



STATE OF ILLINOIS HEALTH FACILITIES AND SERVICES REVIEW BOARD

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DOCKET ITEM: A-01	BOARD MEETING: December 16, 2014	PROJECT NUMBER: 09-030
PERMIT HOLDERS(S): Addison Rehabilitation & Living Center, LLC Elgin Property, LLC		
FACILITY NAME and LOCATION: Addison Rehabilitation & Living Center, Elgin		

STATE AGENCY REPORT PERMIT RENEWAL REQUEST

I. Background

On March 2, 2010, the State Board approved Project #09-030. The permit authorized the establishment of a 120-bed Long Term Care (LTC) facility in Elgin. The State Agency notes the project is obligated, and the current project completion date is December 31, 2014. Project cost: \$14,127,348.

The State Agency notes the permit holders submitted a permit renewal request on November 6, 2014. This submittal was in accordance with 77 IAC 1130.740(d), which states that renewal requests must be received by the State Agency at least 45 days prior to the permit expiration date. A \$500.00 permit renewal fee accompanied the renewal request.

II. Findings

The State Agency notes this is the second renewal request for this project and it appears the permit holders have submitted all of the information required in Section 1130.740 for a permit renewal. Their first permit renewal request, approved on December 6, 2011, extended the project completion date 36 months, from December 31, 2011, to December 31, 2014.

III. The Permit Renewal Request

- A. Requested Completion Date: The permit holders request a project completion date of December 31, 2015. This would extend the project's completion date by twelve months, from December 31, 2014 to December 31, 2014.
- B. Status of the Project and Components Yet to be Finished: The permit holders state the parcel of land for the proposed project has been acquired, the foundations have been laid, and sewer, water, and electric services are in the building. The first floor masonry walls have been erected, and work has begun on the second floor walls. The permit holders did not provide the project completion status, and did not list remaining components to be completed.
- C. Reason(s) Why the Project Has Not Been Completed: The permit holders' state the following events occurred, which delayed completion of the project:
- The permit holders state changes in underwriting criteria made financing the project more difficult, resulting in delays in financing. This, combined with an early and prolonged winter, resulted in significant delays in the construction timeline.
- D. Evidence of Financial Commitment to Fund the Project: The permit holders indicate \$1,880,766 (13.3% of the total project funds), has been expended to date, and attest that sufficient financial resources exist to complete the proposed project.
- E. Anticipated Final Cost of the Project: The permit holders estimate the project will not deviate from the originally approved permit amount of \$14,127,348.

IV. Project Description & Other Background Information

The permit authorized the establishment of a 120-bed LTC facility in Elgin. The facility will consist of 61,196 GSF of space, and the project cost is \$14,127,348.

Permit Issuance Date: March 2, 2010

Original Project Completion Date: December 31, 2011

Project Obligation Date: August 31, 2011

Proposed Project Completion Date: December 21, 2014
(First Renewal, 36 months)

Proposed Project Completion Date: December 31, 2015
(Second Renewal, 12 months)

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

77 IAC 1130.740(d) 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(e) states IDPH will review the request and prepare a report of its findings. If the findings are that the request is in conformance with all HFPB criteria, and if this is the first request for this project, then the request, IDPH's findings, and all related documentation shall be sent to the Chairman. The Chairman, acting on behalf of HFPB, will approve, deny or refer the request to the HFPB for action. If IDPH 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 HFPB for action, then HFPB 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 HFPB'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, and a copy of the original State Agency Report.

DOCKET NO: B-1	BOARD MEETING: March 2-3, 2010	PROJECT NO: 09-030	PROJECT COST: Original: \$14,127,348
FACILITY NAME: Addison Rehabilitation and Living Center		CITY: Elgin	Current:
TYPE OF PROJECT: Substantive			HSA: VIII

PROJECT DESCRIPTION: The State Board is being asked to consider a proposal for the establishment of a 120-bed long term care facility located in Elgin, Illinois. The cost of the project is \$14,127,348. **This project is before the State Board because the project proposes to establish a health care facility as defined by Illinois Health Facilities Planning Act.**

The applicants were given an Intent to Deny at the December 2009 State Board Meeting. On January 6, 2010 information was submitted by the applicants to address the concerns of the State Board. The applicants provided information to address the current flaws and quality of care issues with the 5-Star rating system, including a letter to Secretary Kathleen Sebelius (Secretary of the Department of Health and Human) from thirty-one state Attorneys General recommending temporary suspension of the 5-star rating system until a more appropriate evaluation methodology can be developed.

To address quality concerns at the Applicants' other facilities, the Applicants submitted seven letters of support from physicians and fourteen letters of support from residents or their family members as well as exit surveys for the most recent twelve resident discharges. Additionally, the Board received twenty letters submitted as public comment supporting the project, including letters of support from Northwest Community Hospital's President and CEO, St. Alexius Medical Center's President and CEO, nine area physicians, and nine residents or their family members.

The Original State Agency Report remains unchanged.

STATE AGENCY REPORT
Addison Rehabilitation and Living Center
PROJECT #09-030

APPLICATION SUMMARY	
Applicant	Addison Rehabilitation and Living Center, LLC Elgin Property, LLC.
Facility Name	Addison Rehabilitation and Living Center
Location	Elgin, Illinois
Application Received	July 8, 2009
Application Deemed Complete	July 14, 2009
Scheduled Review Period Ended	November 5, 2009
Review Period Extended by the State Agency	No
Public Hearing Requested	No
Applicants' Deferred Project	No
Can Applicants Request Another Deferral?	Yes
Applicants' Modified the Project	No

I. The Proposed Project

The applicants are proposing to establish a 120-bed long term care facility located in Elgin Illinois. The cost of the project is \$14,127,348.

II. Summary of Findings

- A. The State Agency finds the proposed project does not appear to be in conformance with the provisions of Part 1110.**
- B. The State Agency finds the proposed project appears to be in conformance with the provisions of Part 1120.**

III. General Information

The applicants are Elgin Property, LLC and Addison Rehabilitation and Living Center, LLC. The facility is located in Elgin, in the Kane County long term care planning area and in HSA VIII; currently, there are 24 long term care facilities in the Kane County Planning Area. According to the Illinois Health Facilities and Services Review Board February 2010 Update, there is a need for 228 long term care beds in the Kane County Planning Area. This is a substantive project subject to both a Part 1110 and Part 1120 review. A public hearing was held on this project August 28, 2009. Twenty-five individuals were in attendance, nine spoke in opposition and 4 spoke in support of the project. Forty-nine letters of support

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were submitted with the application for permit. The State Agency has received no additional public comments regarding this project. Project obligation will occur after permit issuance. The anticipated project completion date is December 31, 2011.

Table One depicts the name, city, the 5-Star Quality Rating for each facility in this planning area published by CMMS, time and distance from the proposed facility, number of bed for each facility, and occupancy percentage, in the Kane County Long Term Planning Area. Information sorted by time from proposed facility.

Facility Name	City	Star Rating	Minutes	Distance	Beds	Occupancy %	Meets 90% Target Occ.
Rosewood Care Center of Elgin	Elgin	★★	3.5	2.2	139	84.82%	No
Apostolic Christian Resthaven	Elgin	★★★★★	5.8	3.02	50	97.55%	Yes
Sherman West Court	Elgin	★★★★	8.9	4.04	120	78.24%	No
Asta Care Center of Elgin	Elgin	★	8.1	3.97	102	87.52%	No
Maplewood Care	Elgin	★	9.2	4.04	203	96.55%	Yes
ManorCare-Elgin	Elgin	★★	10.4	5.21	88	80.12%	No
South Elgin Rehab & Health Ct.	South Elgin	★★	12.7	7.59	90	62.57%	No
Tower Hill Healthcare Center	South Elgin	★★★★★	12.7	7.32	206	89.34%	No
Heritage Manor Elgin LLC	Elgin	★★★★★	13.8	5.98	94	88.56%	No
Provena Pine View Care Center	St. Charles	★★	24.2	13.85	120	78.58%	No
Rosewood Care Ctr. St Charles	St. Charles	★	25.3	14.33	109	73.01%	No
Covenant Health Care Center	Batavia	★★★★★	26.5	16.55	99	96.57%	Yes
Provena Geneva Care Center	Geneva	★★★★★	28.8	15.73	107	85.18%	No
Batavia Rehab & Hlthcare Ctr.	Batavia	★★	31.1	18.92	63	79.83%	No
Countryside Care Centre	Aurora	★★★★	35.65	23.19	207	91.01%	Yes
Provena MCAuley Manor	Aurora	★★★★	36.8	21.91	87	78.33%	No
North Avenue Care Center	N. Aurora	★★★★	37.95	21.58	129	87.82%	No
Aurora Rehab & Living Center	Aurora	★	39.1	23.91	195	87.82%	No
Elmwood Terrace Healthcare Ctr.	Aurora	★★	39.1	22.85	68	81.72%	No
Fox River Pavilion	Aurora	★	44.85	24.45	121	82.63%	No
Jennings Terrace Inc.	Aurora	★★★★★	44.85	24.84	60	77.67%	No
Alden of Waterford	Aurora	★★	52.9	33.17	99		
Greenfields of Geneva (1)	Geneva				40		
Meadowbrook Manor (2)	Geneva				150		
5 star- much above average 4 star-above average 3 star - average 2 star - below average							

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TABLE ONE Facilities in the Kane County Planning Area							
Facility Name	City	Star Rating	Minutes	Distance	Beds	Occupancy %	Meets 90% Target Occ.
1 star - much below average							
1. Approved as Project 08-083 at September 2009 State Board Meeting for 40 skilled care beds; no data available							
2. Approved as Project 08-099 at September 2009 State Board Meeting for 150 skilled care beds; no data available							
3. Time adjusted by 1.15 per 77 IAC 1100.510 (d)							
4. Occupancy based upon 2008 IDPH Long Term Care Profile							

IV. The Proposed Project - Details

The applicants are proposing to establish a 120-bed nursing care facility with all private rooms. The building will be 3 floors each with 2 resident wings. Each wing will have its own living/dining/activity space. The building will be located at 1754-1760 Capital Street, Elgin, Illinois in 61,196 gross square feet of space.

V. Project Costs and Sources of Funds

The proposed project is being funded with cash and securities of \$2,825,470, and a mortgage of \$11,301,848. Table Two outlines the project's costs and uses of funds.

TABLE TWO Project Costs and Sources of Funds			
Use of Funds	Clinical	Non-Clinical	Total
Preplanning Costs	\$22,320	\$13,680	\$36,000
Site Survey and Soil Investigation	\$3,224	\$1,976	\$5,200
Site Preparation	\$62,000	\$38,000	\$100,000
New Construction Contracts	\$6,725,997	\$4,122,385	\$10,848,382
Contingencies	\$672,600	\$412,239	\$1,084,838
A & E Fees	\$184,965	\$113,365	\$298,330
Consulting and Other Fees	\$41,540	\$25,460	\$67,000
Movable or Other Equipment	\$558,000	\$342,000	\$900,000
Net Interest Expense During Construction (project related)	\$320,540	\$196,460	\$517,000
Other Costs to be Capitalized	\$167,771	\$102,827	\$270,598
TOTALS	\$8,758,957	\$5,368,392	\$14,127,348
Source of Funds	Clinical	Non-Clinical	Total
Cash and Securities	\$1,751,791	\$1,073,678	\$2,825,470
Mortgages	\$7,007,165	\$4,294,714	\$11,301,848

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TABLE TWO			
Project Costs and Sources of Funds			
Use of Funds	Clinical	Non-Clinical	Total
TOTALS	\$8,758,956	\$5,368,392	\$14,127,318

VI. Cost/Space Requirements

Table Three displays the project's cost/space requirements for the clinical portion only. The non-clinical portion can be found at page 203 of the application. The definition of non-clinical as defined in the Planning Act [20 ILCS 3960/3] states, "non-clinical service area means an area for the benefit of the patients, visitors, staff or employees of a health care facility and not directly related to the diagnosis, treatment, or rehabilitation of persons receiving treatment at the health care facility."

TABLE THREE			
Cost Space Requirements			
Departments	Cost	Proposed GSF	New
Clinical			
Nursing	\$4,986,449	21,600	21,600
Patient Bathrooms	\$1,729,097	7,490	7,490
Prep	\$44,324	192	192
Living/Dining/ Activity	\$969,587	4,200	4,200
Doctor's Exam	\$35,552	154	154
Kitchen/Food Services	\$332,430	1,440	1,440
P.T./O.T.	\$380,909	1,650	1,650
Laundry	\$120,968	524	524
Janitor Closets	\$20,777	90	90
Clean Soiled Utility	\$83,107	360	360
Beauty Barber	\$46,171	200	200
TOTALS	\$8,749,371	37,900	37,900

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VIII. Project Purpose, Background and Alternatives - Information Requirements

A. Criterion 1110.230(a) - Background of Applicant

The criterion:

“An applicant must demonstrate that it is fit, willing and able, and has the qualifications, background and character, to adequately provide a proper standard of health care service for the community. [20 ILCS 3960/6] In evaluating the qualifications, background and character of the applicant, HFPB shall consider whether adverse action has been taken against the applicant, or against any health care facility owned or operated by the applicant, directly or indirectly, within three years preceding the filing of the application. A health care 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 considered to be owned by such person or entity (refer to 77 Ill. Adm. Code 1100 and 1130 for definitions of terms such as "adverse action", "ownership interest" and "principal shareholder").”

The applicants have two related facilities in Illinois. See Table Four below.

Facilities	City	Beds	Star Rating	% Medicare Days	% Medicaid days	Occ %
Aurora Rehab & Living Center	Aurora	195	★	15.14%	71.25%	87.82%
Arlington Rehab & Living Center	Long Grove	190	★	13.68%	68.82%	93.00%

The applicants provided licensure and certification information as required. The applicants provided representations that the State Agency can access any and all information to determine whether adverse actions have been taken against the applicants. The applicants provided all the necessary information required to address this criterion.

B. Criterion 1110.230(b) - Purpose of the Project

The criterion states:

“The applicant shall document that the project will provide health services that improve the health 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.

- 1) The applicant shall address the purpose of the project, i.e., identify the issues or problems that the project is proposing to address or solve. Information to be provided shall include, but is not limited to, identification of existing problems or issues that need to be addressed, as applicable and appropriate for the project. Examples of such information include:
 - A) The area's demographics or characteristics (e.g., rapid area growth rate, increased aging population, higher or lower fertility rates) that may affect the need for services in the future;**
 - B) The population's morbidity or mortality rates;**
 - C) The incidence of various diseases in the area;**
 - D) The population's financial ability to access health care (e.g., financial hardship, increased number of charity care patients, changes in the area population's insurance or managed care status);**
 - E) The physical accessibility to necessary health care (e.g., new highways, other changes in roadways, changes in bus/train routes or changes in housing developments).****
- 2) The applicant shall cite the source of the information (e.g., local health department Illinois Project for Local Assessment of Need (IPLAN) documents, Public Health Futures, local mental health plans, or other health assessment studies from governmental or academic and/or other independent sources).**

- 3) **The applicant shall detail how the project will address or improve the previously referenced issues, as well as the population's health status and well-being. Further, the applicant shall provide goals with quantified and measurable objectives with specific time frames that relate to achieving the stated goals.**
- 4) **For projects involving modernization, the applicant shall describe the conditions being upgraded. For facility projects, the applicant shall include statements of age and condition and any regulatory citations. For equipment being replaced, the applicant shall also include repair and maintenance records."**

According to the applicants the purpose of the project is to address the following:

1. The calculated bed need of 228 long term care beds in the Kane County Planning Area; and
2. The need to address accessibility and demographic issues in the Kane County Planning Area

The applicants' source of information is the Inventory of Health Care Facilities and Need Determination 2008, demographic information from the Department of Commerce and Economic Opportunity, demographics as provided by Scan/US, Long Term Care Profiles 2008 and the Illinois Department of Health Care and Family Services Facility Cost Reports.

The applicants have provided the required information to address this criterion.

C. Criterion 1110.230(c) Alternatives to the Proposed Project

The criterion states:

"The applicant shall document that the proposed project is the most effective or least costly alternative for meeting the health care needs of the population to be served by the project.

- 1) **Alternative options shall be addressed. Examples of alternative options include:**

- A) **Proposing a project of greater or lesser scope and cost;**
 - B) **Pursuing a joint venture or similar arrangement with one or more providers or entities to meet all or a portion of the project's intended purposes; developing alternative settings to meet all or a portion of the project's intended purposes;**
 - C) **Utilizing other health care resources that are available to serve all or a portion of the population proposed to be served by the project; and**
 - D) **Other considerations.**
- 2) **Documentation shall consist of a comparison of the project to alternative options. The comparison shall address issues of cost, patient access, quality and financial benefits in both the short term (within one to three years after project completion) and long term. This may vary by project or situation.**
 - 3) **The applicant shall provide empirical evidence, including quantified outcome data; that verifies improved quality of care, as available."**

The applicants considered three alternatives:

- 1. Do nothing;
- 2. Establish a Assisted Supportive Living Facility;
- 3. Proposed Project

1. **Do Nothing**

The do nothing alternative is no longer considered a viable alternative by the State Board.

2. **Establish an Assisted/Supportive Living Facility**

According to the applicants this alternative would be considered if it was done in conjunction with a continuum care retirement community. In addition according to the applicants it is unclear whether the Department of Health and Family Services would support additional supportive living

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facilities in this geographic area. The approximate cost for this alternative is \$15,900,000. The increased cost is due to the larger facility required by the Supportive Living Program.

3. Proposed Project

The proposed project is being proposed to address the calculated bed need of 228 beds in the Kane County Planning Area. The applicants believe this alternative is more cost effective than either a 24 hour acute care setting or 24 hour home health care by a nurse.

The applicants have supplied the information requested in accordance with this criterion.

VII. Project Scope and Size, Utilization and Unfinished/Shell Space – Review Criteria

A. Criterion 1110.234(a) Size of Project – Review Criterion

The criterion states:

“The applicant shall document that the amount of physical space proposed for the project is necessary and not excessive. The proposed gross square footage (GSF) cannot exceed the GSF standards of Appendix B, unless the additional GSF can be justified by documenting one of the following:

- 1) Additional space is needed due to the scope of services provided, justified by clinical or operational needs, as supported by published data or studies;**
- 2) The existing facility's physical configuration has constraints or impediments and requires an architectural design that results in a size exceeding the standards of Appendix B;**
- 3) The project involves the conversion of existing bed space that results in excess square footage.”**

The applicants are proposing a three-level structure for 120 long term care beds. The current State Board standard is 414 GSF per bed. The

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applicants are proposing 510 GSF per bed. This exceeds the current State Board standard by 96 GSF per bed. The applicants note that at the March 2009 meeting the State Board approved a standard of 435-713 BGSF/Bed for long term care facilities.

TABLE FIVE

Departments	Unit of Measure	State Standard/Unit of Measure	State Standard GSF	Proposed GSF	Difference	Meets Standards
Nursing Care Beds	120 beds	414 GSF/Bed	49,680	61,196	11,516	No

THE STATE AGENCY FINDS THE PROPOSED PROJECT DOES NOT APPEAR TO BE IN CONFORMANCE WITH THE SIZE OF PROJECT - REVIEW CRITERION (77 IAC 1110.234(A)).

B. Criterion 1110.234(b) Project Utilization - Review Criterion

The criterion states:

“This criterion is applicable only to projects or portions of projects that involve services, functions or equipment for which HFPB has not established utilization standards or occupancy targets in 77 Ill. Adm. Code 1100. The applicant shall document that, in the second year of operation, the annual utilization of the service or equipment shall meet or exceed the utilization standards specified in Appendix B.”

The applicants are projecting to be at the State Board standard of 90% by the second year of operation.

THE STATE AGENCY FINDS THE PROPOSED PROJECT APPEARS TO BE IN CONFORMANCE WITH THE PROJECT UTILIZATION - REVIEW CRITERION (77 IAC 1110.234(B)).

VIII. Section 1110.1730 General Long Term Care - Review Criteria

b) Planning Area Need - Review Criterion

The applicant shall document that the number of beds to be established or added is necessary to serve the planning area's population, based on the following:

- 1) 77 Ill. Adm. Code 1100 (formula calculation)

- A) The number of beds to be established for general long term care is in conformance with the projected bed deficit specified in 77 Ill. Adm. Code 1100, as reflected in the latest updates to the Inventory.
 - B) The number of beds proposed shall not exceed the number of the projected deficit, to meet the health care needs of the population served, in compliance with the occupancy standard specified in 77 Ill. Adm. Code 1100.
- 2) **Service to Planning Area Residents**
- A) Applicants proposing to establish or add beds shall document that the primary purpose of the project will be to provide necessary health care 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.
 - B) Applicants proposing to add beds to an existing general long term care service shall provide patient origin information for all admissions for the last 12-month period, verifying that at least 50% of admissions were residents of the area. For all other projects, applicants shall document that at least 50% of the projected patient volume will be from residents of the area.
 - C) Applicants proposing to expand an existing general long term care service shall submit patient origin information by zip code, based upon the patient's legal residence (other than a health care facility).
- 3) **Service Demand – Establishment of General Long Term Care**
The number of beds proposed to establish a new general long term care service is necessary to accommodate the service demand experienced annually by the existing applicant facility over the latest two-year period, as evidenced by historical and projected referrals, or, if the applicant proposes to establish a new long term care (LTC) facility, the applicant shall submit projected

referrals. The applicant shall document subsection (b)(3)(A) and subsection (b)(3)(B) or (C).

A) Historical Referrals

If the applicant is an existing facility and is proposing to establish this category of service, the applicant shall document the number of referrals to other facilities, for each proposed category of service, for each of the latest two years. Documentation of the referrals shall include: patient origin by zip code; name and specialty of referring physician; name and location of the recipient LTC facility.

B) Projected Referrals

An applicant proposing to establish a category of service or establish a new LTC facility shall submit the following:

- i) Hospital referral letters that attest to the number of patients (by zip code of residence) who have received care at existing facilities located in the area during the 12-month period prior to submission of the application;
- ii) An estimated number of patients the hospital will refer annually to the applicant's facility within a 24-month period after project completion. The anticipated number of referrals cannot exceed the hospital's experienced LTC caseload;
- iii) Each referral letter shall contain the Chief Executive Officer's notarized signature, the typed or printed name of the referral resources, and the referral resource's address; and
- iv) Verification by the hospital that the patient referrals have not been used to support another pending or approved CON application for the subject services.

C) Projected Service Demand – Based on Rapid Population Growth

If a projected demand for service is based upon rapid population growth in the applicant facility's existing

market area (as experienced annually within the latest 24-month period), the projected service demand shall be determined as follows:

- i) The applicant shall define the facility's market area based upon historical patient origin data by zip code or census tract;
 - ii) Population projections shall be produced, using, as a base, the population census or estimate for the most recent year, for county, incorporated place, township or community area, by the U.S. Census Bureau or IDPH;
 - iii) Projections shall be for a maximum period of 10 years from the date the application is submitted;
 - iv) Historical data used to calculate projections shall be for a number of years no less than the number of years projected;
 - v) Projections shall contain documentation of population changes in terms of births, deaths and net migration for a period of time equal to or in excess of the projection horizon;
 - vi) Projections shall be for total population and specified age groups for the applicant's market area, as defined by HFPB, for each category of service in the application; and
 - vii) Documentation on projection methodology, data sources, assumptions and special adjustments shall be submitted to HFPB.
- 5) **Service Accessibility**
 The number of beds being established or added for each category of service is necessary to improve access for planning area residents.
- A) **Service Restrictions**

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

- i) The absence of the proposed service within the planning area;
- ii) Access limitations due to payor status of patients, including, but not limited to, individuals with health care coverage through Medicare, Medicaid, managed care or charity care;
- iii) Restrictive admission policies of existing providers;
- iv) 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, high infant mortality, 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;
- v) For purposes of this subsection (b)(5) only, all services within the 45-minute normal travel time meet or exceed the utilization standard specified in 77 Ill. Adm. Code 1100.

B) Supporting Documentation

The applicant shall provide the following documentation, as applicable, concerning existing restrictions to service access:

- i) The location and utilization of other planning area service providers;
- ii) Patient location information by zip code;
- iii) Independent time-travel studies;
- iv) A certification of a waiting list;

- v) **Scheduling or admission restrictions that exist in area providers;**
- vi) **An assessment of area population characteristics that document that access problems exist;**
- vii) **Most recently published IDPH Long Term Care Questionnaire.**

1) **77 Ill. Adm. Code 1100 (formula calculation)**

There is a calculated need for 228 long term care beds in the Kane County Long Term Care Planning Area.

2) **Service to Planning Area Residents**

The applicants assert that the proposed facility will serve the residents of the Kane County Long Term Care planning area.

3) **Service Demand - Establishment of General Long Term Care**

The applicants provided 9 referral letters from physicians. This criterion requires that the referral letters come from Hospitals and signed by the CEO of the hospital.

4) **Service Accessibility**

There is a calculated need for 228 long term care beds in the Kane County Long Term Care Planning Area. However, 18 of the 24 facilities within the planning area are below the State Board's target utilization of 90%.

THE STATE AGENCY FINDS THE PROPOSED PROJECT DOES NOT APPEAR TO BE IN CONFORMANCE WITH THE PLANNING AREA NEED - REVIEW CRITERION (77 IAC 1110.1730(b)).

e) **Unnecessary Duplication/Maldistribution - Review Criterion**

- 1) **The applicant shall document that the project will not result in an unnecessary duplication. The applicant shall provide the following information:**

- A) A list of all zip code areas that are located, in total or in part, within 30 minutes normal travel time of the project's site;
 - B) The total population of the identified zip code areas (based upon the most recent population numbers available for the State of Illinois population); and
 - C) The names and locations of all existing or approved health care facilities located within 30 minutes normal travel time from the project site that provide the categories of bed service that are proposed by the project.
- 2) The applicant shall document that the project will not result in maldistribution of services. Maldistribution exists when the identified area (within the planning area) has an excess supply of facilities, beds and services characterized by such factors as, but not limited to:
- A) A ratio of beds to population that exceeds one and one-half times the State average;
 - B) Historical utilization (for the latest 12-month period prior to submission of the application) for existing facilities and services that is below the occupancy standard established pursuant to 77 Ill. Adm. Code 1100; or
 - C) Insufficient population to provide the volume or caseload necessary to utilize the services proposed by the project at or above occupancy standards.
- 3) The applicant shall document that, within 24 months after project completion, the proposed project:
- A) Will not lower the utilization of other area providers below the occupancy standards specified in 77 Ill. Adm. Code 1100; and

- B) Will not lower, to a further extent, the utilization of other area facilities that are currently (during the latest 12-month period) operating below the occupancy standards.**

g) Staffing Availability – Review Criterion

The applicant shall document that relevant clinical and professional staffing needs for the proposed project were considered and that licensure and JCAHO staffing requirements 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 applicant shall document that relevant clinical and professional staffing needs for the proposed project were considered and that licensure and JCAHO staffing requirements can be met.

THE STATE AGENCY FINDS THE PROPOSED PROJECT APPEARS TO BE IN CONFORMANCE WITH THE STAFFING AVAILABILITY REVIEW CRITERION (77 IAC 1110.1730(g)).

h) Performance Requirements – Facility Size

The maximum size of a general long term care facility is 250 beds, unless the applicant documents that a larger facility would provide personalization of patient care and documents provision of quality care based on the experience of the applicant and compliance with IDPH's licensure standards (77 Ill. Adm. Code: Chapter I, Subchapter c – Long-Term Care Facilities) over a two-year period of time.

The applicants are proposing a 120 bed facility. The applicants have met the requirements of this criterion.

THE STATE AGENCY FINDS THE PROPOSED PROJECT TO BE IN CONFORMANCE WITH THE WITH THE FACILITY SIZE - REVIEW CRITERION (77 IAC 1110.1730(h)).

i) Community Related Functions – Review Criterion

The applicant shall 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, such as, but not limited to, social, economic or governmental organizations or other concerned

parties or groups. Documentation shall consist of copies of all letters of support from such organizations.

THE STATE AGENCY FINDS THE PROPOSED PROJECT TO BE IN CONFORMANCE WITH THE WITH THE COMMUNITY RELATED FUNCTIONS CRITERION (77 IAC 1110.1730(i)).

j) **Zoning - Review Criterion**

The applicant shall document one of the following:

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

THE STATE AGENCY FINDS THE PROPOSED PROJECT TO BE IN CONFORMANCE WITH THE WITH THE ZONING REVIEW FUNCTIONS CRITERION (77 IAC 1110.1730(i)).

k) **Assurances**

- 1) The applicant representative who signs the CON application shall submit a signed and dated statement attesting to the applicant's understanding that, by the second year of operation after the project completion, the applicant will achieve and maintain the occupancy standards specified in 77 Ill. Adm. Code 1100 for each category of service involved in the proposal.
- 2) For beds that have been approved based upon representations for continuum of care (subsection (c)) or defined population (subsection (d)), the facility shall provide assurance that it will maintain admissions limitations as specified in those subsections for the life of the facility. To eliminate or modify the admissions limitations, prior approval of HFPB will be required.

The applicants provided the required assurances.

IX. **Review Criteria - Financial Feasibility**

If an applicant has not documented a bond rating of “A” or better (pursuant to Section 1120.120), then the applicant must address the review criteria in this Section.

A. Criterion 1120.210(a) - Financial Viability

The criterion states:

“1) Viability Ratios

Applicants (including co-applicants) must document compliance with viability ratio standards detailed in Appendix A of this Part or address a variance. Applicants must document compliance for the most recent three years for which audited financial statements are available. For Category B applications, the applicant also must document compliance through the first full fiscal year after project completion or for the first full fiscal year when the project achieves or exceeds target utilization pursuant to 77 Ill. Adm. Code 1100, whichever is later, or address a variance.

2) Variance for Applications Not Meeting Ratios

Applicants not in compliance with any of the viability ratios must document that another organization, public or private, shall assume the legal responsibility to meet the debt obligations should the applicant default.”

Table Ten displays the applicant’s ratio information.

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 Project #09-030
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TABLE TEN					
Viability Ratios					
Elgin Property, LLC.					
Ratio	State Standard	Historical			Projected 2013
		2006	2007	2008	
Current Ratio	1.5 or more				6.7
Net Margin Percentage	2.5% or more				23.51%
Percent Debt to Total Capitalization	80% or less				69%
Debt Service Coverage	1.50 or more				1.65
Days Cash on Hand	75 days or more				736
Cushion Ratio	3 days or more				1.79

TABLE TEN					
Viability Ratios					
Addison Rehabilitation and Living Center, LLC					
Ratio	State Standard	Historical			Projected 2013
		2006	2007	2008	
Current Ratio	1.5 or more				2.08
Net Margin Percentage	2.5% or more				28%
Percent Debt to Total Capitalization	80% or less				0
Debt Service Coverage	1.50 or more				0
Days Cash on Hand	75 days or more				74.9
Cushion Ratio	3 days or more				NA

The applicants are new entities; therefore no historical information is available. The applicants have met her State Board's financial viability ratios for projected CY 2013.

THE STATE AGENCY FINDS THE PROPOSED PROJECT APPEARS TO BE IN CONFORMANCE WITH THE FINANCIAL VIABILITY CRITERION (77 IAC 1110.210(a)).

B. Criterion 1120.210(b) - Availability of Funds

The criterion states:

“The applicant must document that financial resources shall be available and be equal to or exceed the estimated total project cost and any related cost.”

The applicants propose to fund \$2,825,470 of the project with cash and securities and a Cambridge HUD insured mortgage of \$11,301,878. Sufficient resources appear available to fund the project.

THE STATE AGENCY FINDS THE PROPOSED PROJECT APPEARS TO BE IN CONFORMANCE WITH THE AVAILABILITY OF FUNDS CRITERION (77 IAC 1110.210(b)).

C. Criterion 1120.210(c) - Start-Up Costs

The criterion states:

“The applicant must document that financial resources shall be available and be equal to or exceed any start-up expenses and any initial operating deficit.”

The applicants estimate \$1,311,877 in start-up costs will be incurred. All operating start-up costs will be funded through capital contributions from the members of the LLC.

THE STATE AGENCY FINDS THE PROPOSED PROJECT APPEARS TO BE IN CONFORMANCE WITH THE START-UP COSTS CRITERION (77 IAC 1110.210(c)).

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XII. Review Criteria - Economic Feasibility

A. Criterion 1120.310(a) - Reasonableness of Financing Arrangements

The criterion states:

“This criterion is not applicable if the applicant has documented a bond rating of "A" or better pursuant to Section 1120.210. An applicant that has not documented a bond rating of "A" or better must document that the project and related costs will be:

- 1) funded in total with cash and equivalents including investment securities, unrestricted funds, and funded depreciation as currently defined by the Medicare regulations (42 USC 1395); or**
- 2) 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 that the current ratio does not fall below 2.0 times; 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 applicant must submit a notarized statement signed by two authorized representatives of the applicant entity (in the case of a corporation, one must be a member of the board of directors) that attests to compliance with this requirement. “**

The applicant certified all available cash and equivalents are being used for project funding prior to borrowing.

THE STATE AGENCY FINDS THE PROPOSED PROJECT APPEARS TO BE IN CONFORMANCE WITH THE REASONABLENESS OF FINANCING ARRANGEMENTS CRITERION (77 IAC 1110.310(a)).

B. Criterion 1120.310(b) - Terms of Debt Financing

The criterion states:

“The applicant must certify that the selected form of debt financing the project will be at the lowest net cost available or if a more costly form of financing is selected, that form is more advantageous due to such terms as prepayment privileges, no required mortgage, access to additional indebtedness, term (years), financing costs, and other factors. In addition, if all or part of the project involves the leasing of equipment or facilities, the applicant must certify that the expenses incurred with leasing a facility and/or equipment are less costly than constructing a new facility or purchasing new equipment. Certification of compliance with the requirements of this criterion must be in the form of a notarized statement signed by two authorized representative (in the case of a corporation, one must be a member of the board of directors) of the applicant entity.”

The applicants have provided the required certification that the selected form of debt financing of the project will be at the lowest net cost available to the applicants.

THE STATE AGENCY FINDS THE PROPOSED PROJECT APPEARS TO BE IN CONFORMANCE WITH THE REASONABLENESS OF FINANCING ARRANGEMENTS CRITERION (77 IAC 1110.310(a)).

C. Criterion 1120.310(c) - Reasonableness of Project Cost

This criterion states:

“1) Construction and Modernization Costs

Construction and modernization costs per square foot for non-hospital based ambulatory surgical treatment centers and for facilities for the developmentally disabled, and for chronic renal dialysis treatment centers projects shall not exceed the standards detailed in Appendix A of this Part unless the applicant documents construction constraints or other design complexities and provides evidence that the costs are similar or consistent with other projects that have similar constraints or complexities. For all other projects, construction and modernization costs per square foot shall not exceed the adjusted (for inflation, location, economies of scale and mix of service) third quartile as provided for in the Means Building Construction Cost Data publication unless the applicant documents construction constraints or other

design complexities and provides evidence that the costs are similar or consistent with other projects that have similar constraints or complexities.

2) Contingencies

Contingencies (stated as a percentage of construction costs for the stage of architectural development) shall not exceed the standards detailed in Appendix A of this Part unless the applicant documents construction constraints or other design complexities and provides evidence that the costs are similar or consistent with other projects that have similar constraints or complexities. Contingencies shall be for construction or modernization only and shall be included in the cost per square foot calculation.

BOARD NOTE: If, subsequent to permit issuance, contingencies are proposed to be used for other line item costs, an alteration to the permit (as detailed in 77 Ill. Adm. Code 1130.750) must be approved by the State Board prior to such use.

3) Architectural Fees

Architectural fees shall not exceed the fee schedule standards detailed in Appendix A of this Part unless the applicant documents construction constraints or other design complexities and provides evidence that the costs are similar or consistent with other projects that have similar constraints or complexities.

4) Major Medical and Movable Equipment

A) For each piece of major medical equipment, the applicant must certify that the lowest net cost available has been selected, or if not selected, that the choice of higher cost equipment is justified due to such factors as, but not limited to, maintenance agreements, options to purchase, or greater diagnostic or therapeutic capabilities.

B) Total movable equipment costs shall not exceed the standards for equipment as detailed in Appendix A of this Part unless the applicant documents construction constraints or other design complexities and provides evidence that the costs are similar or consistent with other projects that have similar constraints or complexities.

5) Other Project and Related Costs

The applicant must document that any preplanning, acquisition, site survey and preparation costs, net interest expense and other estimated costs do not exceed industry norms based upon a comparison with similar projects that have been reviewed. "

The project's costs reflect clinical costs only and do not include non-clinical costs that are not reviewable under the Planning Act.

Preplanning costs - These costs are \$22,320, or less than 1% of construction, contingencies and equipment costs. These costs include pre design studies, legal fees, flood plain appraisal, accounting and marketing studies, and miscellaneous services. This is reasonable compared to the State standard of 1.8%.

Site Survey, Soil Investigation and Site Preparation - These costs total \$62,000, or less than 1% of construction and contingency costs (\$7,398,597). These costs include topographic survey, subsoil drilling and testing, general earth work, rough grading, and clearing and grubbing. These costs appear reasonable compared to the State standard of 5%.

New Construction and Contingencies - These costs are \$7,398,597 for construction costs and contingencies, or \$ 195.21 per GSF. This amount appears reasonable compared to the adjusted State standard of \$260.06 per GSF.

Contingencies - This cost is \$672,600, or 10.0% of construction costs. This is appears reasonable compared to the State standard of 10% for construction projects.

Architectural and Engineering Fees - These costs total \$184,965, or 2.50% of construction and contingencies. This appears reasonable compared to the State standard of 3.9% - 9.0%.

Consulting or Other Fees - These costs total \$41,540. These costs include CON application fee, Legal fees, and CON application processing fee. The State Board does not have a standard for these costs.

Movable or Other Equipment - This amount is \$558,000. The State Board does not have a standard for these costs.

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Net Interest Expense During Construction – These costs total \$320,540. The State Board does not have a standard for these costs.

Other Costs to be Capitalized – These costs total \$167,771. These costs include taxes during construction, insurance during construction, title and recording, organizational costs, cost certification audit, and loan costs. The State Board does not have a standard for these costs.

THE STATE AGENCY FINDS THE PROPOSED PROJECT APPEARS TO BE IN CONFORMANCE WITH THE REASONABLENESS OF PROJECT COSTS CRITERION (77 IAC 1110.310(c)).

D. Criterion 1120.310(d) - Projected Operating Costs

The criterion states:

“The applicant must provide the projected direct annual operating costs (in current dollars per equivalent patient day or unit of service) for the first full fiscal year after project completion or the first full fiscal year when the project achieves or exceeds target utilization pursuant to 77 Ill. Adm. Code 1100, whichever is later. Direct costs mean the fully allocated costs of salaries, benefits, and supplies for the service.”

The applicants project \$123.18 of annual operating costs per patient day for FY 2013. The State Board does not have a standard for this cost.

THE STATE AGENCY FINDS THE PROPOSED PROJECT APPEARS TO BE IN CONFORMANCE WITH THE PROJECTED OPERATING COSTS CRITERION (77 IAC 1110.310(d)).

E. Criterion 1120.310(e) - Total Effect of the Project on Capital Costs

The criterion states:

“The applicant must provide the total projected annual capital costs (in current dollars per equivalent patient day) for the first full fiscal year after project completion or the first full fiscal year when the project achieves or exceeds target utilization pursuant to 77 Ill. Adm. Code 1100, whichever is later.”

The applicants project \$30.93 per patient day in annual capital costs for FY

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2013. The State Board does not have a standard for this cost.

THE STATE AGENCY FINDS THE PROPOSED PROJECT APPEARS TO BE IN CONFORMANCE WITH THE STOTAL EFFECT OF THE PROJECT ON CAPITAL COSTS OF THE PROJECT CRITERION (77 IAC 1110.310(e)).

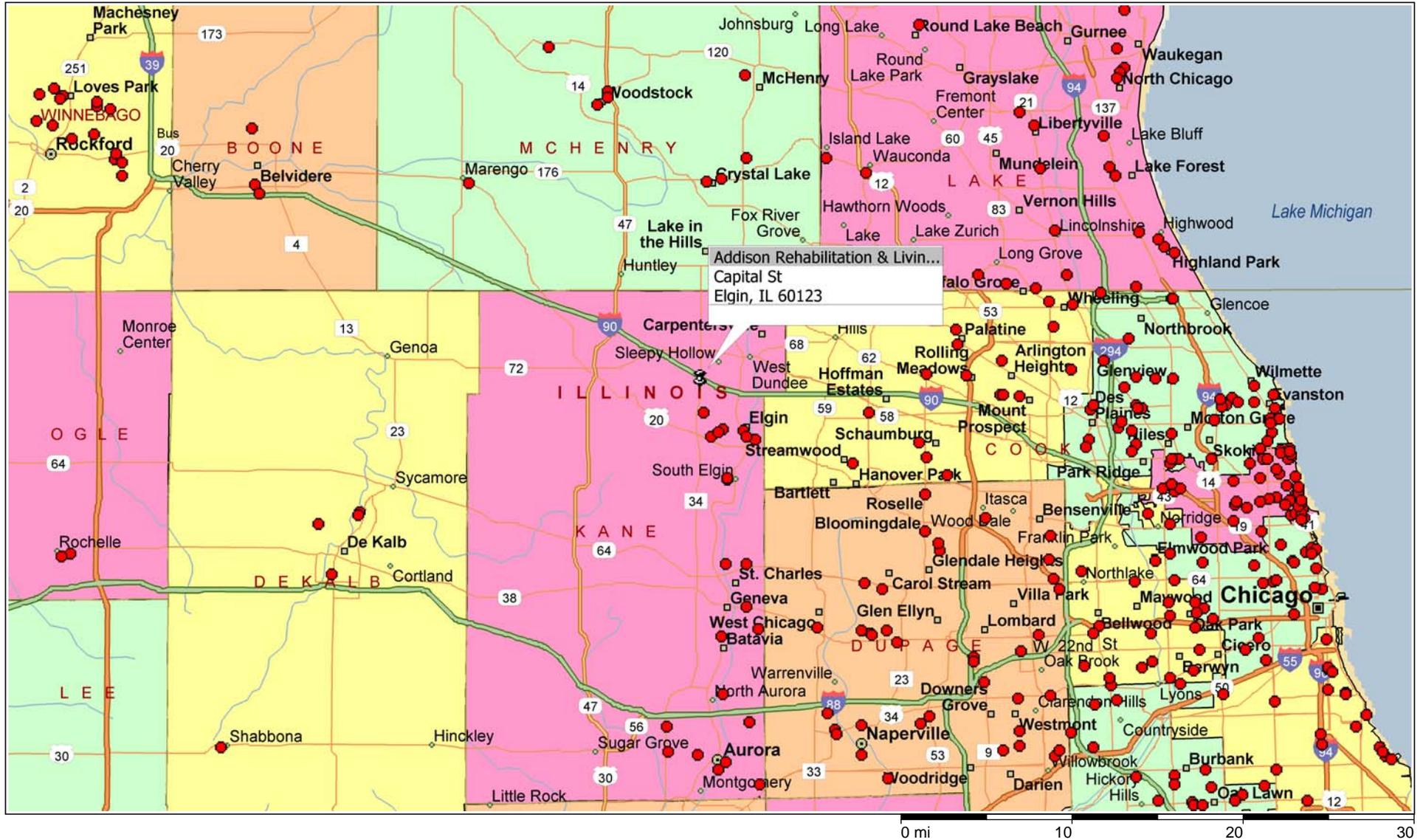
F. Criterion 1120.310(f) - Non-Patient Related Services

The criterion states:

The applicant must document that projects involving non-patient related services (medical office buildings) will be self-supporting and not result in increased charges to patients or that increased charges to patients are justified based upon such factors as, but not limited to, a cost benefit or other analysis which demonstrates that the project will improve the applicant's financial viability.

This criterion is not applicable to the proposed project.

09-030 Addison Rehabilitation & Living Center-Elgin



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**HEALTH FACILITIES &
SERVICES REVIEW BOARD**

November 14, 2013

Anne M. Cooper
(312) 873-3606
(312) 819-1910
acooper@polsinelli.com

Via FedEx

Ms. Kathryn Olson
Chair
Illinois Health Facilities and Services Review
Board
525 West Jefferson Street, Second Floor
Springfield, Illinois 62761

**Re: Addison Rehabilitation & Living Center (Proj. No. 09-030)
Permit Renewal Request – Supplemental Information**

Dear Chair Olson:

This office represents Addison Rehabilitation & Living Center, LLC and Elgin Property, LLC (collectively, "Addison"). In that capacity, I am writing to provide supplemental information to the Addison's permit renewal request filed with the Illinois Health Facilities and Services Review Board (the "State Board") on November 6, 2014. There are no changes to the information reported in the permit renewal request. The photographs attached hereto serve as further documentation of the progress to date. As shown in Attachments 1 and 2, the foundations have been laid, the first floor concrete slab is in, and plumbing and electrical is stubbed up on the first floor. Additionally, the masonry walls for the first floor have been erected and the metal decking for the second floor is complete. (See Attachments 3 and 4).

Please let me know if you have any questions regarding the progress of or need any additional information related to Addison's permit renewal request.

Sincerely,

Anne M. Cooper

Attachments



EXHIBIT

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1

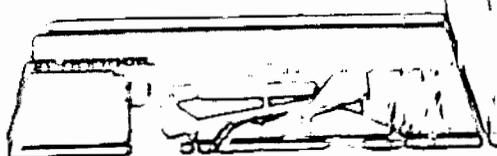
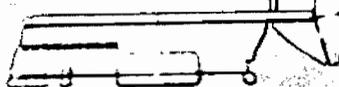
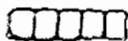


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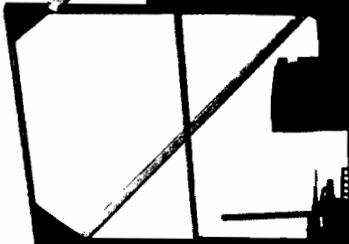


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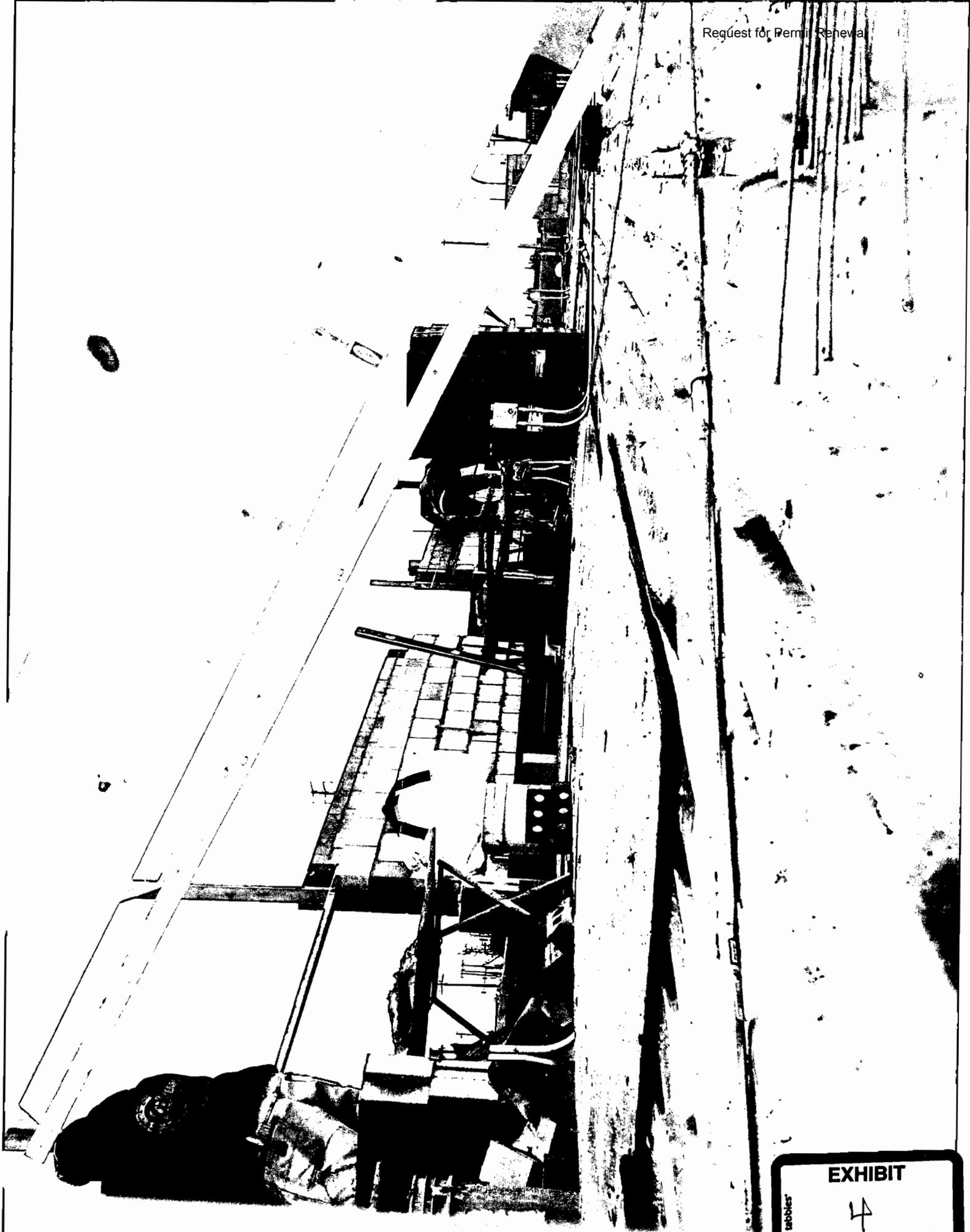


EXHIBIT
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HEALTH FACILITIES &
SERVICES REVIEW BOARD

November 5, 2014

Anne M. Cooper
(312) 873-3606
(312) 819-1910
acooper@polsinelli.com

Via FedEx

Ms. Kathryn Olson
Chair
Illinois Health Facilities and Services Review
Board
525 West Jefferson Street, Second Floor
Springfield, Illinois 62761

**Re: Permit Renewal Request – Addison Rehabilitation & Living Center
(Proj. No. 09-030)**

Dear Chair Olson:

This office represents Addison Rehabilitation & Living Center, LLC and Elgin Property, LLC (collectively, “Addison”). As you are aware, on March 2, 2010, the Illinois Health Facilities and Services Review Board (the “State Board”) unanimously approved Addison’s application to construct and establish a 120-bed long term care facility located at 1754-1760 Capital Street, Elgin, Illinois (the “Project Permit”). On December 6, 2011, approved the renewal of the Project Permit and established December 31, 2014 as the project completion date. Due to ongoing delays in obtaining financing and an early and prolonged winter last year, construction has been delayed. Accordingly, we respectfully request the State Board grant Addison a one-year renewal of the Project Permit and establish December 31, 2015 as the new project completion date.

Requested Completion Date

Addison requests the State Board grant a one-year renewal of the Project Permit and establish December 31, 2015 as the new project completion date.



Ms. Kathryn Olson
November 5, 2014
Page 2

Status Report

Addison acquired land for a total cost of \$1,270,049 and obligated the project through execution of a construction contract. Due to changes in underwriting criteria, financing projects, like the Addison, became more difficult. Specifically, lenders required more equity at the time of financing for projects with a lower loan-to-value, such as the Addison. As a result of these underwriting constraints, Addison was not able to close on its loan until October 31, 2014. Further, due to an early and prolonged winter, construction was delayed. As of the date of this letter, Addison has expended \$1,880,766.37, which represents approximately 13 percent of the total project costs.

The foundations have been laid; sewer, water and electric main services are in to the building. All plumbing and electrical underground is completed and stubbed up and the 1st floor concrete slab is in. The masonry walls have been erected for the 1st floor. The bar joists are set for the 2nd floor structure and the 2nd floor metal decking is complete. The electricians and plumbers have begun the 2nd floor in-slab rough-ins. Finally, the parking lot has been graded and stone and the majority of the binder course has been laid.

Statement Regarding Completion of the Project

Addison is constructing a new nursing facility in Elgin, Illinois. Because of the financing delay referenced above and an early and prolonged winter last year, commencement of construction was delayed. Addison anticipates construction will be complete within 12 months. To ensure compliance with its Project Permit, Addison is requesting a renewal of its Project Permit until December 31, 2015.

Confirmatory Evidence of Permit Compliance

The attached affidavit from Sheldon Rosenberg of Addison Rehabilitation & Living Center, LLC confirms that Addison is complying with the scope and costs of the project approved by the State Board pursuant to Project Permit # 09-030 and that sufficient financial resources are available to complete the project. (See Attachment – 1)



Ms. Kathryn Olson
November 5, 2014
Page 3

Based on the above information, which is provided to the State Board in compliance with Section 1130.740 of the Illinois Administrative Code, Addison formally requests a 12-month renewal of its permit for project #09-030.

Sincerely

A handwritten signature in black ink, appearing to read "Anne M. Cooper".

Anne M. Cooper

Attachments

cc: Michael Constantino

09-030 Addison Rehab. & Living Center ²⁻¹ 871 ⁷¹⁰ 206

LEFELGIN LLC 04-13
 910 SKOKIE BLVD., STE. 225 847-412-9871
 NORTHBROOK, IL 60062

DATE 11/04/2014

PAY TO THE ORDER OF Illinois Department of Public Health \$ 500.00
Five hundred dollars DOLLARS

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Addison Permit Abella Munk MP

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ILLINOIS HEALTH FACILITIES AND SERVICES REVIEW BOARD

ADDISON REHABILITATION & LIVING CENTER

REQUEST FOR RENEWAL OF PROJECT PERMIT # 09-030

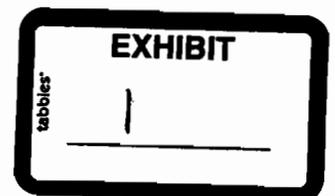
I, SHELDON ROSENBERG, do hereby affirm and testify:

1. I am an authorized representative of the Permit Holders, Addison Rehabilitation & Living Center, LLC and Elgin Property, LLC. I have personal knowledge of the facts stated herein.

2. Based on my personal knowledge of the on-going project to establish a 120-bed long-term care facility to be located at 1754-1760 Capital Street, Elgin, Illinois, I can attest that the project's cost and scope are in compliance with those approved by the Illinois Health Facilities and Services Review Board.

3. Additionally, I can also attest that there currently exists sufficient financial resources to complete the project.

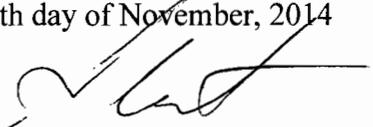
FURTHER THE AFFIANT SAYETH NOT.



The undersigned certifies that the statements set forth in this instrument are true and correct, except as to matters therein stated to be on information and belief and as to such matters the undersigned certifies as aforesaid that he verily believes the same to be true.


Sheldon Rosenberg
Addison Rehabilitation & Living Center, LLC

Subscribed and sworn before me
This 4th day of November, 2014



Notary Public

