities discussed in this decision may currently be higher or lower.