



AT THE FOREFRONT
**UChicago
Medicine**

Finance and
Shared Services

April 27, 2023

Via Hand Delivery

Ms. Debra Savage, Chair
Illinois Health Facilities and Services Review Board
525 W. Jefferson Street - 2nd Floor
Springfield, IL 62761

RECEIVED

APR 29 2023

HEALTH FACILITIES &
SERVICES REVIEW BOARD

Subject: The University of Chicago Medical Center ("UCMC")
Project No. 21-033 (the "Project")
Request for Permit Alteration

Dear Chairwoman Savage:

UCMC is requesting an alteration to Project 21-033, which the Illinois Health Facilities and Services Review Board (the "**Review Board**") approved on December 14, 2021. The purpose of Project 21-033 is to build out shelled space in UCMC's Orland Park Medical Office Building ("MOB"). That project had a total cost of \$18,530,768 and total square footage of 23,100. UCMC is now requesting a permit alteration for Project 21-033 for changes largely attributed to its Diagnostic Imaging Suite in the MOB, which will increase the Project Cost to \$19,614,173 and reduce the total square footage by four (4%) percent to 22,115 BGSF.

UCMC is submitting this request for a Permit Alteration along with a further request for Permit Renewal to extend the Project Completion date to April 30, 2024. As discussed in this application, UCMC intends to file a new CON application shortly to address increases in project costs and square footages that exceed the amounts that can be achieved by a permit alteration (13% increase in project costs and 8% increase in square footage modernized).

Project Overview and Status

With its Orland Park MOB, UCMC has expanded access to multi-specialty outpatient care, cancer screening, and diagnostic imaging to meet the growing demand for health care resources in communities already served by UCMC. The Project involves work on both the 4th and 2nd floors, in which the work on the 4th floor must be completed first to allow some services from the 2nd floor to be relocated to the 4th floor. UCMC has substantially completed the build out of the shell space on the 4th floor of the MOB, including 18 exam rooms, a minor procedure suite, a cardiology testing area, and a blood draw area. The work on the 2nd floor adds one MRI and one PET scanner in the existing Diagnostic Imaging Suite on the 2nd Floor.

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The 4th floor build out and renovations are substantially complete. The first patients were seen in the new clinics on December 19, 2023. Minor construction activities that do not affect patient care are winding down. The updated programming and design of the renovations for the 2nd floor Diagnostic Imaging Suite are complete. The design changes include additional structural steel and equipment shielding for the safe deployment of the additional MRI and PET scanner, as well as associated modifications to enhance clinical efficiency. The updated design for the 2nd floor has been bid, UCMC has finalized the revised costs, and the remaining work on the Project is ready to proceed.

UCM is proposing to install the needed structural steel for both the new MRI and PET Scanner in the Diagnostic Imaging Suite on the 2nd floor, to install the additional MRI, and to renovate the associated non-reviewable spaces necessary to operationalize the MRI under this Permit Alteration.

Proposed Changes and Reason for Changes

The Project was planned in two phases with the 4th floor needing to be completed first. Completion of the 4th floor freed up space on the 2nd floor necessary for the renovations to the Diagnostic Imaging Suite. Completion of the 4th floor was delayed by two months due to supply chain delays for mobile medical equipment and construction materials (e.g., patient room doors), which directly affected the planned start of the 2nd floor renovations.

Following an updated review of the Project, a radiation physicist recommended additional shielding for the PET scanner to further enhance the safety of its operation. This, in turn, required UCMC to redesign the structural steel to support the equipment's installation and to obtain new bids and pricing from contractors. The initial bid submissions were significantly above the original Project Cost and required bid re-submission. Through the bid re-submissions, UCMC was able to remove \$1,100,000 in costs proposed in the initial bids, but the final costs are still above the approved Project Cost.

With the Permit Alteration, we request the Project Cost be increased to \$19,730,768, an increase of \$1,083,405 (3.2%) at this time. The total cost of the revised renovations to the 2nd floor, however, is expected to cost \$ 8,961,799. Most of that cost is attributable to steel costs for the PET shielding (\$860,000) and the additional structural steel (\$309,000) work. Because that amount exceeds the permissible 7% increase allowable for a permit alteration UCMC recognizes that it will need to file a new CON application to complete the full project. Consequently, UCMC has worked with its construction manager to separate the 2nd floor renovations into two phases. The permit alteration allows UCMC to continue work on patient service areas with long lead time, such as installation of the MRI and PET scanner, and have identified areas for which construction can be delayed until a new CON application is approved.

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In addition, UCMC anticipates the need to renovate slightly more square footage on the 2nd floor—an increase in square footage of approximately 8%. Because this amount also exceeds the 5% allowable for a permit alteration, approval for that additional square footage will be addressed in the new CON application. Consequently, areas to be renovated in that second phase are being removed from the current project and consequently this permit alteration application requests a decrease in square footage from 23,100 to 22,115, a decrease of 4.2% UCMC plans to submit its new replacement CON application by May 15 with the hope that it can be considered by the Board at its August meeting.

Specific Changes and Explanation

Attached are revised pages to the original CON application that would implement the Permit Alteration.

1. Costs and Sources of Funds. A revised page 7 showing the new Projects Costs is attached.
2. Availability of Funds. The Availability of Funds pages have been revised to reflect the revised Project Costs.
3. Attachment 7 – Project Costs and Sources of Funds. This table has been revised to reflect the increase in the Project Cost by \$1,083,504. Revised Project Cost detail is included in this Attachment.
4. Attachment 9 – Cost Space Requirements– Cost Space Requirements. This table has been revised to reflect the increase in the Project Cost and the slight decrease in square footage to be renovated.
5. Attachment 36 – Reasonableness of Project & Related Costs. As with Attachment 9, this table has been revised to reflect the increase in the Project Cost and the decrease in square footage as discussed above

Conclusion

Concurrent with the filing of this Permit Alteration, UCMC is also filing a request for a Permit Renewal through April 30, 2024, to allow completion of the components of the Project described herein. UCMC looks forward to working with the Review Board and State Board staff on its new Certificate of Need application to complete the remainder of the construction.

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Enclosed please find the required \$1,000 application fee. We appreciate your consideration of our continued work on this important project. Please let us know if you have any questions or if you need additional information.

Very truly yours,



Phillip L. Kaufman, CPA
Vice President
Finance and Shared Services

Enclosures

cc: Joe Ourth

The following Sections **DO NOT** need to be addressed by the applicants or co-applicants responsible for funding or guaranteeing the funding of the project if the applicant has a bond rating of A- or better from Fitch's or Standard and Poor's rating agencies, or A3 or better from Moody's (the rating shall be affirmed within the latest 18-month period prior to the submittal of the application):

- **Section 1120.120 Availability of Funds – Review Criteria**
- **Section 1120.130 Financial Viability – Review Criteria**
- **Section 1120.140 Economic Feasibility – Review Criteria, subsection (a)**

VI. 1120.120 - AVAILABILITY OF FUNDS

The applicant 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 from the following sources, as applicable [Indicate the dollar amount to be provided from the following sources]:

<p>\$19,614.173</p>	<p>a) Cash and Securities – statements (e.g., audited financial statements, letters from financial institutions, board resolutions) as to:</p> <ol style="list-style-type: none"> 1) the amount of cash and securities available for the project, including the identification of any security, its value and availability of such funds; and 2) interest to be earned on depreciation account funds or to be earned on any asset from the date of applicant's submission through project completion; <p>b) Pledges – for anticipated pledges, a summary of the anticipated pledges showing anticipated receipts and discounted value, estimated timetable of gross receipts and related fundraising expenses, and a discussion of past fundraising experience.</p> <p>c) Gifts and Bequests – verification of the dollar amount, identification of any conditions of use, and the estimated timetable of receipts;</p> <p>d) Debt – a statement of the estimated terms and conditions (including the debt time period, variable or permanent interest rates over the debt time period, and the anticipated repayment schedule) for any interim and for the permanent financing proposed to fund the project, including:</p> <ol style="list-style-type: none"> 1) For general obligation bonds, proof of passage of the required referendum or evidence that the governmental unit has the authority to issue the bonds and evidence of the dollar amount of the issue, including any discounting anticipated; 2) For revenue bonds, proof of the feasibility of securing the specified amount and interest rate; 3) For mortgages, a letter from the prospective lender attesting to the expectation of making the loan in the amount and time indicated, including the anticipated interest rate and any conditions associated with the mortgage, such as, but not limited to, adjustable interest rates, balloon payments, etc.; 4) For any lease, a copy of the lease, including all the terms and conditions, including any purchase options, any capital improvements to the property and provision of capital equipment; 5) For any option to lease, a copy of the option, including all terms and conditions. <p>e) Governmental Appropriations – a copy of the appropriation Act or ordinance accompanied by a statement of funding availability from an official of the</p>
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<div></div> <div></div>	<p>governmental unit. If funds are to be made available from subsequent fiscal years, a copy of a resolution or other action of the governmental unit attesting to this intent;</p> <p>f) Grants – a letter from the granting agency as to the availability of funds in terms of the amount and time of receipt;</p> <p>g) All Other Funds and Sources – verification of the amount and type of any other funds that will be used for the project.</p>
\$19,614,173	TOTAL FUNDS AVAILABLE

**Project Costs and Sources of Funds
Permit Alteration**

Project Costs and Sources of Funds			
USE OF FUNDS	ORIGINAL PERMIT	ALTERATION REQUEST	INCREASE
Preplanning Costs			
Site Survey and Soil Investigation			
Site Preparation	\$528,560	\$528,560	\$0
Off Site Work			
New Construction Contracts	4,648,901	5,471,580	822,679
Modernization Contracts	2,031,343	3,164,746	1,133,403
Contingencies	668,024	360,000	(308,024)
Architectural/Engineering Fees	573,400	514,732	(58,668)
Consulting and Other Fees	665,000	728,592	63,592
Movable or Other Equipment (not in construction contracts)	7,373,850	7,622,025	248,175
Bond Issuance Expense (project related)			
Net Interest Expense During Construction (project related)	782,690	831,482	48,792
Fair Market Value of Leased Space or Equipment			
Other Costs to Be Capitalized	1,259,000	392,815	866,185
Acquisition of Building or Other Property (excluding land)			
TOTAL USES OF FUNDS	\$18,530,768	\$19,614,173	1,083,405
SOURCE OF FUNDS	CLINICAL	NONCLINICAL	TOTAL
Cash and Securities	\$18,530,768	\$19,614,173	\$1,083,405
Pledges			
Gifts and Bequests			
Bond Issues (project related)			
Mortgages			
Leases (fair market value)			
Governmental Appropriations			
Grants			
Other Funds and Sources			
TOTAL SOURCES OF FUNDS	\$18,530,768	\$19,614,173	\$1,083,405

Attachment 7 – Costs and Source of Funds

Project Costs and Sources of Funds			
USE OF FUNDS	REVIEWABLE	NONREVIEWABLE	TOTAL
Preplanning Costs			
Site Survey and Soil Investigation			
Site Preparation	\$485,440	\$43,120	\$528,560
Off Site Work			
New Construction Contracts	3,862,445	1,609,136	5,471,580
Modernization Contracts	3,109,478	55,268	3,164,746
Contingencies	329,725	30,275	360,000
Architectural/Engineering Fees	399,062	115,310	514,732
Consulting and Other Fees	544,709	183,883	728,592
Movable or Other Equipment (not in construction contracts)	7,101,477	520,548	7,622,025
Bond Issuance Expense (project related)			
Net Interest Expense During Construction (project related)	681,815	149,667	831,482
Fair Market Value of Leased Space or Equipment			
Other Costs to Be Capitalized	290,189	102,626	392,815
Acquisition of Building or Other Property (excluding land)			
TOTAL USES OF FUNDS	\$16,804,341	\$2,809,832	\$19,614,173
SOURCE OF FUNDS	CLINICAL	NONCLINICAL	TOTAL
Cash and Securities	\$16,804,341	\$2,809,832	\$19,614,173
Pledges			
Gifts and Bequests			
Bond Issues (project related)			
Mortgages			
Leases (fair market value)			
Governmental Appropriations			
Grants			
Other Funds and Sources			
TOTAL SOURCES OF FUNDS	\$16,804,341	\$2,809,832	\$19,614,173

Attachment 7 – Cost Detailed

Cost Detailed		Total	Clinical	Non-Clinical	Total
Preplanning Costs					
	Mockups	-	-	-	-
Site Survey and Soil Investigation		-	-	-	-
Site Preparation		528,561			
	New Construction Site Preparation		235,440	43,120	278,560
	CVS Site Preparation/Structure		250,000	-	250,000
New Construction		5,471,581			
	Outpatient Clinics		3,743,115		3,743,115
	Diagnostic Imaging		119,329		119,329
	Offices			552,685	552,685
	Public			485,332	485,332
	New Staff			441,103	441,103
	Building Support			130,016	130,016
Modernization Contracts		3,164,746			
	Outpatient Clinics		20,000		20,000
	Diagnostic Imaging		3,089,478		3,089,478
	Public			55,268	55,268
Contingencies		360,000	329,725	30,275	360,000
Architectural/Engineering Fees		514,372			
	Architecture Design		399,062	115,310	514,372
Consulting and Other Fees		728,592			
	City Permit Fees		18,354	5,445	23,799
	CON Related Fees		44,941	13,827	58,768
	Legal Council		33,967	13,137	47,104
	Other Miscellaneous Fees		14,361	6,214	20,575
	Capitalized Labor		360,025	124,571	484,596
	Engineering		11,776	1,974	13,750
	Equipment Planning		61,286	18,714	80,000
Movable and Other Equipment		7,622,025			
	Medical Equipment		1,419,083	150,000	1,569,083
	1.5T MRI		1,800,000		1,800,000
	Fluoroscopy/ C-Arm		137,051		137,051
	PET/CT		2,500,000		2,500,000
	Nurse Call Equipment		88,118		88,118
	Furniture		562,486	180,068	742,554
	Signage		16,355	6,141	22,496
	Artwork		20,770	8,675	29,445
	WiFi/DAS		84,637	31,942	116,579
	Network Closets		65,124	24,123	89,247
	PCs & Printers		144,094	47,833	191,927
	Patient Monitoring		231,419	59,528	290,947
	TV/PT Entertainment		32,340	12,238	44,578
Net Interest Expense During Construction		831,482	681,815	149,667	831,482
Other Costs to be Capitalized		392,815			
	IT Services/Cabling		97,425	23,424	120,849
	Kronos		2,585	1,118	3,703
	Security		82,017	33,930	115,947
	Equipment Warehousing		24,974	10,026	35,000
	EVs		18,401	7,182	25,583
	Locks		24,974	10,026	35,000
	Moving		9,141	3,955	13,096
	Fire Extinguisher		1,542	355	1,897
	Steris SPM Implementation		14,378	6,222	20,600
	Computers Curis		14,755	6,385	21,140
Total Costs		\$19,614,173	16,804,341	2,809,832	19,614,173

Attachment 9 – Cost Space Requirements

University of Chicago Medical Center								
Orland Park Expansion								
		BGSF			BGSF			
	Cost	Existing	Proposed	New	Modernization	As Is	Vacated Space	Re-Assign
Reviewable								
Outpatient Clinics	\$7,705,282	19,501	12,932	11,294	1,637	19,501	0	0
Infusion Therapy	\$0	7,171	0	0	0	7,171	0	0
Radiation Oncology	\$0	5,994	0	0	0	5,994	0	0
Diagnostic Imaging	\$9,028,328	11,085	3,389	402	2,987	11,085	0	0
Total Reviewable	\$16,733,610	43,751	16,321	11,696	4,624	43,751		
Non-Reviewable								
Administrative	\$1,093,845	1,593	1,994	1,873	120	1,593	0	0
Public	\$836,317	7,465	1,703	1,635	68	7,465	0	0
Staff Support	\$682,393	1,992	1,659	1,486	0	1,992	0	0
Mechanical/Building Support	\$268,009	2,375	438	438	174	2,375	0	0
Space to be leased	\$0	14,196	0	0	0	14,196	0	0
Parking Deck	\$0	132,000	0	0	0	132,000	0	0
Total Non-Reviewable	\$2,880,564	159,621	5,794	5,432	362	159,621		
Project Totals:	\$19,614,173	203,371	22,115	17,128	4,986	203,371		

Attachment 36 – Reasonableness of Project & Related Costs

University of Chicago Medical Center Orland Park Expansion									
Reviewable	Cost/SF		Gross SF		Gross SF		Constr. Cost \$	Mod. \$	Total
	A New	B Modernized	C New	D Circ.	E Modern	F Circ.	G (A + C)	H (B + E)	I (G + H)
Outpatient Clinics	\$331	\$12	11,294	32%	1,637	11%	\$3,743,115	\$20,000	\$3,763,115
Infusion Therapy	\$0	\$0	0	0%	0	0%	\$0	\$0	\$0
Radiation Oncology	\$0	\$0	0	0%	0	0%	\$0	\$0	\$0
Diagnostic Imaging	\$297	\$1,034	402	20%	2,987	21%	119,329	3,089,478	\$3,208,807
Total Reviewable	\$330	\$672	11,696	31%	4,624	18%	\$3,862,445	\$3,109,478	\$6,971,923
Contingencies	\$2	\$67					22,140	307,586	\$329,725
Grand Total Reviewable	\$332	\$739	11,696	31%	4,624	18%	\$3,884,584	\$3,417,064	\$7,301,648
Non-Reviewable									
Administrative	\$295	\$0	1,873	34%	120	25%	\$552,685	\$0	\$552,685
Public	\$331	\$0	1,635	41%	68	2016%	\$540,601	\$0	\$540,601
Staff Support	\$297	\$0	1,486	20%	0	0%	\$441,103	\$0	\$441,103
Building Support	\$297	\$0	438	32%	174	0%	\$130,016	\$0	\$130,016
Space to be leased	\$0	\$0	0	0%	0	0%	\$0	\$0	\$0
Parking Deck	\$0	\$0	0	0%	0	0%	\$0	\$0	\$0
Total Non-Reviewable	\$306	\$0	5,432	32%	362	387%	\$1,664,404	\$0	\$1,664,404
Contingencies	\$0	\$84					-	30,275	\$30,275
Grand Total Non-Reviewable	\$306	\$84	5,432	32%	362	387%	1,664,404	30,275	\$1,694,679



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HEALTH FACILITIES &
SERVICES REVIEW BOARD

Via Hand-Delivery

Ms. Debra Savage, Chair
Illinois Health Facilities and Services Review Board
525 W. Jefferson Street - 2nd Floor
Springfield, IL 62761

Subject: The University of Chicago Medical Center Orland Park MOB
Project No. 21-033 (the “**Project**”)
Request for Permit Renewal

Dear Chairwoman Savage:

The University of Chicago Medical Center (“UCMC”) respectfully requests an 11-month permit renewal for our Project referenced above. On August 27, 2014, UCMC received approval from the Illinois Health Facilities and Services Review Board (the “**Review Board**”) to construct a four-story medical office building in Orland Park, with the fourth floor reserved as shelled space. On December 14, 2021, the Review Board granted UCMC a permit to build out the remaining shelled space and to add one (1) MRI and one (1) PET Scan on the second floor Diagnostic Imaging Suite with an original Project completion date of May 31, 2023.

This is UCMC’s first request for a Permit Renewal.

Project Overview and Status

This Project is a two-phase undertaking. First, UCMC will build out the 4th floor to create additional multi-specialty clinic exam rooms, a procedure suite, a blood draw area, and associated non-reviewable space. The 4th floor phase is substantially complete. The first patients were seen in the new clinics on December 19, 2023. Minor construction activities in this area that do not affect patient care are winding down.

The second phase is to expand imaging services in space on the 2nd floor in space used for services being moved to the 4th floor. This included adding one additional MRI and one PET scanner. The updated programming and design of the remaining renovations for the 2nd floor Diagnostic Imaging Suite are complete. The design changes include additional structural steel and equipment shielding for the safe deployment of the additional MRI and PET scanner, as well as associated modifications to enhance clinical efficiency. The updated design for the 2nd floor has

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been bid, UCMC has finalized the revised costs, and the remaining work on the Project is ready to proceed.

UCMC is proposing to install the needed structural steel for both the new MRI and PET Scanner in the Diagnostic Imaging Suite on the 2nd floor, to install the additional MRI, and to renovate the associated non-reviewable spaces necessary to operationalize the MRI under this Permit Renewal. UCMC is simultaneously submitting a Permit Alteration to reflect the proposed 2nd floor changes and associated cost increases.

Reasons why the Project has not been Completed and Requested Completion Date

The Project was planned in phases with the 4th floor needing to be completed before the 2nd floor phase could begin. Completion of the 4th floor created the space on the 2nd floor necessary to renovate the Diagnostic Imaging Suite and the MRI and PET scanner. Completion of the 4th floor was delayed by two months due to supply chain delays for mobile medical equipment and construction materials (*e.g.*, patient room doors), which directly affected the planned start of the 2nd floor renovations.

Following an updated review of the Project, a radiation physicist recommended that additional shielding for the PET scanner was needed to further enhance the safety of its operation. This, in turn, required UCMC to redesign the structural steel to support the equipment's installation and to obtain new bids and pricing from contractors. Initial bid submissions were significantly above the Project Costs and required bid re-submission, which resulted in a further delay. While renovation of the 4th floor is essentially complete, the renovation to install the MRI and associated non-reviewable spaces on the 2nd floor will also extend the construction phase.

UCMC is requesting a new Project Completion Date of April 30, 2024.

Project Cost and Scope

UCMC Financial Committed the Project on April 29, 2022, when it signed a construction contract for the first phase of construction. The attached table showing Project Costs incurred to date shows that UCMC has expended over \$9,686,245 or 52% of the approved amount.

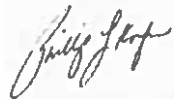
The Project Cost remains in compliance with what the Review Board approved in UCMC's Permit for Project 21-033.

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Illinois Health Facilities and Services Review Board
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Conclusion

Enclosed please find the required \$1,000 application fee. Please let us know if you have any questions or if you need additional information.

Very truly yours,

A handwritten signature in black ink, appearing to read "Phillip L. Kaufman", is written over a light gray rectangular background.

Phillip L. Kaufman, CPA
VP Finance & Shared Services

Enclosures



The University of Chicago Medical Center
Project No. 21-033

Project Costs and Sources of Funds		
USE OF FUNDS		TOTAL
	Permit Amount	Exp. Through 3/2023
Preplanning Costs	\$0	\$0
Site Survey and Soil Investigation	528,560	278,560
Site Preparation		
Off Site Work		
New Construction Contracts	4,648,901	4,395,400
Modernization Contracts	2,031,343	434,710
Contingencies	668,024	0
Architectural/Engineering Fees	573,400	446,641
Consulting and Other Fees	665,000	585,818
Movable or Other Equipment (not in construction contracts)	7,373,850	2,251,456
Bond Issuance Expense (project related)	-	-
Net Interest Expense During Construction (project related)	782,691	293,000
Fair Market Value of Leased Space or Equipment		
Other Costs To Be Capitalized	1,259,000	1,000,660
Acquisition of Building or Other Property (excluding land)		
	\$18,530,769	9,686,245
SOURCE OF FUNDS		
	Permit Amount	Exp. Through 3/2023
Cash and Securities	\$18,530,769	9,686,245
Pledges		
Gifts and Bequests		
Bond Issues (project related)		-
Mortgages		
Leases (fair market value)		
Governmental Appropriations		
Grants		
Other Funds and Sources		
TOTAL SOURCES OF FUNDS	\$18,530,769	\$9,686,245