ILLINOIS HEALTH FACILITIES AND SERVICES REVIEW BOARD
APPLICATION FOR PERMIT

SECTION I. IDENTIFICATION, GENERAL INFORMATION, AND CERTIFICATION

This Section must be completed for all projects.

Facility/Project Identification

Facility Name:	Northwestern Medicine Oak Brook Medical Office Building
Street Address:	1001 Commerce Drive
City and Zip Code:	Oak Brook, IL 60523
County: DuPage	Health Service Area: 07 Health Planning Area: A-05

Applicant(s) [Provide for each applicant (refer to Part 1130.220)]

Exact Legal Name:	Northwestern Memorial HealthCare
Street Address:	251 East Huron Street
City and Zip Code:	Chicago, IL 60611
Name of Registered Agent:	Danae Prousis
Registered Agent Street Address:	211 East Ontario Street Suite 1800
Registered Agent City and Zip Code:	Chicago, IL 60611
Name of Chief Executive Officer:	Dean M. Harrison
CEO Street Address:	251 East Huron Street
CEO City and Zip Code:	Chicago, IL 60611
CEO Telephone Number:	312-926-3007

Type of Ownership of Applicants

- ☒ Non-profit Corporation
- ☐ For-profit Corporation
- ☐ Limited Liability Company
- ☐ Partnership
- ☐ Governmental
- ☐ Sole Proprietorship
- ☐ Other

- Corporations and limited liability companies must provide an **Illinois certificate of good standing.**
- Partnerships must provide the name of the state in which they are organized and the name and address of each partner specifying whether each is a general or limited partner.

APPEND DOCUMENTATION AS ATTACHMENT 1 IN NUMERIC SEQUENTIAL ORDER AFTER THE LAST PAGE OF THE APPLICATION FORM.

Primary Contact [Person to receive ALL correspondence or inquiries]

Name:	Bridget Orth
Title:	Director, Regulatory Planning
Company Name:	Northwestern Memorial HealthCare
Address:	211 East Ontario Street Suite 1750
Telephone Number:	312-926-8650
E-mail Address:	borth@nm.org
Fax Number:	312-926-0373

Additional Contact [Person who is also authorized to discuss the application for permit]

Name:	Ann Hall
Title:	Vice President, Administration
Company Name:	Northwestern Memorial HealthCare
Address:	211 East Ontario Street Suite 1750
Telephone Number:	312-926-6668
E-mail Address:	ann.hall@nm.org
Fax Number:	312-926-0373

Post Permit Contact

[Person to receive all correspondence subsequent to permit issuance-**THIS PERSON MUST BE EMPLOYED BY THE LICENSED HEALTH CARE FACILITY AS DEFINED AT 20 ILCS 3960**]

Name:	Bridget Orth
Title:	Director, Regulatory Planning
Company Name:	Northwestern Memorial HealthCare
Address:	211 East Ontario Street Suite 1750
Telephone Number:	312-926-8650
E-mail Address:	borth@nm.org
Fax Number:	312-926-0373

Site Ownership

[Provide this information for each applicable site]

Exact Legal Name of Site Owner: OBC Medical, LLC

Address of Site Owner: 71 South Wacker Drive Suite 3725, Chicago, IL 60606

Street Address or Legal Description of the Site:

Proof of ownership or control of the site is to be provided as Attachment 2. Examples of proof of ownership are property tax statements, tax assessor's documentation, deed, notarized statement of the corporation attesting to ownership, an option to lease, a letter of intent to lease, or a lease.

APPEND DOCUMENTATION AS ATTACHMENT 2, IN NUMERIC SEQUENTIAL ORDER AFTER THE LAST PAGE OF THE APPLICATION FORM.

Operating Identity/Licensee

[Provide this information for each applicable facility and insert after this page.]

Exact Legal Name: Northwestern Memorial HealthCare

Address: 251 East Huron Street, Chicago, IL 60611

- ☒ Non-profit Corporation
- ☐ For-profit Corporation
- ☐ Limited Liability Company
- ☐ Partnership
- ☐ Governmental
- ☐ Sole Proprietorship
- ☐ Other

- Corporations and limited liability companies must provide an Illinois Certificate of Good Standing.
- Partnerships must provide the name of the state in which organized and the name and address of each partner specifying whether each is a general or limited partner.
- **Persons with 5 percent or greater interest in the licensee must be identified with the % of ownership.**

APPEND DOCUMENTATION AS ATTACHMENT 3, IN NUMERIC SEQUENTIAL ORDER AFTER THE LAST PAGE OF THE APPLICATION FORM.

Organizational Relationships

Provide (for each applicant) an organizational chart containing the name and relationship of any person or entity who is related (as defined in Part 1130.140). If the related person or entity is participating in the development or funding of the project, describe the interest and the amount and type of any financial contribution.

APPEND DOCUMENTATION AS ATTACHMENT 4, IN NUMERIC SEQUENTIAL ORDER AFTER THE LAST PAGE OF THE APPLICATION FORM.

Flood Plain Requirements

[Refer to application instructions.]

Provide documentation that the project complies with the requirements of Illinois Executive Order #2006-5 pertaining to construction activities in special flood hazard areas. As part of the flood plain requirements, please provide a map of the proposed project location showing any identified floodplain areas. Floodplain maps can be printed at **www.FEMA.gov** or **www.illinoisfloodmaps.org**. **This map must be in a readable format**. In addition, please provide a statement attesting that the project complies with the requirements of Illinois Executive Order #2006-5 (http://www.hfsrb.illinois.gov). **NOTE:** A SPECIAL FLOOD HAZARD AREA AND 500-YEAR FLOODPLAIN DETERMINATION FORM has been added at the conclusion of this Application for Permit that must be completed to deem a project complete.

APPEND DOCUMENTATION AS ATTACHMENT 5, IN NUMERIC SEQUENTIAL ORDER AFTER THE LAST PAGE OF THE APPLICATION FORM.

Historic Resources Preservation Act Requirements

[Refer to application instructions.]

Provide documentation regarding compliance with the requirements of the Historic Resources Preservation Act.

APPEND DOCUMENTATION AS ATTACHMENT 6, IN NUMERIC SEQUENTIAL ORDER AFTER THE LAST PAGE OF THE APPLICATION FORM.

DESCRIPTION OF PROJECT

1. Project Classification

[Check those applicable - refer to Part 1110.20 and Part 1120.20(b)]

Part 1110 Classification :

☐ Substantive

☒ Non-substantive

2. Narrative Description

In the space below, provide a brief narrative description of the project. Explain **WHAT** is to be done in **State Board defined terms, NOT WHY** it is being done. If the project site does NOT have a street address, include a legal description of the site. Include the rationale regarding the project's classification as substantive or non-substantive.

Northwestern Memorial HealthCare (NMHC) proposes the construction of outpatient medical office space in a speculative building developed and owned by MedProperties located at 1001 Commerce Drive in Oak Brook, IL.

The project will include physicians' offices for the Northwestern Medicine Regional Medical Group (RMG) and non-hospital based ambulatory care: infusion services, diagnostic imaging, physical therapy, and well-patient laboratory.

The total project square footage will be 67,264 square feet.

The total project cost is $83,342,001 (including the FMV of the leased space).

The anticipated project completion date is June 30, 2024.

The project is classified as non-substantive because it does not establish a new category of service or facility nor does it involve a discontinuation of a category of service or facility as defined in 20 ILCS 3960/3.

Project Costs and Sources of Funds

Complete the following table listing all costs (refer to Part 1120.110) associated with the project. When a project or any component of a project is to be accomplished by lease, donation, gift, or other means, the fair market or dollar value (refer to Part 1130.140) of the component must be included in the estimated project cost. If the project contains non-reviewable components that are not related to the provision of health care, complete the second column of the table below. Note, the use and sources of funds must be equal.

Project Costs and Sources of Funds			
USE OF FUNDS	**CLINICAL**	**NONCLINICAL**	**TOTAL**
Preplanning Costs	$ 47,876	$ 81,369	$ 129,245
Site Survey and Soil Investigation			
Site Preparation			
Off Site Work			
New Construction Contracts	$ 7,611,325	$ 10,218,655	$ 17,829,980
Modernization Contracts			
Contingencies	$ 761,133	$ 1,021,866	$ 1,782,998
Architectural/Engineering Fees	$ 568,609	$ 966,391	$ 1,535,000
Consulting and Other Fees	$ 92,607	$ 157,393	$ 250,000
Movable or Other Equipment (not in construction contracts)	$ 14,055,218	$ 1,944,782	$ 16,000,000
Bond Issuance Expense (project related)			
Net Interest Expense During Construction (project related)			
Fair Market Value of Leased Space or Equipment	$ 16,870,103	$ 28,671,897	$ 45,542,000
Other Costs to Be Capitalized	$ 101,045	$ 171,733	$ 272,778
Acquisition of Building or Other Property (excluding land)			
TOTAL USES OF FUNDS	**$ 40,107,917**	**$ 43,234,084**	**$ 83,342,001**
SOURCE OF FUNDS	**CLINICAL**	**NONCLINICAL**	**TOTAL**
Cash and Securities	$ 23,237,814	$ 14,562,187	$ 37,800,001
Pledges			
Gifts and Bequests			
Bond Issues (project related)			
Mortgages			
Leases (fair market value)	$ 16,870,103	$ 28,671,897	$ 45,542,000
Governmental Appropriations			
Grants			
Other Funds and Sources			
TOTAL SOURCES OF FUNDS	**$ 40,107,917**	**$ 43,234,084**	**$ 83,342,001**

NOTE: ITEMIZATION OF EACH LINE ITEM MUST BE PROVIDED AT ATTACHMENT 7, IN NUMERIC SEQUENTIAL ORDER AFTER THE LAST PAGE OF THE APPLICATION FORM.

Related Project Costs
Provide the following information, as applicable, with respect to any land related to the project that will be or has been acquired during the last two calendar years:

Land acquisition is related to project ☐ Yes ☒ No
Purchase Price: $ N/A
Fair Market Value: $ N/A

The project involves the establishment of a new facility or a new category of service
☐ Yes ☒ No

If yes, provide the dollar amount of all **non-capitalized** operating start-up costs (including operating deficits) through the first full fiscal year when the project achieves or exceeds the target utilization specified in Part 1100.

Estimated start-up costs and operating deficit cost is $ N/A

Project Status and Completion Schedules

For facilities in which prior permits have been issued please provide the permit numbers.

Indicate the stage of the project's architectural drawings:

☐ None or not applicable ☐ Preliminary
☒ Schematics ☐ Final Working

Anticipated project completion date (refer to Part 1130.140): June 30, 2024

Indicate the following with respect to project expenditures or to financial commitments (refer to Part 1130.140):

☐ Purchase orders, leases or contracts pertaining to the project have been executed.
☒ Financial commitment is contingent upon permit issuance. Provide a copy of the contingent "certification of financial commitment" document, highlighting any language related to CON Contingencies
☐ Financial Commitment will occur after permit issuance.

APPEND DOCUMENTATION AS ATTACHMENT 8, IN NUMERIC SEQUENTIAL ORDER AFTER THE LAST PAGE OF THE APPLICATION FORM.

State Agency Submittals [Section 1130.620(c)]

Are the following submittals up to date as applicable?
☒ Cancer Registry
☒ APORS
☒ All formal document requests such as IDPH Questionnaires and Annual Bed Reports been submitted
☒ All reports regarding outstanding permits
Failure to be up to date with these requirements will result in the application for permit being deemed incomplete.

Cost Space Requirements

Provide in the following format, the **Departmental Gross Square Feet (DGSF)** or the **Building Gross Square Feet (BGSF)** and cost. The type of gross square footage either **DGSF** or **BGSF** must be identified. The sum of the department costs **MUST** equal the total estimated project costs. Indicate if any space is being reallocated for a different purpose. Include outside wall measurements plus the department's or area's portion of the surrounding circulation space. **Explain the use of any vacated space.**

Not Reviewable Space [i.e. non-clinical]: *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 services from the health care facility. "Non-clinical service areas" include, but are not limited to, chapels; gift shops; newsstands; computer systems; tunnels, walkways, and elevators; telephone systems; projects to comply with life safety codes; educational facilities; student housing; patient, employee, staff, and visitor dining areas; administration and volunteer offices; modernization of structural components (such as roof replacement and masonry work); boiler repair or replacement; vehicle maintenance and storage facilities; parking facilities; mechanical systems for heating, ventilation, and air conditioning; loading docks; and repair or replacement of carpeting, tile, wall coverings, window coverings or treatments, or furniture. Solely for the purpose of this definition, "non-clinical service area" does not include health and fitness centers.* [20 ILCS 3960/3]

		Gross Square Feet		Amount of Proposed Total Gross Square Feet That Is:			
Dept. / Area	**Cost**	**Existing**	**Proposed**	**New Const.**	**Modernized**	**As Is**	**Vacated Space**
REVIEWABLE							
Medical Surgical							
Intensive Care							
Diagnostic Radiology							
MRI							
Total Clinical							
NON-REVIEWABLE							
Administrative							
Parking							
Gift Shop							
Total Non-clinical							
TOTAL							

APPEND DOCUMENTATION AS ATTACHMENT 9, IN NUMERIC SEQUENTIAL ORDER AFTER THE LAST PAGE OF THE APPLICATION FORM.

Facility Bed Capacity and Utilization

Complete the following chart, as applicable. Complete a separate chart for each facility that is a part of the project and insert the chart after this page. Provide the existing bed capacity and utilization data for the latest **Calendar Year for which data is available. Include observation days in the patient day totals for each bed service.** Any bed capacity discrepancy from the Inventory will result in the application being deemed **incomplete**.

FACILITY NAME: N/A		**CITY:**			
REPORTING PERIOD DATES:		**From:**		**to:**	
Category of Service	**Authorized Beds**	**Admissions**	**Patient Days**	**Bed Changes**	**Proposed Beds**
Medical/Surgical					
Obstetrics					
Pediatrics					
Intensive Care					
Comprehensive Physical Rehabilitation					
Acute/Chronic Mental Illness					
Neonatal Intensive Care					
General Long-Term Care					
Specialized Long-Term Care					
Long Term Acute Care					
Other ((identify)					
TOTALS:					

CERTIFICATION

The Application must be signed by the authorized representatives of the applicant entity. Authorized representatives are:

- in the case of a corporation, any two of its officers or members of its Board of Directors;
- in the case of a limited liability company, any two of its managers or members (or the sole manager or member when two or more managers or members do not exist);
- in the case of a partnership, two of its general partners (or the sole general partner, when two or more general partners do not exist);
- in the case of estates and trusts, two of its beneficiaries (or the sole beneficiary when two or more beneficiaries do not exist); and
- in the case of a sole proprietor, the individual that is the proprietor.

This Application is filed on the behalf of Northwestern Memorial HealthCare (NMHC) * **in accordance with the requirements and procedures of the Illinois Health Facilities Planning Act. The undersigned certifies that he or she has the authority to execute and file this Application on behalf of the applicant entity. The undersigned further certifies that the data and information provided herein, and appended hereto, are complete and correct to the best of his or her knowledge and belief. The undersigned also certifies that the fee required for this application is sent herewith or will be paid upon request.**

SIGNATURE

Dean M. Harrison
PRINTED NAME

Chief Executive Officer
PRINTED TITLE

Notarization:
Subscribed and sworn to before me
this 31st day of March 2022

Signature of Notary

Seal

OFFICIAL SEAL
Bridget S. Orth
NOTARY PUBLIC, STATE OF ILLINOIS
My Commission Expires Dec. 16, 2024

SIGNATURE

John A. Orsini
PRINTED NAME

Senior Vice President & Chief Financial Officer
PRINTED TITLE

Notarization:
Subscribed and sworn to before me
this 31st day of March 2022

Signature of Notary

Seal

OFFICIAL SEAL
Bridget S. Orth
NOTARY PUBLIC, STATE OF ILLINOIS
My Commission Expires Dec. 16, 2024

*Insert the EXACT legal name of the applicant

SECTION II. DISCONTINUATION

This Section is applicable to the discontinuation of a health care facility or the discontinuation of more than one category of service in a 6-month period. If the project is solely for a discontinuation of a health care facility the **Background of the Applicant(s) and Purpose of Project MUST** be addressed. **A copy of the Notices listed in Item 7 below MUST be submitted with this Application for Discontinuation** https://www.ilga.gov/legislation/ilcs/documents/002039600K8.7.htm

Criterion 1110.290 – Discontinuation

READ THE REVIEW CRITERION and provide the following information:

GENERAL INFORMATION REQUIREMENTS

1. Identify the categories of service and the number of beds, if any that are to be discontinued.
2. Identify all the other clinical services that are to be discontinued.
3. Provide the anticipated date of discontinuation for each identified service or for the entire facility.
4. Provide the anticipated use of the physical plant and equipment after the discontinuation occurs.
5. Provide the anticipated disposition and location of all medical records pertaining to the services being discontinued and the length of time the records will be maintained.
6. Provide copies of the notices that were provided to the local media that would routinely be notified about facility events.
7. **For applications involving the discontinuation of an entire facility, provide copies of the notices that were sent to the municipality in which the facility is located, the State Representative and State Senator of the district in which the health care facility is located, the Director of Public Health, and the Director of Healthcare and Family Services. These notices shall have been made at least 30 days prior to filing of the application.**
8. For applications involving the discontinuation of an entire facility, certification by an authorized representative that all questionnaires and data required by HFSRB or DPH (e.g., annual questionnaires, capital expenditures surveys, etc.) will be provided through the date of discontinuation, and that the required information will be submitted no later than 90 days following the date of discontinuation.

REASONS FOR DISCONTINUATION

The applicant shall state the reasons for the discontinuation and provide data that verifies the need for the proposed action. See criterion 1110.290(b) for examples.

IMPACT ON ACCESS

1. Document whether the discontinuation of each service or of the entire facility will have an adverse effect upon access to care for residents of the facility's market area.
2. Document that a written request for an impact statement was received by all existing or approved health care facilities (that provide the same services as those being discontinued) located within the **geographic service area**.

APPEND DOCUMENTATION AS ATTACHMENT 10, IN NUMERIC SEQUENTIAL ORDER AFTER THE LAST PAGE OF THE APPLICATION FORM.

SECTION III. BACKGROUND, PURPOSE OF THE PROJECT, AND ALTERNATIVES - INFORMATION REQUIREMENTS

This Section is applicable to all projects except those that are solely for discontinuation with no project costs.

1110.110(a) – Background of the Applicant

READ THE REVIEW CRITERION and provide the following required information:

BACKGROUND OF APPLICANT

1. A listing of all health care facilities owned or operated by the applicant, including licensing, and certification if applicable.

2. A listing of all health care facilities currently owned and/or operated in Illinois, by any corporate officers or directors, LLC members, partners, or owners of at least 5% of the proposed health care facility.

3. For the following questions, please provide information for each applicant, including corporate officers or directors, LLC members, partners and owners of at least 5% of the proposed facility. A health care facility is considered owned or operated by every person or entity that owns, directly or indirectly, an ownership interest.

    a. A certified listing of any adverse action taken against any facility owned and/or operated by the applicant, directly or indirectly, during the three years prior to the filing of the application.

    b. A certified listing of each applicant, identifying those individuals that have been cited, arrested, taken into custody, charged with, indicted, convicted or tried for, or pled guilty to the commission of any felony or misdemeanor or violation of the law, except for minor parking violations; or the subject of any juvenile delinquency or youthful offender proceeding. Unless expunged, provide details about the conviction and submit any police or court records regarding any matters disclosed.

    c. A certified and detailed listing of each applicant or person charged with fraudulent conduct or any act involving moral turpitude.

    d. A certified listing of each applicant with one or more unsatisfied judgements against him or her.

    e. A certified and detailed listing of each applicant who is in default in the performance or discharge of any duty or obligation imposed by a judgment, decree, order or directive of any court or governmental agency.

4. Authorization permitting HFSRB and DPH access to any documents necessary to verify the information submitted, including, but not limited to official records of DPH or other State agencies; the licensing or certification records of other states, when applicable; and the records of nationally recognized accreditation organizations. **Failure to provide such authorization shall constitute an abandonment or withdrawal of the application without any further action by HFSRB.**

5. If, during a given calendar year, an applicant submits more than one application for permit, the documentation provided with the prior applications may be utilized to fulfill the information requirements of this criterion. In such instances, the applicant shall attest that the information was previously provided, cite the project number of the prior application, and certify that no changes have occurred regarding the information that has been previously provided. The applicant can submit amendments to previously submitted information, as needed, to update and/or clarify data.

APPEND DOCUMENTATION AS ATTACHMENT 11, IN NUMERIC SEQUENTIAL ORDER AFTER THE LAST PAGE OF THE APPLICATION FORM. EACH ITEM (1-4) MUST BE IDENTIFIED IN ATTACHMENT 11.

Criterion 1110.110(b) & (d)

PURPOSE OF PROJECT

1. Document that the project will provide health services that improve the health care or well-being of the market area population to be served.
2. Define the planning area or market area, or other relevant area, per the applicant's definition.
3. Identify the existing problems or issues that need to be addressed as applicable and appropriate for the project.
4. Cite the sources of the documentation.
5. Detail how the project will address or improve the previously referenced issues, as well as the population's health status and well-being.
6. Provide goals with quantified and measurable objectives, with specific timeframes that relate to achieving the stated goals **as appropriate**.

For projects involving modernization, describe the conditions being upgraded, if any. For facility projects, include statements of the age and condition of the project site, as well as regulatory citations, if any. For equipment being replaced, include repair and maintenance records.

NOTE: Information regarding the "Purpose of the Project" will be included in the State Board Staff Report.

APPEND DOCUMENTATION AS ATTACHMENT 12, IN NUMERIC SEQUENTIAL ORDER AFTER THE LAST PAGE OF THE APPLICATION FORM. EACH ITEM (1-6) MUST BE IDENTIFIED IN ATTACHMENT 12.

ALTERNATIVES

1) Identify **ALL** the alternatives to the proposed project:

Alternative options **must** 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) Provide the reasons why the chosen alternative was selected.

2) Documentation shall consist of a comparison of the project to alternative options. The comparison shall address issues of total costs, 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. **FOR EVERY ALTERNATIVE IDENTIFIED, THE TOTAL PROJECT COST AND THE REASONS WHY THE ALTERNATIVE WAS REJECTED MUST BE PROVIDED.**

3) The applicant shall provide empirical evidence, including quantified outcome data that verifies improved quality of care, as available.

APPEND DOCUMENTATION AS ATTACHMENT 13, IN NUMERIC SEQUENTIAL ORDER AFTER THE LAST PAGE OF THE APPLICATION FORM.

SECTION IV. PROJECT SCOPE, UTILIZATION, AND UNFINISHED/SHELL SPACE

Criterion 1110.120 - Project Scope, Utilization, and Unfinished/Shell Space

READ THE REVIEW CRITERION and provide the following information:

SIZE OF PROJECT:

1. Document that the amount of physical space proposed for the proposed project is necessary and not excessive. **This must be a narrative and it shall include the basis used for determining the space and the methodology applied.**

2. If the gross square footage exceeds the BGSF/DGSF standards in Appendix B, justify the discrepancy by documenting one of the following:

    a. Additional space is needed due to the scope of services provided, justified by clinical or operational needs, as supported by published data or studies and certified by the facility's Medical Director.

    b. The existing facility's physical configuration has constraints or impediments and requires an architectural design that delineates the constraints or impediments.

    c. The project involves the conversion of existing space that results in excess square footage.

    d. Additional space is mandated by governmental or certification agency requirements that were not in existence when Appendix B standards were adopted.

Provide a narrative for any discrepancies from the State Standard. A table must be provided in the following format with Attachment 14.

SIZE OF PROJECT				
DEPARTMENT/SERVICE	**PROPOSED BGSF/DGSF**	**STATE STANDARD**	**DIFFERENCE**	**MET STANDARD?**

APPEND DOCUMENTATION AS ATTACHMENT 14, IN NUMERIC SEQUENTIAL ORDER AFTER THE LAST PAGE OF THE APPLICATION FORM.

PROJECT SERVICES UTILIZATION:

This criterion is applicable only to projects or portions of projects that involve services, functions or equipment for which HFSRB has established utilization standards or occupancy targets in 77 Ill. Adm. Code 1100.

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 1110.Appendix B. **A narrative of the rationale that supports the projections must be provided.**

A table must be provided in the following format with Attachment 15.

UTILIZATION					
	DEPT./ SERVICE	**HISTORICAL UTILIZATION (PATIENT DAYS) (TREATMENTS) ETC.**	**PROJECTED UTILIZATION**	**STATE STANDARD**	**MEET STANDARD?**
YEAR 1					
YEAR 2					

APPEND DOCUMENTATION AS ATTACHMENT 15, IN NUMERIC SEQUENTIAL ORDER AFTER THE LAST PAGE OF THE APPLICATION FORM.

UNFINISHED OR SHELL SPACE:

Provide the following information:

1. Total gross square footage (GSF) of the proposed shell space.
2. The anticipated use of the shell space, specifying the proposed GSF to be allocated to each department, area or function.
3. Evidence that the shell space is being constructed due to:
   a. Requirements of governmental or certification agencies; or
   b. Experienced increases in the historical occupancy or utilization of those areas proposed to occupy the shell space.
4. Provide:
   a. Historical utilization for the area for the latest five-year period for which data is available; and
   b. Based upon the average annual percentage increase for that period, projections of future utilization of the area through the anticipated date when the shell space will be placed into operation.

APPEND DOCUMENTATION AS ATTACHMENT 16, IN NUMERIC SEQUENTIAL ORDER AFTER THE LAST PAGE OF THE APPLICATION FORM.

ASSURANCES:

Submit the following:

1. Verification that the applicant will submit to HFSRB a CON application to develop and utilize the shell space, regardless of the capital thresholds in effect at the time or the categories of service involved.
2. The estimated date by which the subsequent CON application (to develop and utilize the subject shell space) will be submitted; and
3. The anticipated date when the shell space will be completed and placed into operation.

APPEND DOCUMENTATION AS ATTACHMENT 17, IN NUMERIC SEQUENTIAL ORDER AFTER THE LAST PAGE OF THE APPLICATION FORM.

M. Criterion 1110.270 - Clinical Service Areas Other than Categories of Service

1. Applicants proposing to establish, expand and/or modernize Clinical Service Areas Other than categories of service must submit the following information:

2. Indicate changes by Service: Indicate # of key room changes by action(s):

Service	# Existing Key Rooms	# Proposed Key Rooms
☐ **Infusion**	**0**	**10**
☐ **Diagnostic Imaging**	**0**	**9**
☐ **Physical Therapy**	**0**	**1**
☐ **Laboratory**	**0**	**4**

3. READ the applicable review criteria outlined below and **submit the required documentation for the criteria:**

Project Type	Required Review Criteria
New Services or Facility or Equipment	(b) – Need Determination – Establishment
Service Modernization	(c)(1) – Deteriorated Facilities
	AND/OR
	(c)(2) – Necessary Expansion
	PLUS
	(c)(3)(A) – Utilization – Major Medical Equipment
	OR
	(c)(3)(B) – Utilization – Service or Facility

1APPEND DOCUMENTATION AS ATTACHMENT 31, IN NUMERIC SEQUENTIAL ORDER AFTER THE LAST PAGE OF THE APPLICATION FORM.

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)**

VII. 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]:**

_____	a)	Cash and Securities – statements (e.g., audited financial statements, letters from financial institutions, board resolutions) as to:
		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;
_____	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.
_____	c)	Gifts and Bequests – verification of the dollar amount, identification of any conditions of use, and the estimated timetable of receipts;
_____	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:
		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.
_____	e) Governmental Appropriations – a copy of the appropriation Act or ordinance accompanied by a statement of funding availability from an official of the 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;
_____	f) Grants – a letter from the granting agency as to the availability of funds in terms of the amount and time of receipt;
_____	g) All Other Funds and Sources – verification of the amount and type of any other funds that will be used for the project.
	TOTAL FUNDS AVAILABLE

APPEND DOCUMENTATION AS ATTACHMENT 34, IN NUMERIC SEQUENTIAL ORDER AFTER THE LAST PAGE OF THE APPLICATION FORM.

SECTION VIII. 1120.130 - FINANCIAL VIABILITY

All the applicants and co-applicants shall be identified, specifying their roles in the project funding or guaranteeing the funding (sole responsibility or shared) and percentage of participation in that funding.

Financial Viability Waiver

The applicant is not required to submit financial viability ratios if:

1. "A" Bond rating or better
2. All the project's capital expenditures are completely funded through internal sources
3. The applicant's current debt financing or projected debt financing is insured or anticipated to be insured by MBIA (Municipal Bond Insurance Association Inc.) or equivalent
4. The applicant provides a third-party surety bond or performance bond letter of credit from an A rated guarantor.

See Section 1120.130 Financial Waiver for information to be provided

APPEND DOCUMENTATION AS ATTACHMENT 35, IN NUMERIC SEQUENTIAL ORDER AFTER THE LAST PAGE OF THE APPLICATION FORM.

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

	Historical 3 Years			Projected
Enter Historical and/or Projected Years:				
Current Ratio				
Net Margin Percentage				
Percent Debt to Total Capitalization				
Projected Debt Service Coverage				
Days Cash on Hand				
Cushion Ratio				

Provide the methodology and worksheets utilized in determining the ratios detailing the calculation and applicable line item amounts from the financial statements. Complete a separate table for each co-applicant and provide worksheets for each.

Variance

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

APPEND DOCUMENTATION AS ATTACHMENT 36, IN NUMERICAL ORDER AFTER THE LAST PAGE OF THE APPLICATION FORM.

SECTION IX. 1120.140 - ECONOMIC FEASIBILITY

This section is applicable to all projects subject to Part 1120.

A. Reasonableness of Financing Arrangements

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

1) That the total estimated project costs and related costs will be funded in total with cash and equivalents, including investment securities, unrestricted funds, received pledge receipts and funded depreciation; or

2) That the total estimated project costs and related costs will be funded in total or in part by borrowing because:

   A) A portion or all the cash and equivalents must be retained in the balance sheet asset accounts in order to maintain a current ratio of at least 2.0 times for hospitals and 1.5 times for all other facilities; or

   B) Borrowing is less costly than the liquidation of existing investments, and the existing investments being retained may be converted to cash or used to retire debt within a 60-day period.

B. Conditions of Debt Financing

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

1) That the selected form of debt financing for the project will be at the lowest net cost available;

2) That the selected form of debt financing will not be at the lowest net cost available, but is more advantageous due to such terms as prepayment privileges, no required mortgage, access to additional indebtedness, term (years), financing costs and other factors;

3) That the project involves (in total or in part) the leasing of equipment or facilities and that the expenses incurred with leasing a facility or equipment are less costly than constructing a new facility or purchasing new equipment.

C. Reasonableness of Project and Related Costs

Read the criterion and provide the following:

1. Identify each department or area impacted by the proposed project and provide a cost and square footage allocation for new construction and/or modernization using the following format (insert after this page).

COST AND GROSS SQUARE FEET BY DEPARTMENT OR SERVICE

Department (list below)	A	B	C	D	E	F	G	H	Total Cost (G + H)
	Cost/Square Foot New	Cost/Square Foot Mod.	Gross Sq. Ft. New	Gross Sq. Ft. Circ.*	Gross Sq. Ft. Mod.	Gross Sq. Ft. Circ.*	Const. $ (A x C)	Mod. $ (B x E)	
Contingency									
TOTALS									

* Include the percentage (%) of space for circulation

D. Projected Operating Costs

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

E. Total Effect of the Project on Capital Costs

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

APPEND DOCUMENTATION AS ATTACHMENT 37, IN NUMERIC SEQUENTIAL ORDER AFTER THE LAST PAGE OF THE APPLICATION FORM.

SECTION X. SAFETY NET IMPACT STATEMENT

SAFETY NET IMPACT STATEMENT that describes all the following must be submitted for ALL SUBSTANTIVE PROJECTS AND PROJECTS TO DISCONTINUE HEALTH CARE FACILITIES [20 ILCS 3960/5.4]:

1. The project's material impact, if any, on essential safety net services in the community, ***including the impact on racial and health care disparities in the community,*** to the extent that it is feasible for an applicant to have such knowledge.

2. The project's impact on the ability of another provider or health care system to cross-subsidize safety net services, if reasonably known to the applicant.

3. How the discontinuation of a facility or service might impact the remaining safety net providers in a given community, if reasonably known by the applicant.

Safety Net Impact Statements shall also include all of the following:

1. For the 3 fiscal years prior to the application, a certification describing the amount of charity care provided by the applicant. The amount calculated by hospital applicants shall be in accordance with the reporting requirements for charity care reporting in the Illinois Community Benefits Act. Non-hospital applicants shall report charity care, at cost, in accordance with an appropriate methodology specified by the Board.

2. For the 3 fiscal years prior to the application, a certification of the amount of care provided to Medicaid patients. Hospital and non-hospital applicants shall provide Medicaid information in a manner consistent with the information reported each year to the Illinois Department of Public Health regarding "Inpatients and Outpatients Served by Payor Source" and "Inpatient and Outpatient Net Revenue by Payor Source" as required by the Board under Section 13 of this Act and published in the Annual Hospital Profile.

3. Any information the applicant believes is directly relevant to safety net services, including information regarding teaching, research, and any other service.

A table in the following format must be provided as part of Attachment 37.

Safety Net Information per PA 96-0031			
CHARITY CARE			
Charity (# of patients)	**Year**	**Year**	**Year**
Inpatient			
Outpatient			
Total			
Charity (cost in dollars)			
Inpatient			
Outpatient			
Total			
MEDICAID			
Medicaid (# of patients)	**Year**	**Year**	**Year**
Inpatient			
Outpatient			
Total			
Medicaid (revenue)			
Inpatient			

Outpatient			
Total			

APPEND DOCUMENTATION AS ATTACHMENT 38, IN NUMERIC SEQUENTIAL ORDER AFTER THE LAST PAGE OF THE APPLICATION FORM.

SECTION X. CHARITY CARE INFORMATION

Charity Care information MUST be furnished for ALL projects [1120.20(c)].

1. All applicants and co-applicants shall indicate the amount of charity care for the latest three **audited** fiscal years, the cost of charity care and the ratio of that charity care cost to net patient revenue.

2. If the applicant owns or operates one or more facilities, the reporting shall be for each individual facility located in Illinois. If charity care costs are reported on a consolidated basis, the applicant shall provide documentation as to the cost of charity care; the ratio of that charity care to the net patient revenue for the consolidated financial statement; the allocation of charity care costs; and the ratio of charity care cost to net patient revenue for the facility under review.

3. If the applicant is not an existing facility, it shall submit the facility's projected patient mix by payer source, anticipated charity care expense and projected ratio of charity care to net patient revenue by the end of its second year of operation.

Charity care" means care provided by a health care facility for which the provider does not expect to receive payment from the patient or a third-party payer (20 ILCS 3960/3). Charity Care must be provided at cost.

A table in the following format must be provided for all facilities as part of Attachment 39.

CHARITY CARE			
	Year	Year	Year
Net Patient Revenue			
Amount of Charity Care (charges)			
Cost of Charity Care			

APPEND DOCUMENTATION AS ATTACHMENT 39, IN NUMERIC SEQUENTIAL ORDER AFTER THE LAST PAGE OF THE APPLICATION FORM.

SECTION XI -SPECIAL FLOOD HAZARD AREA AND 500-YEAR FLOODPLAIN DETERMINATION FORM

In accordance with Executive Order 2006-5 (EO 5), the Health Facilities & Services Review Board (HFSRB) must determine if the site of the CRITICAL FACILITY, as defined in EO 5, is located in a mapped floodplain (Special Flood Hazard Area) or a 500-year floodplain. All state agencies are required to ensure that before a permit, grant or a development is planned or promoted, the proposed project meets the requirements of the Executive Order, including compliance with the National Flood Insurance Program (NFIP) and state floodplain regulation.

1. Applicant: Northwestern Memorial HealthCare (Name) 251 East Huron Street (Address)

   Chicago (City) IL (State) 60611 (ZIP Code) 312-926-2000 (Telephone Number)

2. Project Location: 1001 Commerce Drive (Address) Oak Brook (City) IL (State)

   DuPage (County) York (Township) (Section)

3. You can create a small map of your site showing the FEMA floodplain mapping using the FEMA Map Service Center website (https://msc.fema.gov/portal/home) by entering the address for the property in the Search bar. If a map, like that shown on page 2 is shown, select the ***Go To NFHL Viewer*** tab above the map. You can print a copy of the floodplain map by selecting the  icon in the top corner of the page. Select the pin tool icon  and place a pin on your site. Print a FIRMETTE size image.

   If there is no digital floodplain map available select the **View/Print FIRM** icon above the aerial photo. You will then need to use the Zoom tools provided to locate the property on the map and use the **Make a FIRMette** tool to create a pdf of the floodplain map.

IS THE PROJECT SITE LOCATED IN A SPECIAL FLOOD HAZARD AREA: Yes___ No _X_

IS THE PROJECT SITE LOCATED IN THE 500-YEAR FLOOD PLAIN?

If you are unable to determine if the site is in the mapped floodplain or 500-year floodplain, contact the county or the local community building or planning department for assistance.
If the determination is being made by a local official, please complete the following:

FIRM Panel Number:_____ Effective Date:_____

Name of Official:_____ Title: _____

Business/Agency:_____ Address:_____

(City) (State) (ZIP Code) (Telephone Number)

Signature:_____ Date: _____

NOTE: This finding only means that the property in question is or is not in a Special Flood Hazard Area or a 500-year floodplain as designated on the map noted above. It does not constitute a guarantee that the property will or will not be flooded or be subject to local drainage problems.

If you need additional help, contact the Illinois Statewide Floodplain Program at 217/782-4428

After paginating the entire completed application indicate, in the chart below, the page numbers for the included attachments:

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File Number 5257-740-3

STATE OF ILLINOIS

OFFICE OF THE SECRETARY OF STATE

To all to whom these Presents Shall Come, Greeting:

I, Jesse White, Secretary of State of the State of Illinois, do hereby certify that I am the keeper of the records of the Department of Business Services. I certify that

NORTHWESTERN MEMORIAL HEALTHCARE, A DOMESTIC CORPORATION, INCORPORATED UNDER THE LAWS OF THIS STATE ON NOVEMBER 30, 1981, APPEARS TO HAVE COMPLIED WITH ALL THE PROVISIONS OF THE GENERAL NOT FOR PROFIT CORPORATION ACT OF THIS STATE, AND AS OF THIS DATE, IS IN GOOD STANDING AS A DOMESTIC CORPORATION IN THE STATE OF ILLINOIS.

In Testimony Whereof, *I hereto set my hand and cause to be affixed the Great Seal of the State of Illinois, this* 23RD *day of* AUGUST *A.D.* 2021 .

Authentication #: 2123502510 verifiable until 08/23/2022
Authenticate at: http://www.ilsos.gov

Jesse White

SECRETARY OF STATE

ATTACHMENT-1

KATHLEEN V. CARRIER, RECORDER
DUPAGE COUNTY ILLINOIS
06/07/2021 08:44 AM
RHSP
COUNTY TAX STAMP FEE 2,100.00
STATE TAX STAMP FEE 4,200.00

DOCUMENT # R2021-087041

This instrument was prepared by:
Edward S. Goldman
DLA Piper LLP (US)
444 West Lake Street, Suite 900
Chicago, Illinois 60606

After recording return to:
Quarles & Brady LLP
300 North LaSalle Street, Suite 4000
Chicago, IL 60654
Attn: Mary Ann Murray

Mail tax bills to:
OBC MEDICAL, LLC
c/o MedProperties, LLC
71 South Wacker Drive, Suite 3725
Chicago, Illinois 60606
Attn: Kelleen Enright

SPECIAL WARRANTY DEED

This Special Warranty Deed is made this 3rd day of June, 2021, between Oak Brook Commons LLC, a Delaware limited liability company ("**Grantor**"), whose address is c/o Hines Interests Limited Partnership, 444 West Lake Street, Suite 2400, Chicago, Illinois 60606 and OBC MEDICAL, LLC, an Illinois limited liability company ("**Grantee**"), whose address is c/o MedProperties, LLC, 71 South Wacker Drive, Suite 3725, Chicago, Illinois 60606, WITNESSETH, that Grantor, for and in consideration of the sum of Ten and 00/100 Dollars ($10.00) and other good and valuable consideration in hand paid, by the Grantee, the receipt of which is hereby acknowledged, by these presents does REMISE, RELEASE, ALIENATE AND CONVEY unto the Grantee, FOREVER, the real estate described on Schedule 1 attached hereto, situated in the County of DuPage in the State of Illinois (the "**Property**").

Together with all and singular hereditaments and appurtenances belonging there, or in any way appertaining, and the reversion or reversions, remainder or remainders, rents, issues and profits thereof, and all the estate, right, title, interest, claim or demand whatsoever, of the Grantor, either at law or in equity of, in and to the above-described premises, with the hereditaments and appurtenances:

TO HAVE AND TO HOLD the said premises as described above, with the appurtenances, unto the Grantee, forever.

And the Grantor, for itself and its successors, does covenant, promise and agree to and with the Grantee and its successors that it has not done or suffered to be done, anything whereby the said premises hereby granted are, or may be, in any manner encumbered or charged, except as herein recited; and that it WILL WARRANT AND DEFEND, said premises against all persons lawfully claiming, or to claim the same, by, through or under it, subject to the Permitted Exceptions set forth on Schedule 2 attached hereto.

CC H1200190909 LO LKO

IN WITNESS WHEREOF, said Grantor has executed this Special Warranty Deed the day and year first above written.

ASSIGNOR:

OAK BROOK COMMONS LLC, a Delaware limited liability company

By: Hines Oak Brook Commons MM LLC, a Delaware limited liability company, its managing member

By: Hines Oak Brook Commons Associates LP, a Texas limited partnership, its sole member

By: Hines Interests Limited Partnership, a Delaware limited partnership, its general partner

By: _____
Name: Gregory Van Schaack
Title: Senior Managing Director

STATE OF _____)
) SS.
COUNTY OF _____)

I, Mark P Shannahan, a Notary Public, in and for the County and State aforesaid, DO HEREBY CERTIFY that Gregory Van Schaack, the Senior Managing Director of Hines Interests Limited Partnership, a Delaware limited partnership, the general partner of Hines Oak Brook Commons Associates LP, a Texas limited partnership, the sole member of Hines Oak Brook Commons MM LLC, a Delaware limited liability company, the managing member of Oak Brook Commons LLC, a Delaware limited liability company, personally known to me to be the same person whose name is subscribed to the foregoing instrument, appeared before me this day in person and acknowledged to me that he signed and delivered said instrument as the free and voluntary act of said limited partnership and as his own free and voluntary act, for the uses and purposes set forth therein.

GIVEN under my hand and notarial seal this 2 day of June, 2021.

Mark P. Shannahan
Notary Public

My Commission expires:

12/26/2022

OFFICIAL SEAL
Mark P Shannahan
Notary Public, State of Illinois
My Commission Expires 12/26/2022

SCHEDULE 1

LEGAL DESCRIPTION OF THE PROPERTY

LOT L IN THE FINAL PLAT OF SUBDIVISION OF OAK BROOK COMMONS, BEING A SUBDIVISION OF PART OF THE SOUTHEAST 1/4 OF SECTION 23, TOWNSHIP 39 NORTH, RANGE 11, EAST OF THE THIRD PRINCIPAL MERIDIAN, ACCORDING TO THE PLAT THEREOF RECORDED FEBRUARY 5, 2020 AS DOCUMENT NUMBER R2020-012533, IN DUPAGE COUNTY, ILLINOIS.

ADDRESS: 1001 VISTA DRIVE, OAK BROOK, ILLINOIS
PIN: 06-23-401-013

SCHEDULE 2
PERMITTED EXCEPTIONS

1. REAL ESTATE TAXES NOT YET DUE OR PAYABLE.

2. MATTERS SHOWN ON THE ALTA/NSPS LAND TITLE SURVEY PREPARED BY V3 COMPANIES OF ILLINOIS, LTD. (EDWARD J. MURRAY), LAST REVISED June 1, 2021.

3. TERMS AND PROVISIONS OF THAT CERTAIN ORDINANCE NUMBER 2019-ZO-PUD-EX-S-1568 APPROVING A PLANNED DEVELOPMENT RECORDED JULY 18, 2019 AS DOCUMENT R2019-059477 AND THE AMENDMENT TO THE OAK BROOK COMMONS PLANNED DEVELOPMENT ORDINANCE RECORDED NOVEMBER 12, 2020 AS DOCUMENT R2020-134256, ORDINANCE NUMBER 2020-ZO-PUD-EX-S-1608.

4. TERMS AND PROVISIONS OF THE COVENANT RUNNING WITH THE LAND BY AND BETWEEN OAK BROOK COMMONS, LLC AND FLAGG CREEK WATER RECLAMATION DISTRICT RECORDED APRIL 30, 2020 AS DOCUMENT R2020-042799 AND RECORDED ON MAY 11, 2020 AS DOCUMENT R2020-046526.

5. TERMS AND PROVISIONS OF THE LAWN SPRINKLER SYSTEM COVENANT RECORDED BY THE VILLAGE OF OAK BROOK ON JUNE 24, 2020 AS DOCUMENT R2020-0655560.

6. TERMS AND PROVISIONS OF THE DECLARATION OF COVENANTS, CONDITIONS, RESTRICTIONS AND EASEMENTS FOR OAK BROOK COMMONS RECORDED SEPTEMBER 2, 2020 AS DOCUMENT R2020-098563, AS AMENDED BY FIRST AMENDMENT TO DECLARATION OF COVENANTS, CONDITIONS, RESTRICTIONS AND EASEMENTS FOR OAK BROOK COMMONS BY OAK BROOK COMMONS LLC.

7. MATTERS SHOWN ON THE PLAT OF EASEMENTS RECORDED SEPTEMBER 2, 2020 AS DOCUMENT R2020-98564.

8. TERMS AND PROVISIONS OF THE UNRECORDED LEASE EVIDENCED BY THE MEMORANDUM OF LEASE RECORDED AS DOCUMENT R2021-013763.

9. TERMS AND PROVISIONS OF THE COVENANT RUNNING WITH THE LAND RECORDED DECEMBER 17, 2020 AS DOCUMENT R2020-155790.

Village of
Oak Brook
1200 Oak Brook Road
Oak Brook, IL 60523-2255
Website
www.oak-brook.org

Administration
630.368.5000
FAX 630.368.5045

Community Development
630.368.5101
FAX 630.368.5128

Engineering Department
630.368.5130
FAX 630.368.5128

Fire Department
630.368.5200
FAX 630.368.5251

Police Department
630.368.8700
FAX 630.368.8739

Public Works Department
630.368.5270
FAX 630.368.5295

Oak Brook Public Library

600 Oak Brook Road
Oak Brook, IL 60523-2200
630.368.7700
FAX 630.368.7704

Oak Brook Sports Core

Bath & Tennis Club
700 Oak Brook Road
Oak Brook, IL 60523-4600
630.368.6420
FAX 630.368.6439

Golf Club
2606 York Road
Oak Brook, IL 60523-4602
630.368.6400
FAX 630.368.6419

DATE: November 2, 2021

TO:

Oak Brook Clerk's Office
Oak Brook Finance Department
Oak Brook Fire Department
Oak Brook Information Technology Department
Oak Brook Manager's Office
Oak Brook Park District
Oak Brook Police Department
Oak Brook Post Office
Oak Brook Public Library
Oak Brook Public Works Department
Oak Brook Development Services Department

AT&T
Comcast
Commonwealth Edison
DuComm
DuPage County Clerk's Office
DuPage ETSB
DuPage GIS
DuPage County Recorder
Flagg Creek Water Reclamation District
Nicor

Address Additions:

The subject property has received planned development approval and has been subdivided for a mixed-use retail and commercial project as depicted on the accompanying map. At final build-out, this development will contain eleven (11) buildings.

Several addresses have changed since the original address assignment in September 2020. These re-assigned addresses are as follows:

- 1205 22nd St. **to 1204 22nd St. for Fogo de Chao**
- 1175 22nd St. **to 1170 22nd St. for Alter Brewing**
- 1101 Vista Dr. **to 1101 Commerce Dr.; and**
- 1001 Vista Dr. **to 1001 Commerce Dr. for Northwestern Medicine**

PIN #(S): **06-23-406-020 and 022**
06-23-407-012 and 013

Please be advised that the above listed address is confirmed in the Village of Oak Brook, York Township, DuPage County, due to the following:

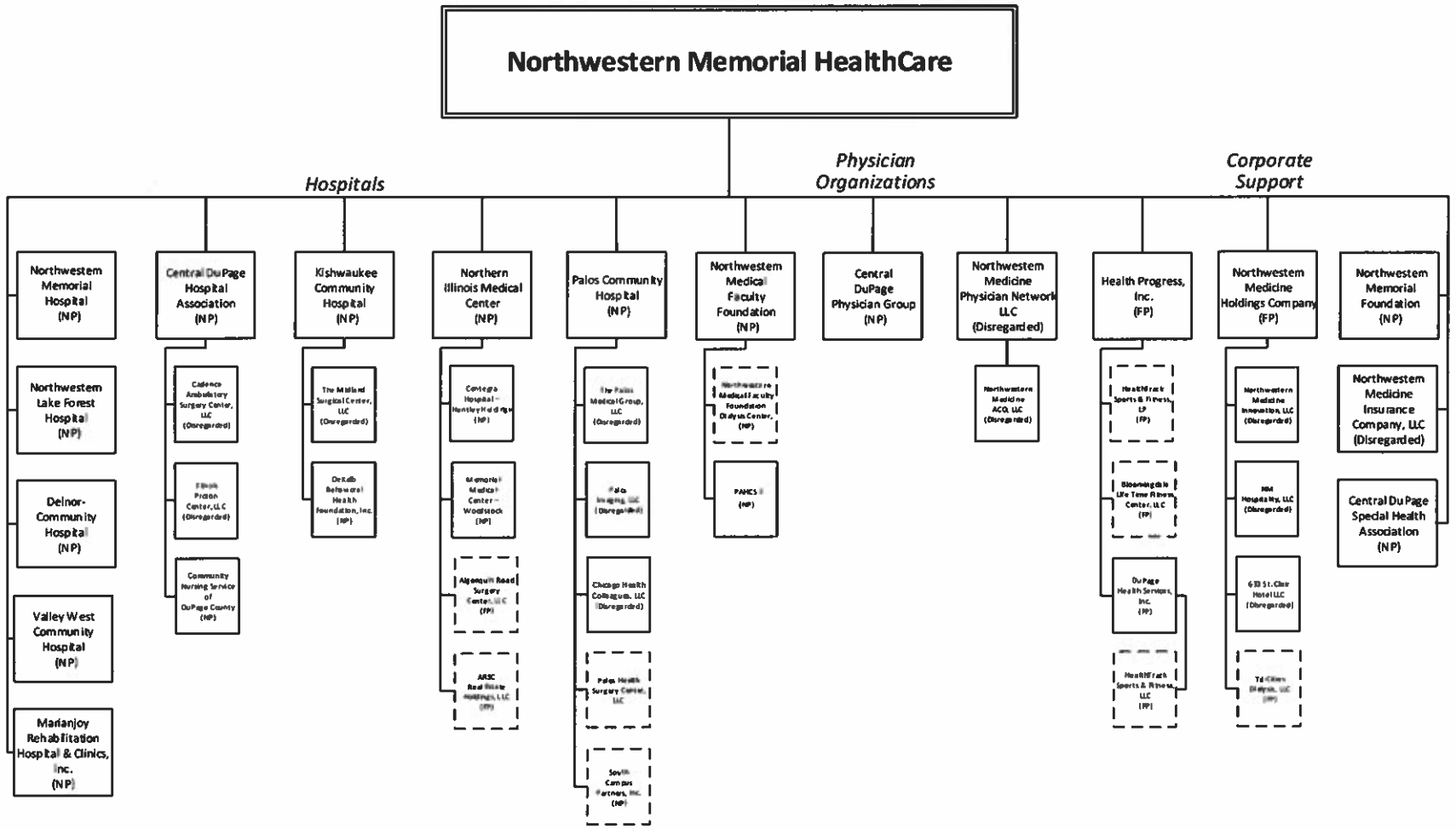
___ Annexation ___ Resubdivision _X__ Other

A revised location map is included for your reference. Please contact me if you have any further questions. I hope that this information is helpful.

Tony Budzikowski, AICP
Development Services Director

Encl.

ATTACHMENT-2



Effective December 31, 2021

ATTACHMENT-4

#22-011

Flood Plain Requirements

The location for the proposed project is 1001 Commerce Drive, Oak Brook.

By their signatures on the Certification page of this application, the Applicant attests that the project is not located in a flood plain and complies with the Flood Plain Rule under Illinois Executive Order #2006-5 according to the FEMA floodplain map on the following page.

National Flood Hazard Layer FIRMette

Legend

SEE FIS REPORT FOR DETAILED LEGEND AND INDEX MAP FOR FIRM PANEL LAYOUT

SPECIAL FLOOD HAZARD AREAS
- Without Base Flood Elevation (BFE) *Zone A, V, A99*
- With BFE or Depth *Zone AE, AO, AH, VE, AR*
- Regulatory Floodway

OTHER AREAS OF FLOOD HAZARD
- 0.2% Annual Chance Flood Hazard, Area of 1% annual chance flood with average depth less than one foot or with drainag areas of less than one square mile *Zone*
- Future Conditions 1% Annual Chance Flood Hazard *Zone X*
- Area with Reduced Flood Risk due to Levee. See Notes. *Zone X*
- Area with Flood Risk due to Levee *Zone D*

OTHER AREAS
- NO SCREEN Area of Minimal Flood Hazard *Zone X*
- Effective LOMRs
- Area of Undetermined Flood Hazard *Zone*

GENERAL STRUCTURES
- Channel, Culvert, or Storm Sewer
- Levee, Dike, or Floodwall

OTHER FEATURES
- 20.2 Cross Sections with 1% Annual Chance
- 17.5 Water Surface Elevation
- Coastal Transect
- 513 Base Flood Elevation Line (BFE)
- Limit of Study
- Jurisdiction Boundary
- Coastal Transect Baseline
- Profile Baseline
- Hydrographic Feature

MAP PANELS
- Digital Data Available
- No Digital Data Available
- Unmapped

N

The pin displayed on the map is an approximate point selected by the user and does not represe an authoritative property location.

This map complies with FEMA's standards for the use of digital flood maps if it is not void as described below. The basemap shown complies with FEMA's basemap accuracy standards

The flood hazard information is derived directly from the authoritative NFHL web services provided by FEMA. This map was exported on 3/21/2022 at 4:54 PM and does not reflect changes or amendments subsequent to this date and time. The NFHL and effective information may change or become superseded by new data over time.

This map image is void if the one or more of the following map elements do not appear: basemap imagery, flood zone labels, legend, scale bar, map creation date, community identifiers, FIRM panel number, and FIRM effective date. Map images for unmapped and unmodernized areas cannot be used for regulatory purposes.

#22-011

Historic Resources Preservation Act Requirements

The location for the proposed project is 1001 Commerce Drive, Oak Brook. The attached letter from the Illinois Historic Preservation Agency indicates that the project area is not considered a historic, architectural or archaeological site.

ILLINOIS DEPARTMENT OF NATURAL RESOURCES

Illinois Department of **Natural Resources**

One Natural Resources Way Springfield, Illinois 62702-1271
www.dnr.illinois.gov

JB Pritzker, Governor
Colleen Callahan, Director

DuPage County
Oak Brook
1001 Commerce Drive
CON, IEPA-NOI-ILR10ZB1V, IEPA-WPC-2021-66758
New construction, medical office building

PLEASE REFER TO: SHPO LOG #008011822

February 2, 2022

Bridget Orth
Northwestern Memorial HealthCare
251 East Huron Street
Chicago, IL 60611-2908

Dear Ms. Orth:

The Illinois State Historic Preservation Office is required by the Illinois State Agency Historic Resources Preservation Act (20 ILCS 3420, as amended, 17 IAC 4180) to review all state funded, permitted or licensed undertakings for their effect on cultural resources. Pursuant to this, we have received information regarding the referenced project for our comment.

Our staff has reviewed the specifications under the state law and assessed the impact of the project as submitted by your office. We have determined, based on the available information, that no significant historic, architectural or archaeological resources are located within the proposed project area.

According to the information you have provided concerning your proposed project, apparently there is no federal involvement in your project. However, please note that the state law is less restrictive than the federal cultural resource laws concerning archaeology. If your project will use federal loans or grants, need federal agency permits, use federal property, or involve assistance from a federal agency, then your project must be reviewed under the National Historic Preservation Act of 1966, as amended. Please notify us immediately if such is the case.

This clearance remains in effect for two (2) years from date of issuance. It does not pertain to any discovery during construction, nor is it a clearance for purposes of the IL Human Skeletal Remains Protection Act (20 ILCS 3440).

Please retain this letter in your files as evidence of compliance with the Illinois State Agency Historic Resources Preservation Act.

If further assistance is needed please contact Jeff Kruchten, Chief Archaeologist at 217/785-1279 or Jeffery.kruchten@illinois.gov.

Sincerely,

Carey L. Mayer

Carey L. Mayer , AIA
Deputy State Historic
Preservation Officer

ATTACHMENT-6

Project Costs and Sources of Funds

The line item costs attributed to clinical components were calculated as a percentage of clinical square footage when actual break-outs were not available.

Itemization of each line item:

Line 1 – Preplanning Costs – ($129,245) – this includes:

- Pre-Construction Services
  - Budgeting
  - Schedule
  - Site Logistics
  - Permit Support

Of the total amount, $47,876 is the clinical Preplanning costs which is 0.21% of the clinical New Construction, Contingencies, and Equipment costs.

Line 5 – New Construction Contracts – ($17,829,980) – this includes:

- All construction contracts/costs to complete the project. Includes Group I fixed equipment and contractor's markups, overhead, and profit. Costs are escalated to the mid-point of construction.

Of the total amount, $7,611,325 is the clinical New Construction cost.

Line 7 – Contingencies - ($1,782,998) – this includes:

- Allowance for unforeseen New Construction costs

Of the total amount, $761,133 is the clinical Contingency cost which is 10.0% of the clinical New Construction costs.

Line 8 – Architectural / Engineering Fees – ($1,535,000) – this includes:

- Programming
  - Gather information for occupant space requirements. Review and analysis NMHC space standards and prepare the Space Occupancy Program which will list square footage requirements and include individual attributes of the departments and all information pertinent to the planning and design of the Project.
- Schematic Design:
  - Develop diagrammatic plans and documentation to describe the size and layout of each floor in a way that meets all programmatic and functional objectives, as well as accounting for all structure, shafts, elevators and stairs, communications and electrical closets, and all other design constraints.

  - Determine the capacity needed for all building systems (such as electrical, mechanical, plumbing, fire protection, and vertical transportation) as well as support functions (such as pharmacy and materials management) necessary for the uses proposed on the floors.
  - Provide statement of Probable Construction Cost.
- Design Development:
  - Develop detailed drawings and documentation to describe the size and character of the interior space. Includes room layouts, structural, mechanical, electrical, plumbing.
  - The equipment and furniture consultants will prepare room-by-room FF&E requirement list. The requirements list identify room name, item description, product specification, and total quantity required. The product specifications include installation requirements that will be provided to the architect/engineer to ensure that spaces and building systems are planned to appropriately accommodate the equipment.
- Construction Documents:
  - Provide proposed Reconciled Statement of Probable Construction Cost
  - Provide drawings and specifications
  - Prepare documentation for alternate bids
  - Assist in filing Construction Documents for approval by City and State agencies
  - Signage and Way Finding expertise
- Bidding and Negotiation Phase Services:
  - Revise Construction Documents as necessary in accordance with Reconciled Statement of Probable Construction Cost
- Construction Administration Phase Services:
  - Advise and consult during Construction Phase
  - Attend weekly job progress meetings
  - Provide on-site representation to review progress/quality of Work
  - Prepare written interpretations of Contract Documents including Bulletins and information requests
  - Correct Errors or Omissions in the drawings, specifications and other documents
  - Review and approve Contractor's submittals
  - Submit notifications for work which does not conform to Contract Documents
  - Review and analyze requests for Change Orders
  - Assist Construction Manager with punchlist completion
  - Assist Construction Manager with Final Completion including system testing and commissioning
  - Inspect Project after correction of Work period for deficiencies and update Construction Manager

Of the total amount, $568,609 is the clinical Architectural / Engineering Fee. This amount is 6.79% of the clinical New Construction and Contingencies costs.

Line 9 – Consulting and Other Fees – ($250,000) – this includes:

- Charges for the services of various types of consulting and professional experts including:
  - Door Hardware Consultant - $5,000
  - Interior Signage - $10,000
  - Acoustical Consulting - $10,000
  - Engineering Peer Review Consulting - $35,650
  - Exterior Signage - $45,000
  - Equipment Planner - $144,350

Of the total amount, $92,607 is the clinical Consulting and Other Fees cost.

Line 10 – Movable Capital Equipment – ($16,000,000) – this includes:

- All furniture, furnishings, and equipment for the proposed project. Group I (fixed) equipment is included in the New Construction line item above. Group II and III medical equipment is included herein.

The Architect will be retained to provide specific expertise during equipment planning and specification, and to assist and ensure effective use of available funding. Equipment planning will be closely coordinated with architectural design.

FFE procurement will be managed by NM with support from outside consultants. Total acquisition costs will be evaluated during market assessment and contract award, including purchase, installation, training, and maintenance. The approval process during contract award will be consistent with existing hospital financial procedures.

Warehousing, training, acceptance testing and other logistical issues will be defined and scheduled.

Product standards will facilitate detailed equipment planning and appropriate building design, maximize the effectiveness of competitive bidding, and minimize costs for training and long-term maintenance.

Clinical and/or financial analysis of new technology will be done to determine that it is a prudent investment. New technology selected for use will support NM's primary mission, via criteria such as clinical outcomes, turnaround, or productivity.

Freight and installation costs are also included in the estimate.

Equipment Type	Estimated Cost
Imaging Equipment MRI 3T MRI	$6,233,035

Non-Ferrous Physiological Monitor Contrast Media Injector CT Dual Source CT Contrast Media Injector Contrast Warmer Mammography 2 Mammography Systems Lead Aprons DEXA Bone Densitometer Footstool with handrail Linen hamper Ultrasound 2 Ultrasounds Probe Cleaners Stretchers Gel warmers X-Rays 2 Digital X-Ray Systems CD Burners Lead Aprons and Shields Positioning Devices Reading Room Waste Containers CT Control Room Undercounter Refrigerator MRI Control and Equipment Room IV Prep Room Supply Carts I-Stat Analyzer Exam Light, ceiling-mounted IV Stands Patient Changing Rooms Linen hampers Staff and Patient Toilets Registration Area Waiting Room Consult Room	
<u>Physical Therapy Equipment</u> Open Gym Space (PT & OT) Treadmill Exercise Bikes Elliptical Nu-Step Pulley System Recumbent Stepper Suspension Training System Shuttle Systems Parallel Bars	$360,607

Cable Column System Electrotherapy Systems Vital Signs Monitor Weight Rack and Weights Defibrillator, AED Defibrillator, wall cabinet Splint Room Hand Therapy Tables Splint Pan Splint Carousel Arm Supports Hand Evaluation Kit & Tools Treatment / Exam Rooms Treatment Tables Exam Stools Splint Pan Staff and Patient Toilets Locker Rooms Linen Hampers Waste Containers Staff Workroom Waste Containers Registration Area Cash Drawers Safe Waiting Room Defibrillator, AED Defibrillator, wall cabinet Ice/Water Dispenser	
<u>Infusion Equipment</u> 10 Private Infusion Rooms Treatment Carts IV Pump with stands Exam Stools Patient Beds Overbed Table Pharmacy Pass-Through Assemblies Scrub Sink Gowning Bench Biological Safety Hood Laminar Flow Hoods Powder Hood Ultra-Low Freezer Freezer, Upright Refrigerators, Upright Supply Carts Staff and Patient Toilets Registration Area Cash Drawers	$184,661

Safe Waiting Room Defibrillator, AED Defibrillator, wall cabinet Ice/Water Dispenser	
Well-Patient and Infusion Center Lab Blood Draw Stations (7) Supply Bins Procedure Carts Exam Stools Staff and Patient Toilets Staff Workroom Freezer, under-counter Centrifuge Refrigerator, under-counter Table, Work Registration Area Cash Drawers Safe Waiting Room Defibrillator, AED Defibrillator, wall cabinet	$965,852
Furnishings Waiting Room Furniture Patient Recliners Office Furniture Monitor Arms	$1,025,000
Technology Computers Monitors Printers Phones Device Integration iPad Translation Wireless Network Distributed Antenna System	$1,148,871
Other Artwork Interior Signage Keying	$375,000

Of the total amount, $14,055,218 is the clinical component of the Moveable Capital Equipment cost.

Line 13 – Fair Market Value of Leased Space or Equipment – ($45,542,000) – this includes:

- Developer's cost for the construction of the core/shell and parking.

Of the total amount, $16,870,103 is the clinical component of the Fair Market Value of Leased Space or Equipment.

Line 14 – Other Costs To Be Capitalized – ($272,778) – this includes:

- Permits and Fees – IDPH, CON, etc.
- Builder's Risk Insurance

Of the total amount, $101,045 is the clinical component of the Other Costs to be Capitalized.

Project Status and Completion Schedules

Anticipated project construction start date: July 2022

Anticipated midpoint of construction date: April 2023

Anticipated project construction substantial completion date: December 2023

Anticipated project completion date: June 30, 2024

Project obligation is contingent upon permit issuance. NMHC plans to sign the contract with the general construction contractor in July 2022 that will be subject to CON approval. This contract will obligate the project. The CON Contingency section of the contract is below:

S-1. Certificate of Need. NMHC and the Contractor acknowledge and agree that in addition to permitting required by the Village of Oak Brook, Illinois Department of Public Health ("IDPH") and any other Governmental Authority, this Project and Agreement are subject to the issuance of an appropriate Certificate of Need ("CON") by the Illinois Health Facilities and Services Review Board (the "Board"). The Contractor shall cooperate with NMHC's application to the Board for the CON.

Northwestern Memorial HealthCare Open CON Permits

CON #19-048: Palos Health Mokena Medical Office Building

CON #20-011: NMH Galter 11, 12 Beds

CON #20-013: Bloomingdale Medical Office Building

CON #21-008: Old Irving Park Medical Office Building

CON #21-015: Winfield Town Center Medical Office Building

CON #21-032: NM Cancer Center Delnor – Expansion/Modernization

Cost Space Requirements

Department	Cost	Departmental Gross Square Feet		Amount of Proposed Total Gross Square Feet That Is:			
		Existing GSF	Proposed GSF	New Const.	Modern-ized	As Is	Vacated Space
CLINICAL							
Infusion Center	$ 2,506,075	0	9,113	9,113	0	0	0
Diagnostic Imaging	$ 2,924,600	0	8,356	8,356	0	0	0
Physical Therapy	$ 1,750,750	0	7,003	7,003	0	0	0
Laboratory - Well Patient	$ 429,900	0	1,433	1,433	0	0	0
Clinical Subtotal =	**$ 7,611,325**	**0**	**25,905**	**25,905**	**0**	**0**	**0**
NON-CLINICAL							
Physician Office Space	$ 7,643,395	0	28,843	28,843	0	0	0
Common Areas/Staff Support/Admin	$ 1,618,260	0	11,559	11,559	0	0	0
MEP Systems	$ 957,000	0	957	957	0	0	0
Non-Clinical Subtotal =	**$ 10,218,655**	**0**	**41,359**	**41,359**	**0**	**0**	**0**
TOTAL =	**$ 17,829,980**	**0**	**67,264**	**67,264**	**0**	**0**	**0**
OTHER							
Preplanning Costs	$ 129,245						
Site Survey & Soil Investigation	$ -						
Site Preparation	$ -						
Off-Site Work	$ -						
Contingencies	$ 1,782,998						
A/E Fees	$ 1,535,000						
Consulting & Other Fees	$ 250,000						
Movable or Other Equipment	$ 16,000,000						
Bond Issuance Expense	$ -						
Net Interest Expense During Construction	$ -						
Fair Market Value of Leased Space or Equipment	$ 45,542,000						
Other Costs To Be Capitalized	$ 272,778						
Acquisition of Building (excluding Land)	$ -						
Other Subtotal =	**$ 65,512,021**						
GRAND TOTAL =	**$ 83,342,001**						

SECTION III. BACKGROUND, PURPOSE OF THE PROJECT, AND ALTERNATIVES – INFORMATION REQUIREMENTS

Criterion 1110.110(a)

BACKGROUND OF APPLICANT

A listing of all health care facilities owned or operated by the applicants, including licensing, and certification if applicable.

Northwestern Memorial HealthCare:

	IDPH License No.	Joint Commission Organization No.
Northwestern Memorial Hospital	0003251	7267
Northwestern Lake Forest Hospital	0005660	3918
Central DuPage Hospital Association	0005744	7444
Delnor-Community Hospital	0005736	5291
Marianjoy Rehabilitation Hospital & Clinics	0003228	7445
Kishwaukee Community Hospital	0005470	7325
Valley West Community Hospital	0004690	382957
Northern Illinois Medical Center (McHenry)	0003889	7375
Northern Illinois Medical Center (Huntley)	0003890	7375
Memorial Medical Center (Woodstock)	0004606	7447
Palos Community Hospital	0003210	7306
Grayslake Freestanding Emergency Center	22002	3918
Grayslake ASTC	7003156	3918
Grayslake Endoscopy ASTC	7003149	3918
Cadence Ambulatory Surgery Center	7003173	n/a
The Midland Surgical Center	7003148	n/a
Illinois Proton Center	n/a	n/a
Palos Health Surgery Center*	7003224	n/a

*denotes partial ownership > 50%

A certified listing of any adverse action taken against any facility owned and/or operated by the applicants, directly or indirectly, during the three years prior to the filing of the application.

By the signatures on the Certification page of this application, the Applicant attests that no adverse action has been taken against any facility owned and/or operated by Northwestern Memorial HealthCare during the three years prior to the filing of this application. For the purpose of this letter, the term "adverse action" has the meaning given to it in the Illinois Administrative Code, Title 77, Section 1130.140.

Authorization permitting HFSRB and DPH access to any documents necessary to verify the information submitted, including, by not limited to: official records of DPH or other State agencies; the licensing or certification records of other states, when applicable; and the records of nationally recognized accreditation organizations.

By the signatures on the Certification page of this application, the Applicant authorizes HFSRB and DPH to access any documentation which it finds necessary to verify any information submitted, including, but not limited to official records of DPH or other State agencies and/or the records of nationally recognized accreditation organizations.

Criterion 1110.110(b)

PURPOSE OF PROJECT

1. *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 purpose of this project is to improve access to NM care and preventative services by providing a convenient care delivery location close to where NM patients live and work. The proposed project will serve NM patients by co-locating NM physicians and outpatient services in a medical office building in Oak Brook, approximately 20 miles (35 minutes) from Northwestern Memorial Hospital (NMH) and 12 miles (25 minutes) from NM Central DuPage Hospital (CDH). This project will help accommodate current and projected demand for NM services at both NMH and CDH and allow for the co-location of specialty services, such as cardiology, oncology, neurology and orthopedics, in a convenient location for patients and physicians.

2. *Define the planning area or market area.*

   It is anticipated that the majority of the patients who will come to the proposed MOB will reside within 10 miles of the facility. In FY21, almost 60% of CDH's and over 30% of NMH's inpatient and observation cases originated from the 10-mile radius of the proposed project. Additionally, there were almost 400,000 outpatient visits to an NM facility from patients residing within the project's 10-mile radius.

3. *Identify the existing problems or issues that need to be addressed.*

   The association between proximity to health care facilities and improved disease management and population health has been well documented. In general, a greater distance reduces follow-up care and increases complications and mortality risks.

   One of the core pillars of NM's Community Benefit work and a priority health need identified in NM's Community Health Needs Assessments is access to health care services with a focus on chronic disease. Access to health care services has a profound effect on every aspect of a person's health. Increasing access to medical care is vital for improving the health of a community. Regular and reliable access to health services can:
   - Prevent disease and disability
   - Detect and treat illnesses and other health conditions
   - Increase quality of life
   - Reduce the likelihood of premature death
   - Increase life expectancy

   Transportation to healthcare services can be a major barrier, particularly for the uninsured and underinsured; thereby making location of healthcare services a significant factor in a person's ability to access care.

4. *Cite the sources of the documentation.*

   Sources of information include:
   - Hospital Records
   - NM Community Health Needs Assessments
   - Healthy People 2020

5. *Detail how the project will address or improve the previously referenced issues, as well as the population's health status and well-being.*

   The proposed project will improve access to NM's high-quality, coordinated, efficient, outpatient services in a location more convenient to a large number of NM patients who currently have to travel over 10 miles to an NM facility including the significant number of Access DuPage patients who are treated at CDH.

   More accessible preventive services will prove beneficial in improving health status, increasing life spans, and elevating the quality of life, as well as lowering the costs associated with caring for late-stage diseases resulting from a lack of preventive care.

   The co-location of services will increase collaboration among different providers and wider coordination with secondary care. At the same time, the co-location of services will drive cost efficiencies by reducing duplication of technology/equipment.

6. *Provide goals for the proposed project.*

   The goal of the proposed project is to reduce travel time and increase access to NM care and preventive services by providing a medical office building in a convenient location for a large number of NM patients.

Criterion 1110.110(d)

ALTERNATIVES

The location of the proposed project is in Oak Brook, approximately 20 miles (35 minutes) from Northwestern Memorial Hospital (NMH) and 12 miles (25 minutes) from NM Central DuPage Hospital (CDH). In FY21, almost 60% of CDH's inpatient and observation cases and over 30% of NMH's inpatient and observation cases originated from a 10-mile radius of the proposed project. Additionally, there were almost 400,000 outpatient visits to an NM facility from patients from the project's 10-mile radius.

The proposed project will increase access to NM care by providing outpatient services at a convenient location for NM patients. The proposed medical office building will provide space for physician clinics as well as non-hospital based ambulatory services such as infusion, diagnostic imaging, physical therapy, and blood draw.

The building is being developed by MedProperties. NM will lease 100% of the building. NM is responsible for the interior build-outs. Patient and visitor parking will be provided on Floors 2 to 4 (and a small portion of the ground floor). The total project square footage will be approximately 67,000 square feet (does not include parking).

The following alternatives were considered for the project:

1. Build/own a new medical office building in Oak Brook

2. Lease space in an existing building in the same general location as the proposed project

Alternative 1: Build/Own a New Medical Office Building in Oak Brook

NMHC worked with Jones Lang LaSalle (JLL) to search for all vacant property options near the location of the proposed project. The only sites available had significant issues with sub-optimal vehicular access and abnormal site layouts that would have led to inefficient clinical layouts.

Cost
This option would cost approximately the same as the proposed project.

Schedule
The timeline for this option would have been approximately 12 months longer than the proposed project due to all of the entitlement and design work that MedProperties has already completed.

This alternative was rejected because of the inferior site options and longer timeline.

Alternative 2: Lease/Buy an Existing Building in the Same General Location as the Proposed Project

NMHC worked with JLL to search for all potential existing building options around the location of the proposed project. The search resulted in no other sites properties that met the criteria for this project.

Additionally, while there were many existing office buildings in the area, they had sub-optimal infrastructure for medical uses and were generally very secluded with difficult vehicular access. Renovating those types of properties would be very costly and would yield a product that is inferior to the proposed project. Frequently, landlords are unwilling or unable to invest in necessary infrastructure improvements and it is a risky financial investment for NMHC to make extensive improvements as a tenant.

This alternative was rejected because it does not meet the program need for the project. Cost estimates were not developed for this option since it is not realistic for the project.

SECTION IV. PROJECT SCOPE, UTILIZATION, AND UNFINISHED/SHELL SPACE

Criterion 1110.120

SIZE OF PROJECT

The services in the proposed project will be provided by Northwestern Medicine's Regional Medical Group (RMG) and will not be hospital-based and therefore not subject to licensure under the Illinois Hospital Licensing Act. However, the "clinical" components of the project were compared to the State's Guidelines for square footage (where applicable) and all areas are below the applicable guidelines.

In determining the square footages for the components for which there are no State Guidelines, NM's planning team members, architects, and consultants utilized existing functional standards and incorporated experience from other developments in the healthcare system during the past 2+ decades of growth.

The size of the project was driven by the amount of space needed to accommodate demand for NM outpatient services.

Oak Brook Medical Office Building Stacking Diagram

Floor 7	Infusion Center / Physician Offices
Floor 6	Physical Therapy / Physician Offices
Floor 5	Physician Offices
Floor 4	Parking
Floor 3	Parking
Floor 2	Parking
Floor 1	Lobby / RMG ICC / Well-Patient Lab / Diagnostic Imaging

Clinical Components

Infusion Center

The proposed project includes space for outpatient infusion services on the 7th floor. Based on patient preference for more privacy, there will be 10 private infusion rooms.

Infusion services will include intravenous and catheter-based infusion for chemotherapy, targeted therapies, immunotherapy, fluids and antibiotics.

There will also be a co-located pharmacy in the Infusion Center. This eliminates the need for drugs to be couriered to the building which also eliminates unnecessary treatment delays, spoilage, and limited ability to offer clinical trials. The co-located pharmacy also allows a pharmacist to easily counsel patients and families and establish a more personal relationship during infusion treatments.

There will also be a Blood Draw Area/Laboratory in the Infusion Center. This allows patients undergoing cancer treatment to remain on the floor where their treatment happens. This area will include 3 blood draw chairs/stations, a laboratory space for point of care testing, toilet room with pass-through door, waiting and registration area.

The Infusion Center space is comprised of:

- 10 Private Infusion rooms
- Pharmacy
- Blood Draw/Lab
- Staff and patient toilets
- Registration area
- Waiting room

Comparison of Space to Standard

The proposed square footage for the Infusion Center is 9,113 DGSF.

There is no State Guideline for Square Footage for Infusion services.

Diagnostic Imaging

The proposed project includes space for diagnostic imaging services. There will be a Diagnostic Imaging Center on the 1st floor of the building. The Imaging Center will have the following types of diagnostic imaging equipment:

- 1 MRI
- 1 CT
- 2 Mammography units
- 2 Ultrasound units
- 1 Dual-energy X-Ray Absorptiometry (DEXA) unit

The Imaging Center will also include the following components:

- CT control room
- MRI control and equipment room
- IV prep room
- Patient changing rooms
- Staff and patient toilets
- Registration area
- Waiting room
- Clean Supply Room
- Soiled Holding Room

There will also be 1 X-ray unit in the Immediate Care Center on the 1st floor and 1 X-ray unit in the Orthopedics physician office space on the 6th floor.

Comparison of Space to Standard

The proposed square footage for the Diagnostic Imaging areas is 8,356 DGSF.

Components and Space Standards used are as follows:

Diagnostic Imaging, as designed	**8,356 DGSF**
1 MRI	
1 CT	
2 Mammography units	
1 Dexa unit	
2 Ultrasound units	
2 X-Ray units	
State Standard for Diagnostic Imaging	**10,700 DGSF**
MRI: 1,800 dgsf/Unit x 1 = 1,800	
CT: 1,800 dgsf/Unit x 1 = 1,800	
Mammography: 900 dgsf/Unit x 2 = 1,800	
DEXA: 900 dgsf/Unit x 1 = 900	
Ultrasound: 900 dgsf/Unit x 2 = 1,800	
General Radiology: 1,300 dgsf/Unit x 2 = 2,600	
Amount of difference	(2,344)

The proposed diagnostic imaging space is below the State Guidelines for Square Footage. This is due to the efficiencies gained by co-locating multiple types of imaging equipment in one imaging center; registration, waiting areas, patient changing areas, etc. can be shared amongst the imaging modalities.

Physical Therapy

The proposed project also includes space for outpatient rehabilitation services. This will be primarily for post-operative care for orthopedic surgery patients. The types of post-surgical care patients requiring physical therapy at the proposed project include:

- ACL Reconstruction
- Carpal Tunnel Release
- Knee Arthroscopy
- Meniscus Surgery
- Rotator Cuff Repair
- Trigger Finger
- Wrist Fracture
- Various other Fractures
- Achilles Tendon

The physical therapy space is comprised of:

- Open gym space (PT & OT)
- Splint room
- Exam rooms

- Staff and patient toilets
- Locker rooms
- Staff workroom
- Registration area
- Waiting room

Comparison of Space to Standard

The proposed square footage for Physical Therapy is 7,003 DGSF.

There is no State Guideline for Square Footage for Physical Therapy.

Well-Patient Laboratory (Blood Draw)

The proposed project includes space for a Well-Patient Laboratory for blood draw services. This space is an efficient means to accommodate the phlebotomy needs for all of the clinics in the building in a single location. The lab will service blood draw orders issued by all clinics in the building as well as allow for patient drop-in with orders received from NM clinics outside of the proposed project. Samples will be processed off-site.

The lab draw space is comprised of:

- 4 blood draw stations
- Staff and patient toilets
- Staff workroom
- Registration area
- Waiting room

Comparison of Space to Standard

The proposed square footage for Laboratory Blood Draw is 1,433 DGSF.

There is no State Guideline for Square Footage for Laboratory Blood Draw.

SIZE OF PROJECT				
DEPARTMENT	**PROPOSED DGSF**	**STATE STANDARD**	**DIFFERENCE**	**MET STANDARD?**
Infusion Center	9,113	N/A	N/A	Yes
Diagnostic Imaging	8,356	10,700	(2,344)	Yes
Physical Therapy	7,003	N/A	N/A	Yes
Well-Patient Lab	1,433	N/A	N/A	Yes

Non-Clinical Components

There are no State Guidelines for the non-clinical components of this project.

Physician Office Space

The proposed project includes physician office space for the Northwestern Medicine Regional Medical Group (RMG). RMG provides healthcare services in the Chicago west and northwest suburbs and has more than 500 primary care physicians and specialists on the medical staff at NM Central DuPage Hospital, NM Delnor Hospital, NM Kishwaukee Hospital, NM Valley West Hospital, NM Huntley Hospital, NM McHenry Hospital, and NM Woodstock Hospital. RMG is one of the largest employers in DuPage and Kane counties.

RMG has experienced significant growth in the past two decades, increasing from 100 physicians in 2010 to 649 physicians today (549% increase).

It is anticipated that the following specialties will be included in the proposed project:

- Primary Care
- Oncology
- Cardiology
- Orthopedics
- Neurology

Based on physician practice space in other NM buildings throughout the healthcare system, the space assumption for the physician office space is 1,000 – 1,500 DGSF per physician. The proposed project includes physician office space totaling 28,843 DGSF. This amount will provide space for 20 - 30 physicians.

The project also includes an Immediate Care Center (ICC) for patients who do not have a primary care provider, require immediate medical care, and/or prefer the flexibility of walk-in appointments and expanded hours. The ICC will be staffed and billed for by RMG.

The Physician Office Space areas in the proposed project total 28,843 DGSF.

Common Areas/Staff Support/Admin Space

The main lobby will be on the 1st floor of the building. Each floor will have public waiting spaces and public toilets for patients and guests. Adjacent to each waiting room will be a reception area for patient check-in/out and for general information.

The administrative spaces on the clinic floors consist of offices for the clinical site director, medical director, support staff, and hoteling offices.

On the 6th floor there will be one large conference room with a moveable partition in order to split the room into two conference rooms if needed. The conference room(s) will be primarily used for patient education and staff.

The main office for Environmental Services will be located on the 1st floor. Each floor will have one to two EVS rooms for cleaning supplies and equipment.

The primary building storage will be located on the 1st floor. The storage rooms are sized to meet the requirements for building maintenance.

The building will have two elevators for the parking floors and main floors of the building.

Staff breakrooms and locker rooms will be located on each clinical floor and are centrally located to provide access for all staff members.

A mother's room will be located on the 6th floor for staff use.

The Common Areas/Staff Support/Admin Space areas in the proposed project total 11,559 DGSF.

MEP Systems

The proposed project includes the following MEP Systems:

- Mechanical
    - Two packaged rooftop air handling units, 38,000 total CFM each
    - One packaged VAV gas/DX RTU to serve the compounding pharmacy.
        - Single duct VAV with electric reheat.
    - Ceiling mounted precision air conditioners with remote condensing units for MRI and CT rooms.
    - New MRI process chiller, quench vent, and purge fan.
    - New roof mounted general exhaust fans.
    - New building automation system.
    - Dedicated DX split systems for IDF rooms.
    - Dedicated garage exhaust fans.
- Plumbing
    - New 12" incoming combined fire protection / domestic water service.
    - New domestic water distribution to new fixtures.
    - Two redundant gas fired tank type water heaters, digital master mixing valve and recirculation pumps.
    - New Sanitary 8" service and vent piping to each fixture.
    - Two 12" storm connections to new detention tank.
    - Garage oil waste system.
    - Duplex sewage ejector.
    - Duplex sump pump.
    - Three elevator pit pumps.

- Fire Protection
  - New 12" incoming combined fire protection / domestic water service.
  - 1000 gpm fire pump.
  - Combined sprinkler stand pipe system with three exit stairway standpipes (one combined with sprinklers).
  - Double interlock pre-action systems that will serve the MRI, CT, and Generator room.
  - Dry valve systems to service garage levels, canopies, and trash area.
- Electrical
  - New 480/277 volt electrical services will support the overall building loads. The quantity and sizing are being driven by the projected building loads.
  - Emergency power will be provided by a diesel driven engine generator. This will back-up code-required and user-requested loads.
  - New electrical distribution will be provided throughout the building to panelboards and end-use devices/loads.
  - New electrical, lighting, data, nurse call, sound masking and fire alarm systems.

Building Infrastructure

The building will be a 7-story medical office building that includes 3 levels of parking for a total building height of 97'-6" to roof slab. The building will be constructed with precast concrete foundation walls, columns, and beams for the medical office portion of the building. The parking decks are post-tension concrete slab. There will also be an earth retention system (ERS) installed around the full perimeter of the property for the building structure. The perimeter of the building will be 723 linear feet and the story heights will be:

- Floors 1 – 2 = 15'-6"
- Floors 2 – 3 = 10'-0"
- Floors 3 – 4 = 10'-0"
- Floors 4 – 5 = 17'-6"
- Floors 5 – 6 = 14'-6"
- Floors 6 – 7 = 14'-6"
- Floors 7 – Roof = 15'-6"

The primary building materials will be a precast/glass curtain wall, natural stone, solid and perforated metal panel.

PROJECT SERVICES UTILIZATION

The services in the proposed project will be provided by Northwestern Medicine Regional Medical Group (RMG) and will not be hospital-based and therefore not subject to licensure under the Illinois Hospital Licensing Act.

Infusion

Northwestern Medicine's cancer centers provide access to state-of-the-art therapies and comprehensive cancer care offering leading-edge medical, surgical, and radiation oncology treatment options, as well as access to specialized research, clinical trials, and diagnostic services. NM treats more than 10,000 new cancer cases each year; supporting patients and their caregivers during the diagnosis, treatment, and recovery stages of their cancer journey.

In partnership with the Robert H. Lurie Comprehensive Cancer Center of Northwestern University, NMH is ranked No. 1 in the Chicago metro region and Illinois and as one of the top 6 cancer programs in the country by *U.S. News & World Report.*

From CY18 to CY21, NM infusion visits increased by 33.5%. In order to accommodate the growing demand for infusion services at NM and to provide treatment-center options close to where patients live and more convenient than traveling downtown or to Winfield, the proposed project will offer outpatient infusion services. There will be 10 private infusion bays. In FY21, there were 11,462 outpatient infusion visits to an NM facility from patients living in the proposed project's service area. Conservatively, 37% of this volume is expected to shift to the proposed project. Projections are based on Sg2's projected annual growth rate of 0.6% for oncology outpatient visits for the project's service area.

While there is no industry standard for utilization of infusion resources, facility planning firms have used a 65% utilization rate for the planning of infusion centers associated with academic medical centers (AMCs). AMC infusion centers typically have higher patient acuity, higher than average same-day cancellations, and complex multidisciplinary care. The NM Strategy team worked with The Advisory Board to determine the median utilization rate for AMC/NCI-designated cancer centers and found the rate to be 60%.

Outpatient Infusion	**FY25**	**FY26**
NM OP Infusion Visits from Project Service Area	11,924	11,995
37% of Visits @ proposed project	4,412	4,438
Average Hours Per Infusion (based on NMH data)	3.0	3.0
Projected Annual Hours of Infusion	13,236	13,315
# of Infusion Resources	10	10
Annual Hours Available	20,400	20,400
Projected Infusion Resource Utilization	65%	65%

There is no State standard for utilization for outpatient infusion services.

Diagnostic Imaging

The proposed project includes the following types of diagnostic imaging:

- 1 MRI
- 1 CT
- 2 Mammography units
- 2 X-Ray units
- 2 Ultrasounds
- 1 Dual-energy X-Ray Absorptiometry (DEXA) unit

Based on the actual utilization of other NM medical office buildings, it is anticipated that the project will have between 40,000 – 60,000 annual visits. Diagnostic Imaging projections are based on use rates at Northwestern Medicine's Glenview Outpatient Center (NM Glenview) and Sg2's Market Demand Forecasts for the project's service area.

MRI

There will be 1 MRI in the proposed project. The State standard for MRI is 2,500 procedures per MRI. Using this standard, the project can justify 1 MRI.

MRI	FY25	FY26
Procedures	2,160	2,166
State Standard	2,500	2,500
# of MRIs Justified	1	1
# of MRIs in the Project	1	1

CT

There will be 1 CT scanner in the proposed project. The State standard for CT is 7,000 visits per CT scanner. Using this standard, the project can justify 1 CT scanner.

CT	CY25	CY26
Visits	3,000	3,015
State Standard	7,000	7,000
# of CTs Justified	1	1
# of CTs in the Project	1	1

Mammography

There will be 2 mammography machines in the proposed project. The State standard for mammography is 5,000 visits per mammography machine. Using this standard, the project can justify 2 mammography machines.

Mammography	CY25	CY26
Visits	4,800	5,366
State Standard	5,000	5,000
# of Mammography Machines Justified	2	2
# of Mammography Machines in the Project	2	2

General X-Ray

There will be 2 x-ray machines in the proposed project. The State standard for general radiography is 8,000 procedures per x-ray machine. Using this standard, the project can justify 2 x-ray machines.

X-Ray	CY25	CY26
Procedures	11,903	11,070
State Standard	8,000	8,000
# of X-Ray Machines Justified	2	2
# of X-Ray Machines in the Project	2	2

Ultrasound

There will be 2 ultrasound machines in the proposed project. The State standard for ultrasound is 3,100 visits per ultrasound. Using this standard, the project can justify 2 ultrasounds.

Ultrasound	CY25	CY26
Visits	3,120	3,145
State Standard	3,100	3,100
# of U/S Machines Justified	2	2
# of U/S Machines in the Project	2	2

DEXA

Dual-energy X-Ray Absorptiometry (DEXA) is a means of measuring bone mineral density using spectral imaging. There will be 1 DEXA machine in the proposed project. There is no State standard for utilization of DEXA equipment.

DEXA	CY25	CY26
Procedures	561	565
State Standard	n/a	n/a
# of DEXA Machines Justified	n/a	n/a
# of DEXA Machines in the Project	1	1

Physical Therapy

Physical therapy space will be included in the proposed project to address unmet demand for outpatient rehabilitation services. Currently, there are limited NM sites that offer outpatient rehab services and as a result, only 33.9% of NM patients needing rehab services can be accommodated at an NM facility.

Providing rehab services at an NM facility ensures continuity of care and supports outcomes and long-term success of patient care plans. It also ensures the proper placement of patients and continued connection for completion of treatment. Streamlined communication through the use of a single electronic medical record allows referring physicians to better track patient accountability and outcome metrics.

Demand for outpatient rehab services in the project's service area is expected to grow by 12.6% over the next 10 years. Demand is driven by:

- Aging, chronically ill patients populations requiring more rehab services
- Increased use of pre-rehab services prior to more aggressive treatments including surgery, chemotherapy, and radiation
- Increased desire for lower cost care alternatives
- Desire to reduce the use of pain medication and opioids

In FY19, there were 132,267 NM outpatient rehabilitation referrals. It is expected that this project will accommodate approximately 7.5% of these referrals.

Outpatient Rehabilitation	FY25	FY26
NM OP Rehab Referrals	138,880	140,203
7.5% @ proposed project	10,416	10,515

There is no State standard for utilization for physical therapy services.

Well-Patient Laboratory (Blood Draw)

The Well-Patient Laboratory in the proposed project will accommodate the phlebotomy needs for all of the clinics in the building in a single location. The lab will service blood draw orders issued by the clinics in the building as well as allow for patient drop-ins with orders received from NM clinics outside of the proposed project. There will be 4 blood draw stations in the Well-Patient Laboratory.

Based on experience at other NM outpatient buildings, it is estimated that approximately 13% of visits to the proposed project will generate a visit to the Well-Patient Laboratory resulting in approximately 7,800 visits/year.

There is no State standard for utilization for a well-patient laboratory.

Comparison of Utilization to Standard

UTILIZATION				
DEPARTMENT	**HISTORICAL UTILIZATION**	**PROJECTED UTILIZATION CY25 CY26**	**STATE STANDARD**	**MEET STANDARD?**
Infusion Services	N/A	65% 65%	N/A	Yes
MRI	N/A	2,160 procedures 2,166 procedures	2,500 procedures	Yes
CT	N/A	3,000 visits 3,015 visits	7,000 visits	Yes
Mammography (2)	N/A	4,800 visits 5,366 visits	5,000 - 10,000 visits	Yes
General X-Ray (2)	N/A	11,903 procedures 11,070 procedures	8,000 - 16,000 procedures	Yes
Ultrasound (2)	N/A	3,120 visits 3,145 visits	3,100 - 6,200 visits	Yes
DEXA	N/A	561 procedures 565 procedures	N/A	Yes
Physical Therapy	N/A	10,416 visits 10,515 visits	N/A	Yes
Well-Patient Lab	N/A	7,800 visits	N/A	Yes

UNFINISHED OR SHELL SPACE / ASSURANCES

Not Applicable – there is no unfinished or shell space planned in the project.

M. Criterion 1110.270 – Clinical Service Areas Other than Categories of Service

Service	# of Existing Key Rooms	# of Proposed Key Rooms
Infusion	N/A	10
Diagnostic Imaging		
MRI	N/A	1
CT	N/A	1
Mammography	N/A	2
X-Ray	N/A	2
Ultrasound	N/A	2
DEXA	N/A	1
Physical Therapy	N/A	1
Well-Patient Laboratory (Blood Draw)	N/A	4

The services in the proposed project will be provided by Northwestern Medicine's Regional Medical Group (RMG) and will not be hospital-based and therefore not subject to licensure under the Illinois Hospital Licensing Act.

The proposed project will provide convenient infusion, diagnostic imaging, physical therapy, and blood draw services for NM patients at a location close to home. The project will accommodate demand for NM services from patients within the 10-mile radius of the project and beyond.

Infusion

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There is no State standard for utilization for a well-patient laboratory.

SECTION VII. 1120.120 – AVAILABILITY OF FUNDS

Not Applicable – see bond rating documents

SECTION VIII. 1120.130 – FINANCIAL VIABILITY

Not Applicable – see bond rating documents

S&P Global
Ratings

RatingsDirect®

Illinois Finance Authority Northwestern Memorial HealthCare; CP; Hospital; System

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Illinois Finance Authority
Northwestern Memorial HealthCare; CP; Hospital; System

Credit Profile		
US$518.445 mil taxable rev bnds ser 2021 dtd 08/11/2021 due 07/15/2051		
Long Term Rating	AA+/Stable	New
US$211.640 mil rev rfdg bnds (Northwestern Mem HlthCare) ser 2021A dtd 08/14/2021 due 07/15/2041		
Long Term Rating	AA+/Stable	New

Rating Action

S&P Global Ratings assigned its 'AA+' long-term rating to Illinois Finance Authority's $518.4 million 2021 taxable and $211.6 million 2021A tax-exempt revenue refunding bonds, issued for Northwestern Memorial HealthCare (NMHC). S&P Global Ratings also affirmed its 'AA+' ratings on all outstanding long-term debt issued for NMHC, as well as its 'A-1+' short-term rating on the authority's taxable commercial paper (CP) notes, issued for NMHC. The outlook on the long-term rating is stable.

The bonds will be refunding bonds outstanding for interest-rate savings and simplification of the overall debt structure. The bonds will also reduce private-placement debt outstanding and the amount of series outstanding to 14 from 26. We also expect NMHC to issue refunding bonds in the form of $146.0 million variable-rate demand bonds backed by a standby purchase agreement and $126.2 million of self-liquidity bonds in the next month. These have been incorporated into this review with pro forma debt and maximum annual debt service.

The bonds will be an unsecured general obligation of the NMHC obligated group. As part of this transaction, there will be an amended and restated 2021 master trust indenture. There will be updated terms, including what defines an event of default. If annual debt service coverage falls below 1.0x for two consecutive years, in order for there to be an event of default, overall days' cash on hand will need to be below 175 and debt-to-capitalization must be above 65%. We view this as a credit neutral, and note that NMHC has significant flexibility, based on its healthy credit metrics.

S&P Global Ratings also affirmed its 'AA+/A-1+' and 'AA+/A-1' dual ratings on NMHC's bonds. The long-term component of the ratings reflects the credit quality of NMHC, the obligor. The short-term component of the ratings reflects the standby bond purchase agreements provided by the various banks.

We base the 'A-1+' short-term rating on the CP on NMHC's ability to fund from its own liquidity any CP not successfully remarketed. The taxable CP program has a $200 million limit, and NMHC has issued $77.7 million. NMHC has internally set maturity restrictions of a maximum of $60 million during a period of five business days.

Credit overview

The ratings reflect our view of NMHC's sustained solid operational performance and balance-sheet metrics during a period of significant growth. As a system, NMHC has successfully integrated new members into the organization, and

it has reaped the benefits of operating more as a system than a federation of hospitals. We expect NMHC will remain an important provider in the very competitive Chicagoland market, and we believe management will continue to focus on integration as well as aligning services in ambulatory facilities as a growth strategy. NMHC has a prominent position in a competitive market, with a management team that is focused on strategic growth and pioneering efforts that include telehealth and artificial intelligence.

NMHC's management team continues to maintain financial discipline as it executes the system's growth strategy. In January 2021, NMHC acquired Palos Community Hospital, a 425-bed hospital in Palos Heights, which is a strategic growth area for NMHC. We expect this acquisition will be slightly dilutive to the system in the near term, but have incorporated this into our analysis. We believe Palos can be absorbed based on the current healthy credit profile of NMHC and management's track record of integrating new entities and improving operations within a short time frame. As of Dec. 31, 2020, Palos had about $381.1 million of total revenue and a $12 million operating loss. NMHC's interim results for the nine months ended May 31, 2021, incorporate Palos, and we expect management will remain focused on turning around operations.

NMHC's operations were significantly affected by the pandemic in fiscal 2020; however, volumes continue to recover and NMHC received funding from the Coronavirus Aid, Relief, and Economic Security Act (CARES Act) in amounts of $289 million and $53 million for fiscal 2020 and the interim period ended May 31, 2021, respectively. The system also received a $412 million Medicare accelerated payment, which is removed from unrestricted reserves, as per our practice.

The 'AA+' rating reflects our view of NMHC's:

- Very healthy liquidity position that we expect will be stable, given manageable capital needs;
- Solid financial performance despite a period of significant growth and the recent pandemic, aided by management's continued focus on cost containment;
- Outstanding governance and management, including the numerous benefits realized through affiliations with Northwestern University-related entities, including the Feinberg School of Medicine; and
- Very strong brand name recognition and expanding business position through its acquisition strategy.

Partially offsetting the above strengths, in our view, are NMHC's:

- Expectation for continued dilutive results in fiscal 2021, given the recent Palos acquisition; and
- Increasingly competitive service area, as provider consolidation continues in the greater Chicago area.

The analysis and financial figures in this report pertain to the activities of NMHC, the sole corporate member of Northwestern Memorial Hospital (NMH), Northwestern Medicine Lake Forest Hospital (NMLFH), Northwestern Medical Faculty Foundation (d/b/a Northwestern Medical Group, or NMG), Northwestern Memorial Foundation (NMF), Northwestern Medicine Central DuPage Hospital, Northwestern Medicine Delnor Hospital, Central DuPage Physician Group (CPG; d/b/a Northwestern Medicine Regional Medical Group, or NMRMG), Northwestern Medicine Kishwaukee Hospital, Northwestern Medicine Valley West Hospital, Marianjoy Rehabilitation Hospital & Clinic Inc., Northern Illinois Medical Center (d/b/a Northwestern Medicine Huntley Hospital, Northwestern Medicine McHenry

Hospital, and Northwestern Medicine Woodstock Hospital), and Palos Community Hospital.

The stable outlook reflects our expectation that the system will maintain its extremely strong financial profile, as well as its prominent position in the Chicago market. We expect management will continue to execute on the strategy of ambulatory growth and maintaining stable market share, despite a highly competitive market. Our stable outlook also reflects our view of the system's lack of any significant debt plans.

Environmental, social, and governance (ESG) factors

We view ESG risk to be in line with that of sector peers. That said, we believe the COVID-19 pandemic exposes the entire sector to additional social risks that, although improving given widespread vaccine distribution, may remain a threat and point of uncertainty. We view positively management's focus on innovation, as well as strategic growth, amid an evolving health care market. Additionally, the overall financial profile remains extremely strong, and although we expect some moderate softening in fiscal 2021 as management integrates Palos, we expect overall credit metrics to remain robust.

Stable Outlook

Downside scenario

While we do not expect this to occur, if operations trend negatively for a sustained period and liquidity declines notably, we could revise the outlook to negative or lower the rating. We could also lower the rating if there is a material increase in leverage, a dilutive acquisition, or a sustained decline in NMHC's market position.

Upside scenario

We are unlikely to raise the rating within the outlook period, given S&P Global Ratings' general view of risk in the health care sector and the highly competitive environment, in addition to continued weakening in the overall payer mix over time.

Credit Opinion

Enterprise Profile: Very Strong

Enterprise

NMHC operates more than 200 diagnostic and ambulatory sites and 11 hospitals across Chicagoland, including its flagship, NMH. NMH is a major academic medical center and is the primary teaching hospital for Northwestern University's Feinberg School of Medicine, providing a range of services.

As of May 31, 2021, NMHC has a total of 2,651 licensed beds (2,693 staffed), including 943 licensed beds (926 staffed) at NMH. NMHC also includes Northwestern Medicine Insurance Company LLC.

Northwestern University is a separate corporation and is not obligated to repay debt service associated with the bonds, but we believe the university's Feinberg School of Medicine is integrally linked with NMHC through a shared strategic plan.

Organic growth as well as growth through strategic acquisitions

NMHC has taken a disciplined approach to growth, having more than doubled in size over the past several years through both organic growth and strategic acquisitions. NMHC has also continued to integrate its physician practice, and this has been instrumental in the implementation of the system's strategic plan.

Prior to acquiring Palos, NMHC's most recent acquisition was Centegra, which provided the system with a new market segment with an attractive payer mix. Other entities that were acquired include the Lake Forest Hospital, Central DuPage Hospital, Delnor Hospital, Kishwaukee Hospital, Valley West Hospital, and Marianjoy. All of these entities have added to the overall footprint and, in our opinion, the acquisitions have made strategic sense. We expect management will continue evaluating opportunities, and we note that the current growth strategy remains focused, including on building out the ambulatory-care footprint.

In fiscal 2018, NMHC successfully executed Project One, which remains the vehicle to move all acute-care hospitals and physician groups onto one electronic medical record system.

Utilization

NMHC management reports that overall volumes continue to recover and are almost at pre-pandemic levels. The team has noted that all service lines are showing healthy growth in share, particularly those that are aligned with strategic growth. Also, because the NMHC-aligned physicians' patients tend to remain within the system, and NMHC can take advantage of the favorable geographic relationship of the hospitals and health care sites in the system, it has been able to maintain its business position.

NMHC has a 15.6% market share in its primary service area (a 17-county area), which includes Palos. The market will remain competitive as consolidation occurs.

Management

NMHC has a strong leadership team that produces strong operations and balance-sheet measures while investing in its facilities. To date, NMHC has had no major missteps in aligning with the facilities that it has acquired over the years, including Kishwaukee Hospital, Valley West Hospital, Marianjoy, and Centegra. NMHC uses an integration team that assesses the positives and negatives of an acquired entity. The team then prepares a plan to help NMHC and the new entity integrate with little to no interruption.

NMHC remains focused on system integration, as it has grown rather rapidly over the years. Project One is one example of the steps that NMHC has taken to become further aligned. Management noted that it has already begun to see some benefits from Project One. The project, along with other measures, will help to increase efficiency.

We note that the board remains very engaged and continues to collaborate with the senior management team. There were some changes to the board composition with the affiliation of Centegra and Palos.

Table 1

Northwestern Memorial HealthCare & Subs, Illinois -- Enterprise Statistics

	--Nine months ended May 31--	--Fiscal year ended Aug. 31--		
	2021	2020	2019	2018
PSA population		9,524,699	9,621,069	9,613,154

Table 1

Northwestern Memorial HealthCare & Subs, Illinois -- Enterprise Statistics (cont.)

	--Nine months ended May 31--	--Fiscal year ended Aug. 31--		
	2021	2020	2019	2018
PSA market share (%)		13.4	12.8	10.3
Inpatient admissions	87,072	97,460	103,132	84,852
Equivalent inpatient admissions	206,519	246,576	259,959	216,441
Emergency visits	266,661	328,385	361,220	292,657
Inpatient surgeries	22,365	27,618	25,774	22,285
Outpatient surgeries	49,460	52,866	58,376	49,195
Medicare case mix index	1.9640	1.9100	1.8900	1.9870
FTE employees		26,431	25,496	22,057
Active physicians		4,866	4,858	4,252
Top 10 physicians admissions (%)				
Based on net/gross revenues	Net	Net	Net	Net
Medicare (%)	28.5	28.1	27.2	24.3
Medicaid (%)	9.6	5.2	8.1	8.3
Commercial/Blues (%)	59.3	66.0	64.1	65.5

Inpatient admissions exclude normal newborn, psychiatric, rehabilitation, and long-term care facility admissions.

Financial Profile: Extremely Strong

Operations

In fiscal 2020, NMHC's financial performance was solid, in our view, despite challenges from the pandemic and higher costs associated with it. The system benefited from significant CARES Act funding of $289 million. The system was able to post a healthy margin of 4.52% for fiscal 2020 and management remained focused on cost containment. The system also benefited from volume recovery in the later months of fiscal 2020 as the facilities continued to see continued growth. Management has continued to focus on its efficiency plans in order to offset some slight payer mix degradation. As the state transitions more Medicaid recipients to managed Medicaid, NMHC is exploring how to best manage this population as related to the payers in the market.

NMHC's interim results for the nine months ended May 31, 2021, were very healthy, with a 7.56% operating margin that benefited from $53 million of CARES Act funding, cost containment, and continued volume recovery.

We believe that NMHC should be able to achieve its fiscal 2021 budget, based on historical performance and management's ability to adjust and respond to changes in the market and the system's operations. Management will continue to integrate both Palos' and Centegra's operations, and we expect the team will continue to make notable progress on integrating both into the overall system. We believe overall margins will operate at lower levels relative to historical margins in excess of 5%, given industry headwinds and the continued gradual shift into a higher percentage of Medicare.

With strong operations and investment income, NMHC continues to post what we consider strong maximum annual

debt service (MADS) coverage; for fiscal 2020, it reported MADS coverage of 6.93x and lease-adjusted MADS coverage of 5.15x.

Balance sheet

As of fiscal 2020, NMHC's liquidity was solid, with 456.2 days' cash on hand, in line with that of other 'AA+' rated systems. NMHC has benefited from healthy investment returns. In our view, the capital plans are manageable, and we understand they will be funded with operating cash flow. For fiscal 2021, NMHC estimates spending about $515 million, up from fiscal 2020.

Overall unrestricted reserves-to-long-term debt remains very healthy, at 401% in fiscal 2020. The overall asset allocation had a high percentage of alternative investments, at 50%, with the remainder in cash and equivalents (20%), fixed income (9%), equities (20%), and other (1%).

Debt and contingent liabilities

NMHC has moderate leverage and pro forma debt-to-capitalization was at 15.9% for the interim period ended May 31, 2021. There is about 35.8% of contingent debt, due to variable-rate demand debt and private placements; however, unrestricted reserves more than cover any potential acceleration risk, and following this refunding, this amount will be significant lower. We have included $77.7 million of drawn CP as long-term debt, given that this continues to be rolled and refinanced existing term debt. We view this as longer-term in nature and also have included this in contingent liabilities.

NMHC's debt includes taxable CP authorized up to $200 million. The internally set restrictions are not legally binding. In the event of a failed rollover, the assets identified in the portfolio would provide sufficient liquidity. The eligible assets include cash, fixed-income instruments, and domestic equities. NMHC has provided us with the operational procedures that, upon a failed remarketing, it would follow to liquidate assets to provide for timely payment of a CP maturity. S&P Global Ratings provides monthly self-liquidity.

NMHC historically had a fully funded pension plan and has a moderate amount of operating leases.

Table 2

Northwestern Memorial HealthCare & Subs, Illinois -- Financial Statistics

	--Nine months ended May 31--	--Fiscal year ended Aug. 31--			Medians for 'AA+' rated health care system
	2021	2020	2019	2018	2019
Financial performance					
Net patient revenue ($000s)	5,029,487	5,570,737	5,665,736	4,877,616	3,882,221
Total operating revenue ($000s)	5,419,500	6,279,495	6,043,454	5,231,254	4,036,916
Total operating expenses ($000s)	5,009,983	5,995,882	5,769,692	4,957,062	MNR
Operating income ($000s)	409,517	283,613	273,762	274,192	MNR
Operating margin (%)	7.56	4.52	4.53	5.24	5.50
Net nonoperating income ($000s)	238,891	67,832	174,980	174,758	MNR
Excess income ($000s)	648,408	351,445	448,742	448,950	MNR
Excess margin (%)	11.46	5.54	7.22	8.30	9.40
Operating EBIDA margin (%)	13.79	11.27	11.69	11.97	11.00

Table 2

Northwestern Memorial HealthCare & Subs, Illinois -- Financial Statistics (cont.)

	--Nine months ended May 31--	--Fiscal year ended Aug. 31--			Medians for 'AA+' rated health care system
	2021	2020	2019	2018	2019
EBIDA margin (%)	17.43	12.22	14.18	14.82	14.60
Net available for debt service ($000s)	986,036	775,782	881,686	800,925	973,465
Maximum annual debt service ($000s)	94,676	94,676	94,676	80,337	MNR
Maximum annual debt service coverage (x)	13.89	8.19	9.31	9.97	9.30
Operating lease-adjusted coverage (x)	13.89	5.78	6.70	6.77	7.30
Liquidity and financial flexibility					
Unrestricted reserves ($000s)	8,938,049	7,030,452	5,988,485	5,600,519	5,454,963
Unrestricted days' cash on hand	519.1	456.2	405.0	440.0	424.60
Unrestricted reserves/total long-term debt (%)	447.1	401.0	334.9	401.6	359.00
Unrestricted reserves/contingent liabilities (%)	1,241.8	1,125.0	942.9	954.9	1,093.90
Average age of plant (years)	7.8	7.6	6.7	7.1	8.50
Capital expenditures/depreciation and amortization (%)	123.1	104.3	103.7	139.0	134.60
Debt and liabilities					
Total long-term debt ($000s)	1,999,147	1,753,211	1,788,390	1,394,396	MNR
Long-term debt/capitalization (%)	15.9	16.9	18.6	15.5	20.90
Contingent liabilities ($000s)	719,783	624,948	635,137	586,508	MNR
Contingent liabilities/total long-term debt (%)	36.0	35.6	35.5	42.1	35.20
Debt burden (%)	1.25	1.49	1.52	1.49	1.80
Defined-benefit plan funded status (%)		107.35	107.74	129.69	88.40
Pro forma ratios					
Unrestricted reserves ($000s)	8,938,049				MNR
Total long-term debt ($000s)	2,016,733				MNR
Unrestricted days' cash on hand	519.1				MNR
Unrestricted reserves/total long-term debt (%)	443.2				MNR
Long-term debt/capitalization (%)	16.0				MNR
Miscellaneous					
Medicare advance payments ($000s)*	378,093	412,000	N/A	N/A	MNR
Short-term borrowings ($000s)*	0	0	0	0	MNR
CARES Act grants recognized ($000s)	53,000	289,000	N/A	N/A	MNR
Risk based capital ratio (%)	N/A	N/A	N/A	N/A	MNR
Total net special funding ($000s)	N.A.	46,923	39,145	71,063	MNR

*Excluded from unrestricted reserves, long-term debt, and contingent liabilities. N.A.--Not available. N/A--Not applicable. MNR--Median not reported.

Credit Snapshot

- Security pledge: The revenue bonds and CP are an unsecured general obligation of the NMHC obligated group, which consists of NMHC; NMH; NLFH; Central DuPage Hospital (CDH); Delnor-Community Hospital (Delnor); Cadence Physician Group (CPG) d/b/a Northwestern Medicine Regional Medical Group (NMRMG); the Foundation, Northwestern Medical Faculty Foundation d/b/a Northwestern Medical Group (NMG); Kishwaukee Community Hospital; Valley West Community Hospital; Marianjoy Rehabilitation Hospital & Clinic, Inc.; Northern Illinois Medical Center; Memorial Medical Center--Woodstock; and Centegra Hospital--Huntley Holdings; Palos Community Hospital, with Wells Fargo Bank, N.A., as master trustee.
- Organization description: NMHC operates hospitals in the northern, southern, and western suburbs of Chicago, as well as its downtown flagship NMH. NMH is a major academic medical center and is the primary teaching hospital for Northwestern University's Feinberg School of Medicine, providing a range of services.
- Swaps: The organization has four swap agreements outstanding with a total notional amount of about $320.7 million. It has $11.6 million of collateral posted and a negative mark-to-market of $128.3 million as of fiscal 2020.

Related Research

- Through The ESG Lens 2.0: A Deeper Dive Into U.S. Public Finance Credit Factors, April 28, 2020

Ratings Detail (As Of July 27, 2021)

Illinois Finance Authority, Illinois		
Northwestern Mem HlthCare, Illinois		
Illinois Finance Authority (Northwestern Memorial HealthCare) (Direct Issue Taxable Commercial Paper)		
Short Term Rating	A-1+	Affirmed
Illinois Fin Auth (Northwestern Memorial HealthCare)		
Long Term Rating	AA+/Stable	Affirmed
Illinois Fin Auth (Northwestern Mem HealthCare) SYS		
Long Term Rating	AA+/Stable	Affirmed
Illinois Fin Auth (Northwestern Mem HlthCare) SYS		
Long Term Rating	AA+/Stable	Affirmed
Illinois Fin Auth (Northwestern Mem HlthCare) SYS		
Long Term Rating	AA+/A-1/Stable	Affirmed
Illinois Fin Auth (Northwestern Mem HlthCare) SYS		
Long Term Rating	AA+/A-1+/Stable	Affirmed
Illinois Fin Auth (Northwestern Mem HlthCare) SYS		
Long Term Rating	AA+/A-1/Stable	Affirmed
Illinois Fin Auth (Northwestern Mem HlthCare) SYS		
Long Term Rating	AA+/A-1+/Stable	Affirmed
Illinois Fin Auth (Northwestern Mem HlthCare) SYS		
Long Term Rating	AA+/A-1+/Stable	Affirmed

U.S. PUBLIC FINANCE

MOODY'S
INVESTORS SERVICE

CREDIT OPINION
16 July 2021

Rate this Research

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Northwestern Memorial HealthCare, IL

Update to credit analysis

Summary

Northwestern Memorial HealthCare's (NMHC) (Aa2, stable) consolidated operating model and financial discipline will allow it to effectively execute strategies, while maintaining a strong financial position. As demonstrated during a period of rapid growth and amid the pandemic, this will support its ability to integrate and improve performance at Palos Health following its merger in January. NMHC will likely expand its prominent market position in the broader Chicago region because of its strong brand, favorable locations and affiliation with Northwestern University's Feinberg School of Medicine. Manageable capital plans will help maintain a very strong investment position. Direct and indirect leverage will remain moderate, particularly since the system has a fully funded pension plan and modest operating lease obligations. Similar to others in the industry, the most significant operating challenge will likely be managing workforce needs, given national shortages in clinical staff amid burnout from the pandemic. In addition, competition from large healthcare systems and academic medical centers will continue to rise as the market further consolidates in a region with projected population declines.

Exhibit 1
Financial discipline will support strong liquidity during expansion

Source: Moody's Investors Service

Credit strengths

» Market position will continue to grow, driven by strong brand, favorable locations and affiliation with Northwestern University's Feinberg School of Medicine

» Centralized operating model and IT systems as well as strong financial discipline will allow efficient execution of growth strategies and drive consistent operating performance, as seen during the pandemic

- Very strong cash measures will be maintained as cash flow will support manageable capital spend
- Long track record of strong operating cash flow margins will be sustained by good volume recovery from the pandemic and cost management
- Operating and balance sheet leverage will likely remain moderate; limited indirect debt with fully funded pension plan and modest operating leases

Credit challenges

- Competition will increase as numerous large systems with financial resources as well as several academic medical centers continue to consolidate; presence of major commercial payer raises risk
- Merger with Palos Health will be slightly dilutive to operating and balance sheet metrics, but NMHC's demonstrated ability to integrate and improve new entities will mitigate negative effects
- National shortages in clinical staff will elevate workforce challenges and potential costs
- High allocation to alternative investments will drive comparatively low monthly liquidity

Rating outlook

The stable outlook is based on our expectation that NMHC will maintain strong operating cash flow margins by executing growth strategies and exercising financial discipline as it has in the past. The outlook also reflects our view that NMHC will maintain very favorable cash and debt metrics since capital spending will be funded with cash flow.

Factors that could lead to an upgrade

- Further geographic diversification of cash flow
- Significant increase in market share
- Material and sustained improvement in operating margins, along with reduction in leverage

Factors that could lead to a downgrade

- Sizable increase in leverage and weakening of debt metrics
- Material and sustained decline in margins or cash measures
- Meaningful dilution from acquisition or merger

Key indicators

Exhibit 2
Northwestern Memorial HealthCare, IL

	2016	2017	2018	2019	2020	2021 Annualized & Adjusted
Operating Revenue ($'000)	4,359,873	4,830,996	5,226,663	6,052,028	6,288,427	7,208,000
3 Year Operating Revenue CAGR (%)	36.6	25.8	10.4	11.6	9.2	11.4
Operating Cash Flow Margin (%)	12.4	12.7	11.3	11.1	10.2	13.0
PM: Medicare (%)	35.8	37.3	37.9	39.6	39.5	N/A
PM: Medicaid (%)	10.6	10.7	10.8	10.4	10.8	N/A
Days Cash on Hand	413	422	437	402	477	504
Unrestricted Cash and Investments to Total Debt (%)	293.7	340.0	400.4	342.1	429.2	437.7
Total Debt to Cash Flow (x)	1.9	1.6	1.6	1.7	1.7	1.5

Based on financial statements for Northwestern Memorial HealthCare & Subsidiaries, fiscal year ended August 31, fiscal year 2021 reflects nine months ended May 31, 2021, annualized
Excluding $412 million in Medicare advances and $48 million in FICA deferral, FY20 days cash on hand and cash-to-debt are 447 and 402%, respectively
Adjustments: Grants and academic support provided (representing transfers to the school of medicine) reallocated to operating expenses from nonoperating gains (losses); FY21 excludes the Medicare advances and FICA and reflects year-to-date CARES grants only
Investment returns normalized at 5%
Source: Moody's Investors Service

Profile

NMHC includes ten acute care hospitals, one specialty hospital, and more than 200 diagnostic and ambulatory sites across Chicago, Illinois, and its surrounding counties. The flagship, Northwestern Memorial Hospital (NMH), is a major academic medical center located in the Streeterville neighborhood of Chicago and is the primary teaching hospital for Northwestern University's Feinberg School of Medicine (FSM). NMHC's medical staff of more than 5,400 includes more than 2,000 employed physicians. NMHC has over 33,000 employees.

Detailed credit considerations

Market position: prominent and growing position in competitive market

NMHC will remain a prominent player in a highly competitive market. The $7.2 billion (annualized fiscal 2021) regional system will continue to grow, on track to triple its size since fiscal year end 2014. Based on management-provided data, the system's market share in most large service lines grew between 2018 and 2020 amid significant volume declines in the region during the pandemic. NMHC's recent merger with Palos Health will further expand its footprint in the southern Chicago region via integration and investment in this market. With significant expansion in the north and west completed, NMHC will focus on additional investments in ambulatory capabilities. In the southern region, a 48,000 square foot ambulatory site opened in Mokena, Illinois in June of 2021. Additionally, following the centralization of most business functions, NMHC will continue to integrate and coordinate clinical protocols across the system to improve patient outcomes and experience. The most mature example of these efforts is in cardiovascular care. NMHC's Bluhm Cardiovascular Institute will now manage heart care across all of the system's acute care hospitals, lead physician recruitment efforts, oversee quality and direct program development.

NMHC will continue to align its strategies with Northwestern University's Feinberg School of Medicine (FSM) to further the Northwestern Medicine brand and build clinical and research capabilities. Advances in clinical capabilities will elevate the system's reputation as an academic medical center, as it did during the pandemic when NMHC performed the first double lung transplant to treat a COVID patient; twenty-two of these procedures have been performed as of June 30, 2021. An ongoing joint planning process and governance oversight structure will help coordinate activities for the school, Northwestern Medical Group and hospitals.

NMHC's market position will continue to benefit from its tight integration with a large number of physicians. Northwestern Medical Group (NMG) is a multispecialty group practice that employs more than 1,650 physicians and 700 advanced practice providers. NMG is the third largest physician group in Chicago and serves as the clinical faculty practice plan of FSM. Additionally, Northwestern Medicine Regional Medical Group is a multispecialty group practice that employs more than 565 physicians, including 409 specialists.

The Chicago market will become more competitive as consolidation among hospitals continues and large systems with deeper financial resources develop. Based on management-provided data, market share in 2020 was 15.6% for NMHC, 17.6% for Advocate Health Care (part of Advocate Aurora Health), 14.6% for AMITA Health (part of Ascension), and 8.4% for NorthShore University HealthSystem. In addition, there are several AMCs located in the Chicago market, including the University of Chicago Medical Center and Rush University Medical Center. Competition for physicians will stem from other hospital systems as well as a large independent medical group owned by private investors. A projected population decline of 0.3% over the next five years will contribute to heightened competition. On a positive note, the state's strict Certificate of Need process will continue to reduce the presence of for-profit hospital companies.

Operating performance, balance sheet and capital plans: strong margins and investment position will be maintained

NMHC's centralized model and financial discipline will support a continuation of strong operating cash flow (OCF) margins, as demonstrated in 2020 when the system absorbed a material impact from the pandemic and generated a 10% margin. The system's nine-month year-to-date fiscal 2021 margin of 13% (including $53 million of CARES grants) will likely moderate somewhat in the fourth quarter as the system makes previously deferred investments. The system's ability to return to 11%-12% pre-pandemic margins will be driven by good volume recovery and cost management. Centralized management and predictive analytical capabilities will help the system sustain volumes, which have recovered to pre-pandemic levels. Among numerous cost management strategies, NMHC will benefit from supply savings under a new group purchasing contract.

While margins will likely remain strong, NMHC will face some operating challenges. The merger with Palos Health will be slightly dilutive to margins. However, management plans to initiate strategies that will quickly improve performance as it has done with prior mergers. The system's centralized business model, including a single electronic medical record and revenue cycle platform and single ERP system, will allow quick integration of support functions to achieve savings. A key operating challenge will be managing clinical workforce needs, given national shortages and burnout from the pandemic.

Liquidity

NMHC will maintain strong cash metrics, with 504 days cash on hand at May 31, 2021, excluding $412 million in Medicare advances and $87 million in FICA deferrals. The $1.7 billion increase in cash and investment balances since fiscal year end 2020 was primarily driven by strong investment returns and cash flow. Liquidity will be comparatively lower than peers, with fiscal 2020 monthly liquidity at 50%, due to high asset allocation to alternative investments.

Reflecting NMHC's approach to capital investments, capital spending will be very manageable and funded with operating cash flow. NMHC will plan to spend about 1.3 times depreciation in fiscal 2021. Consistent and long-term investment in the system, as evidenced in a low average age of plant of 7.6 years, will provide flexibility to adjust capital spending if needed. This was highlighted by the reduction of non-essential capital spending during the pandemic.

Debt structure and legal covenants: leverage and debt structure risks will be manageable

NMHC will continue to enjoy moderately low leverage given expectations of steady operating performance and liquidity. Based on annualized nine months fiscal 2021 and excluding the Medicare advance and FICA deferral, cash-to-debt was very strong at 438%. On the same basis, debt-to-cash flow was favorably low at 1.5 times. We do not anticipate the system will incur incremental debt or higher leverage over the next couple of years, outside of merger-related debt. The upcoming financing will refinance certain outstanding debt.

Upon execution of an Amended and Restated Master Indenture (discussed below), NMHC will have ample headroom to covenants. MTI and bank covenants are expected to be aligned. There will be a debt service coverage covenant of 1.0 times. If coverage is under 1.0 times, no consultant will be required if the breach is due to a force majeure event. An event of default would occur if coverage is under 1.0 times for two consecutive years and days cash is under 175 days at the end of the second year and the funded indebtedness ratio exceeds 65%.

Debt structure

The upcoming financing will simplify NMHC's debt structure by reducing the number of series from 26 to 14, reduce interest rates, and provide longer-term fixed financing. Post-financing, debt structure risks will be manageable given good bank diversification and strong liquidity. NMHC will have approximately 20% bank-related debt, including bonds supported by bank standby bond purchase agreements and private bank placements. The bank counterparties are diversified and expiration dates are staggered.

NMHC's proforma self-liquidity obligations will be manageable because of strong liquidity and effective management. Following the financing, the system will have $126 million in weekly variable rate demand obligations and $78 million in outstanding commercial paper ($200 million authorized). Although not legally restricted in the Issuing and Paying Agent Agreement, NMHC intends to limit maturities to $60 million within any five business-day period. Based on liquidity at June 30, 2021, NMHC's coverage of proforma self-liquidity obligations would be 8.6 times (3.6 times excluding the largest money market fund).

Legal security

Bonds and commercial paper are unsecured general obligations of the Obligated Group, which includes virtually all of NMHC's assets and revenues. Effective January 1, 2021, Palos Community Hospital joined the Obligated Group. Upon issuance of the Series 2021 bonds, it is anticipated that an Amended and Restated Master Indenture will become effective. Changes to covenants are described above. The MTI allows substitution of notes without bondholder approval if certain conditions are met and has no additional indebtedness tests.

Debt-related derivatives

NMHC's debt-related derivatives will pose minimal credit risk, given modest collateral posting requirements and NMHC's strong liquidity. At fiscal year end 2020, NMHC had interest rate swaps with a total notional amount of $321 million and $12 million in collateral was posted.

Pensions AND OPEB

NMHC's pension plan is fully funded.

ESG considerations

Environmental

Environmental considerations are not a major rating driver.

Social

The most significant social consideration will be workforce challenges given national shortages in clinical labor, the lingering effect of the pandemic, and the system's location in a competitive market. Potential increases in labor costs will be partly mitigated by NMHC's strong cashflow and liquidity. The Northwestern Memorial Hospital's service employees are unionized, with a contract expiring in early 2023.

Governance

NMHC's single operating model, centralized business functions, and uniform IT platforms (EMR and ERP) will allow it to efficiently achieve further clinical integration and execute growth strategies. The management team will likely continue to demonstrate a disciplined and analytic approach to evaluating strategic alternatives and capital commitments. These capabilities will allow the system to maintain operating and balance sheet strength as it has in the past, while integrating new locations amid rapid growth.

REPORT NUMBER 1295871

SECTION IX. 1120.140 – ECONOMIC FEASIBILITY

A. Reasonableness of Financing Arrangements

Not Applicable – see bond rating documents

B. Conditions of Debt Financing

Not Applicable – see bond rating documents

C. Reasonableness of Project and Related Costs

COST AND GROSS SQUARE FEET BY DEPARTMENT

Department	A	B	C	D	E	F	G	H	
	Cost/Square Foot		GSF		GSF		Const. $	Mod. $	Total Cost
	New	Mod.	New	Circ.*	Mod.	Circ.*	(A x C)	(B x E)	(G + H)
CLINICAL									
Infusion Center	$ 275.00		9,113	15.4%			$ 2,506,075		$ 2,506,075
Diagnostic Imaging	$ 350.00		8,356	23.4%			$ 2,924,600		$ 2,924,600
Physical Therapy	$ 250.00		7,003	15.9%			$ 1,750,750		$ 1,750,750
Laboratory - Well Patient	$ 300.00		1,433	16.3%			$ 429,900		$ 429,900
Clinical Subtotal	$ 293.82		25,905	18.2%			$ 7,611,325		$ 7,611,325
Clinical Contingency	$ 29.38						$ 761,133		$ 761,133
Clinical Total	**$ 323.20**		**25,905**	**18.2%**			**$ 8,372,458**		**$ 8,372,458**
NON-CLINICAL									
Physician Office Space	$ 265.00		28,843	25.7%			$ 7,643,395		$ 7,643,395
Common Areas/Staff Support/ Admin	$ 140.00		11,559	32.5%			$ 1,618,260		$ 1,618,260
MEP Systems	$1,000.00		957	0.0%			$ 957,000		$ 957,000
Non-Clinical Subtotal	$ 247.07		41,359	27.0%			$ 10,218,655		$ 10,218,655
Non-Clinical Contingency	$ 24.71						$ 1,021,866		$ 1,021,866
Non-Clinical Total	**$ 271.78**		**41,359**	**27.0%**			**$ 11,240,521**		**$ 11,240,521**
TOTALS	**$ 291.58**		**67,264**				**$ 19,612,978**		**$ 19,612,978**

D. Projected Operating Costs

Project Direct Operating Expenses – FY26
(Infusion, Diagnostic Imaging, Physical Therapy, Lab)

Total Direct Operating Costs	$ 11,939,706
Units of Service	48,080
Direct Cost per Unit of Service	$ 248.33

E. Total Effect of the Project on Capital Costs

Projected Capital Costs – FY26

Equivalent Adult Patient Days (All NMHC)	1,738,667
Total Project Cost	$ 37,800,001
Useful Life	15
Total Annual Depreciation	$ 2,520,000
Depreciation Cost per Equivalent Patient Day	$ 1.45

SECTION X. SAFETY NET IMPACT STATEMENT

Not Applicable – the proposed project is NON-SUBSTANTIVE and does not involve discontinuation.

SECTION X. CHARITY CARE INFORMATION

NMHC is committed to providing quality medical care, regardless of the patient's ability to pay; to educating the healthcare workforce and supporting medical and clinical research; and to improving the health of the communities we serve through cultivating economic vitality and engaging our community to address social determinants of health.

The NM System serves a broad and diverse population. Guided by our Community Health Needs Assessments, and in collaboration with long-standing partners in the community, NM is committed to serving the community through:

- Providing quality medical care, regardless of the patient's ability to pay.
- Cultivating economic vitality through workforce development.
- Facilitating community engagement to reduce health inequities.

NM has extended access to academic medicine in the community through system expansion as well as relationships with community partners, including federally qualified health centers and free and charitable clinics. Additional partnerships with social service providers, local school and park districts, and many more community based organizations also ensure access to care.

NMHC provides care for patients regardless of their ability to pay, as supported by our financial assistance and presumptive eligibility policies. NM has long been a leading provider of services to Illinois Medicaid beneficiaries and charity care. In addition to being the 3rd largest provider of charity care in both Cook County and Illinois, NMH has for many years been among the top providers of care under the Medicaid program in Illinois despite not having a pediatrics program (children account for 46% of all Medicaid patients). Based on the most recently available information from the Illinois Department of Healthcare and Family Services, NMH is the third largest provider of Medicaid services among acute-care hospitals in Illinois when measured by total Medicaid patient days as well as admissions. Several other NM hospitals are also the top Medicaid providers in their respective communities. NM CDH is the single-largest Medicaid provider in DuPage County; NM Kishwaukee and NM Valley West are the top Medicaid providers in DeKalb County; and NM, through care provided by NM McHenry, NM Huntley and NM Woodstock, is the largest Medicaid provider in McHenry County.
During the COVID pandemic, NM provided exceptional care to all patients, including a large proportion of patients from historically under-resourced areas that have been severely impacted by COVID-19. In Chicago, more than 43% of patients hospitalized at NMH for COVID-19 came from the city's Sound and West Sides.

NM remains committed to advancing health equity through both internal practices and long-standing relationships with community clinical partners. In FY21, NM launched a tool to screen all patients for social determinants of health. This information will allow us to better meet our patients' needs in partnership with community organizations. As enduring partners in their respective communities, NMHC hospitals continue to cultivate new relationships while working with long-standing community partners to organize and provide resources to community collaborators addressing health inequalities.

In FY21, the unreimbursed cost of government sponsored indigent health care services for NMHC totaled approximately $850 million. Additionally, NMHC contributed over $1.1 billion, or approximately 17% of net patient service revenue, in community benefits including more than $120 million in community services and charity care and $137 in research and education.

CHARITY CARE

Northwestern Memorial HealthCare

	FY19	FY20	FY21
Net Patient Revenue	$5,665,736,442	$5,570,736,744	$6,810,599,673
Amount of Charity Care (charges)	$ 354,450,428	$ 411,965,498	$ 476,740,967
Cost of Charity Care	$ 68,334,946	$ 89,728,349	$ 79,890,361

Note: numbers do not reflect the impact on acquisitions/affiliations for periods prior to the acquisition/affiliation.

#22-011

Northwestern Medicine

Northwestern Memorial HealthCare
251 East Huron Street
Chicago, Illinois 60611-2908
312.926.2033
nm.org

April 7, 2022

Mr. Mike Constantino
Illinois Health Facilities and Services Review Board
525 West Jefferson Street – 2nd Floor
Springfield, Illinois 62761

RE: ***Application submittals***
Northwestern Medicine Oak Brook Medical Office Building

Dear Mr. Constantino:

Enclosed are the following materials supporting Northwestern Medicine's Certificate of Need application for the Oak Brook Medical Office Building project:

- CON Permit Application (2 unbound copies, including original)
- CON Permit Application Fee - in the amount $2,500

If you have any questions/comments, please feel to contact me at borth@nm.org or (312) 926-8650.

Sincerely,

Bridget S. Orth
Director, Regulatory Planning

enclosures

#22-011

NORTHWESTERN MEMORIAL HEALTHCARE
541 N. Fairbanks Ct., 16th Floor
Chicago, Illinois 60611

DATE: March 28, 2022
TRACE NUMBER: 5546621415848
CHECK NUMBER: 415848
AMOUNT PAID: $2,500.00

00002 49401 CKS NC 22084 - 0000415848 YNNNNNNNNNNN 0845100006208 X375A1 C
ILLINOIS DEPT OF PUBLIC HEALTH
PLAN REVIEW FUND
DESIGN STANDARDS UNIT
525 W. JEFFERSON ST, 4TH FL
SPRINGFIELD IL 62761

VENDOR NO: 0000005878

INVOICE NO.	INVOICE DATE	VOUCHER	GROSS AMOUNT	DISCOUNT	NET AMOUNT
CP1210248	03/24/22	04317180	$2,500.00	$0.00	$2,500.00
Permit Application Fee against CP 1210248 AEP: Oak Brook					
		TOTALS	**$2,500.00**	**$0.00**	**$2,500.00**

PLEASE DETACH BEFORE DEPOSITING CHECK

Northwestern Medicine®

NORTHWESTERN MEMORIAL HEALTHCARE
541 N. Fairbanks Ct., 16th Floor
Chicago, Illinois 60611

CHECK NUMBER 415848

2-1
710

March 28, 2022

PAY TO THE ORDER OF: ILLINOIS DEPT OF PUBLIC HEALTH
PLAN REVIEW FUND
DESIGN STANDARDS UNIT
525 W. JEFFERSON ST, 4TH FL
SPRINGFIELD, IL 62761

CHECK AMOUNT
$2,500.00

EXACTLY *********2,500 DOLLARS AND 00 CENTS

Security features included. Details on back.

JPMorgan Chase Bank, N.A.
Chicago, Illinois

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