

VIA FEDEX

June 28, 2018

Ms. Courtney Avery
Administrator
Illinois Health Facilities and Services Review Board
525 W Jefferson Street, 2nd Floor
Springfield, IL 62761

**Re: Request for Permit Alteration -
Project 16-044, Lurie Children's Outpatient Services and Surgical Center, Northbrook, IL**

Dear Ms. Avery:

Lurie Children's is hereby requesting an alteration to Permit #16-044. The project was approved on January 24, 2017 with a project capital cost of \$35,555,707. The alteration requests a \$500,000 increase in total project costs, which would result in a revised project cost of \$36,055,707.

The attached table shows the Project Costs and Sources of Funds table from the approved permit application, and the changes by line item associated with the \$500,000 increase.

The largest changes are: 1) an increase of \$243,030 in modernization contracts; and 2) a \$431,835 increase in equipment costs. The increase in modernization costs is the result of the delay by the building owner in turning over the space to start construction, and increased construction costs due to the tightening labor and materials markets during the early months of the project. The increase in equipment costs results from system wide upgrades in equipment, and allowances set aside for equipment did not fully cover the needs of surgeons who will be active at the surgery center.

Part of these increases is being offset by reductions in other line items. These include a savings on bond issuance expense, since the project will be fully paid for by cash and securities, and a lower cost for architectural/engineering fees and consultant fees.

The delayed delivery of the space by the landlord results in a reduction on the rent payments by Lurie Children's. That is because the 15 year term of the lease has a fixed end date, and the approximately 4 month delay in the start of rent payment does not extend the term of the lease at its conclusion. It is our understanding that rent savings cannot be considered as an offset on the table to other capital cost increases. As a result, we have not reduced the requested \$500,000 project cost increase by the anticipated approximately \$150,000 in reduced rent payment. Thus, the Project Costs and Sources of Funds table does not show a reduction in the rent as a credit that would lower the requested project cost increase.

Division/Department Name if Needed, Otherwise Delete

225 East Chicago Avenue, Chicago, Illinois 60611 | 312.227.4000 | luriechildrens.org

Ann & Robert H. Lurie Children's Hospital of Chicago Foundation | Stanley Manne Children's Research Institute

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At this time, it appears that the Project Completion date of December 31, 2018 and March 31, 2019 for the final project cost report and project close out will be maintained. No permit renewal is requested.

If you have any questions, please contact Reagen Atwood, Associate General Counsel, at 312-227-7470 or Ralph Weber, our Certificate of Need consultant, at 847-791-0830.

Sincerely,

Patrick Magoon
President & CEO

cc: Reagen Atwood, Associate General Counsel, Ann & Robert H. Lurie Children's Hospital of Chicago
Stacey Panek, Senior Project Manager, Ann & Robert H. Lurie Children's Hospital of Chicago
Ralph Weber, CON Consultant