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Negotiations continue as city tries to keep MercyRockford from moving \$485M project to Wisconsin

Editors note: MercyRockford's headquarters is in Rockford. It was wrong in an earlier version.

ROCKFORD — Officials from the city and MercyRockford Health System will meet again Thursday morning to see whether they can salvage a proposed \$485 million hospital campus with a \$900,000 problem.

As of Wednesday night, both sides were still dug in over terms of an annexation agreement that would allow the project — and its promise of creating 1,000 construction jobs, at least 300 permanent health care jobs and turning 262 acres into a medical destination — to proceed.

MercyRockford chief Javon Bea said the earth movers need to be on site at the end of this month if the hospital is to open in January 2019. Nevertheless, Bea still is threatening to move the project to Gateway Business Park in Beloit, Wisconsin, if the City Council doesn't cut in half the \$1.8 million in building permit fees when it meets Monday night.

Rockford Mayor Larry Morrissey said Wednesday that he questioned the strength of MercyRockford's proposal if it could be undone by \$900,000, which amounts to 0.2 percent of the project's cost.

"Do they want to torpedo this project? Because that's where it's headed," Bea told the Rockford Register Star Editorial Board on Wednesday.

"On paper, if the deal is so tough and close that the difference in the building permit kills it, that actually gives me pause about the overall economics of the deal," Morrissey said in a phone interview.

The deal has a ways to go to reach the kind of kumbaya moment that MercyRockford envisions.

"Not only do we need to come to terms on the annexation agreement," Paul Van Den Heuvel, general counsel for Mercy Health System, told the Editorial Board, "but we need the city to fully endorse this. We need to be arm in arm at Monday's common council meeting, with MercyRockford sitting next to the city and both parties speaking the exact same message."

There's much to work on before Monday's meeting, at which aldermen will be asked to consider development and annexation agreements that could turn the site at the junction of Interstate 90 and East Riverside Boulevard into economic medicine for a region recovering from hard times.

The Code & Regulation Committee voted 3-2 this week to cut building permit fees to \$900,000, money that city negotiators had earmarked for reconfiguring fire and emergency services to hasten response times to the medical campus.

Meanwhile, state Sen. Dave Syverson, R-Rockford, a member of the MercyRockford board of directors, offered to broker a compromise over development fees that Bea said Monday were a "deal breaker." Syverson, whose 35th Senate District includes the MercyRockford site, said he had been talking to aldermen and would continue to "educate" them about the project.

"I'm confident they're not going to want to lose this," Syverson said of the development. "If the mayor is still going to fight this, then we're going to have to go back and work the City Council for votes."

Bea and Morrissey both sent letters to aldermen this week, with Bea warning Code & Regulation members before their meeting that \$1.8 million in building permit fees was a "deal breaker."

Bea sent a letter Tuesday to the Editorial Board in advance of his meeting.

"I feel City Administration has not acted fairly in our negotiations and has not acknowledged the importance of this \$485 million project on the Rockford region economy," Bea wrote to the board.

[Letter from Javon Bea to Rockford Register Star Editorial Board](#)



MercyRockford Health System plans to build a \$400 million hospital campus near Interstate 90 and East Riverside Boulevard. The nonprofit provided this rendering of the proposed campus. PHOTO PROVIDED



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Office of the President

March 1, 2016

Editorial Board
Rockford Register Star
99 E. State Street
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Dear Editorial Board,

The letter I sent yesterday to the Codes and Regulations Committee represented an increasing sense of frustration in MercyRockford's annexation negotiations with the City of Rockford Administration. **I feel City Administration has not acted fairly in our negotiations and has not acknowledged the importance of this \$485 million project on the Rockford region economy.**

Sense of Fairness

We have worked hundreds of hours with the City Administration trying to make sense of their shocking requests to date, such as asking MercyRockford to solely pay for a fire station that would serve other parts of the City, which the City has

The annexation and development agreements spell out how the parties would pay for roads and other infrastructure costs.

"I want to reiterate that MercyRockford wants to build in Rockford," Bea wrote. "We are strongly attached to this great community and have long looked forward to being a vital force for economic growth fully dedicated to doing our part and to improve the health, wellness and quality of life for Rockford area residents."

The city wants the project here, too. "It's an awesome project," City Administrator Jim Ryan said.

But Rockford already is projecting a \$5 million deficit in its 2017 budget, largely because of rising pension costs. MercyRockford's demands could push that deficit to nearly \$6 million, money that is difficult to recoup because MercyRockford is nonprofit and doesn't pay property taxes to local governments.

The city wants the health system to set aside at least 20 acres for restaurants, stores and hotels that would produce sales tax revenue for the city.

Morrissey said the city had already put an estimated \$10 million in economic development incentives on the table.

They include:

- Property and sales tax breaks and investment tax credits because the MercyRockford site was put into the Interstate 90 Enterprise Zone.
- A five-year sales tax rebate agreement to help MercyRockford with the cost of building Interstate Boulevard and extending Lyford Road through the property.
- Pursuit of a state transportation grant that could pay for half the cost of Lyford Road, which Bea unaffectionately calls a "second version of Perryville Road" running through the heart of its property.
- Waiving water-connection fees to the property in exchange for an acre of land where the city may build an elevated water tank.

Morrissey told aldermen Monday that the sales tax rebate was meant as an incentive for MercyRockford to move quickly on acreage set aside for stores, restaurants and hotels so it can capture sales tax revenue for road improvements it is paying for. The city also wants property, which sits across the street from vacant land in Loves Park, developed quickly so its neighbor to the north doesn't reap all of the benefits when the rebates end.

"I don't want to see the hotel and all the taxable property go there, and we don't get any of it," Morrissey said.

The project, which MercyRockford says is the largest in city history, will generate an estimated 1,000 construction jobs and an additional 300 permanent health care jobs by 2020 with a \$30 million annual payroll. In addition, MercyRockford estimates it will spend \$35 million annually on goods and services and generate an additional \$100 million in new medical spending at its facilities.

Syerson, a Mercy board member for the past 12 years, said that when he first joined the board it was on the condition that the health system "stay out of Boone and Winnebago counties because the health systems here are so well run. My agreement was that I'll help you as long as you stay out of the area."

But Syerson changed his mind after Mercy merged with Rockford Health System in 2015, and Bea's team began looking at building a medical campus on property Rockford Health System had bought in 1998 for future expansion.

"I said I'll help, but you've got to agree to move the corporate headquarters of this \$2 billion company to Rockford," Syerson said. MercyRockford moved its headquarters to Rockford from Janesville, Wisconsin.

Syverson stayed on the new “super board” created when boards of the two health systems merged.

Mercy Health System paid Syverson \$15,000 for his board service in 2013, according to its most recent federal tax return, which shows compensation for its top officers. MercyRockford has yet to file a tax return with the Internal Revenue Service showing compensation for super board members.

Syverson said he did not know in advance that Bea was going to pen a letter Monday to the City Council and threaten to move the hospital to Wisconsin and out of his Senate district. Syverson said it's “not my place” to say whether such a threat was in the best interest of taxpayers and the health system.

“Sometimes you have to get serious,” Syverson said. “I think this is what happens when you have high-stakes negotiations that have been going on privately, behind closed doors, for such a long time and we're getting close to the deadline and we still don't have an agreement. I don't fault Javon Bea for getting frustrated. But I don't think the hospital will go to Wisconsin. I'm confident we can reach a compromise.”

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