

\$500
fee

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CLIENT/MATTER NUMBER
039822-0101

February 27, 2024

VIA FEDERAL EXPRESS AND EMAIL

RECEIVED

FEB 29 2024

**HEALTH FACILITIES &
SERVICES REVIEW BOARD**

Mr. John Kniery
Administrator
Illinois Health Facilities & Services Review Board
535 West Jefferson Street
Springfield, Illinois 62701-0001

Mr. Michael Constantino
Project Review Supervisor
Illinois Health Facilities & Services Review Board
535 West Jefferson Street
Springfield, Illinois 62701-0001

Re: First Permit Renewal Request for Project No. 22-022
Silver Cross Orland Park Medical Office Building

Dear Mr. Constantino:

Silver Cross Health System and Silver Cross Hospital & Medical Centers (collectively, the "Permit Holders"), pursuant to 77 Ill. Admin. Code §§ 1130.740 and 1130.770(a)(6), hereby submit this permit renewal request (the "Permit Renewal Request") for the above referenced Project. This is the Permit Holders first permit renewal request for this Project.

Background Facts

On August 29, 2022, the Chairwoman of the Illinois Health Facilities & Services Review Board (the "Review Board") approved the Permit Holders' Certificate of Need Application ("Application") to lease approximately 42,000 rentable square feet in a medical office building (the "Medical Office Building") to be developed, constructed and owned by Remedy Medical Properties, Inc. (the "Owner" or the "Landlord") and located at the northeast corner of LaGrange Road and 171st Street in Orland Park, Illinois (the "Project"), at a total Project cost of \$25,543,836.

As set forth in the CON Application, the Permit Holders and the Landlord entered into a space lease on November 22, 2022 (the "Space Lease"). Simultaneously with the execution of the Space Lease, the Permit Holders executed a ground lease with the Landlord, whereby the



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Landlord agreed to lease the land upon which the Medical Office Building sits from the Permit Holders.

As also set forth in the CON Application, the Medical Office Building will house: (1) primary care and specialty care physicians who are currently employed by Premiere Suburban Medical Group (“PSMG”), an Illinois professional limited liability company, which is currently managed by an affiliate of the Permit Holders; and (2) non-hospital based ambulatory care (i.e., infusion services, diagnostic imaging, GI services, and a well-patient/blood draw laboratory). The Permit Holders will ultimately sublet the space assigned to PSMG or charge the space back to PSMG as the various PSMG doctors and offices are relocated to the Medical Office Building.

Based on the construction progress reports submitted to the Permit Holders by the Landlord, the Project remains on track, and the Permit Holders expect the Project to be completed by February 28, 2024 (the “Original Project Completion Date”). The Project will also meet the approved rentable square footage of 42,000.

Because the Permit Holders are only leasing the Medical Office Building from the Landlord, the Permit Holders are not directly managing the construction project and are somewhat of a third party to the actual, final timing on the completion of the Project. The Permit Holders also need the Landlord’s assistance in gathering up the construction costs. At the same time, the Permit Holders will need to verify the construction costs submitted by the Landlord. Thus, although the Permit Holders do not need an audit for purposes of the Review Board completion process pursuant to § 1130.770(d)(5) because the Project does not exceed three times the capital expenditure minimum, the Permit Holders will need sufficient time to verify the construction numbers submitted to the Permit Holders by the Landlord and to leave time for any negotiations or allocations that may need to occur on the final construction costs.

Out of an abundance of caution, the Permit Holders have submitted this Permit Renewal Request because the Permit Holders will likely need longer than May 28, 2024 (i.e., ninety days following project completion) to complete all of the items listed in 77 Ill. Admin. Code § 1130.770(c). Indeed, depending on one’s interpretation of the interplay between the Original Project Completion Date listed in the CON Application (i.e., February 28, 2024) and 77 Ill. Admin. Code § 1130.770, the Permit Holders may only have until February 28, 2024, to provide the information required pursuant by 77 Ill. Admin. Code § 1130.770(c). But see 77 Ill. Admin. Code § 1130.770(a)(5) which states that a permit holder has 90 days following project completion to submit the information required by 77 Ill. Admin. Code § 1130.770 (c).



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There is also a chance that the technical completion (from a construction sense) of the Project may extend beyond February 28, 2024, if the Review Board considers things like the Landlord's contractor addressing minor punch list items for a specific suite inside the Medical Office Building. Because the Medical Office Building does not contain any licensed space, the Permit Holders do not need to submit any licensure applications to the Illinois Department of Public Health.

Elements Required by 77 Ill. Admin. Code § 1130.740

As you know, 77 Ill. Admin. Code § 1130.740(d) requires a party seeking a permit renewal to provide the following information to the Planning Board: (1) the requested completion date; (2) a status report on the project detailing what percent has been completed and a summary of the project components yet to be finished and the amount of funds expended on the project to date; (3) a statement as to the reasons why the project has not been completed; (4) evidence of financial commitment to fund the project; and (5) the anticipated final cost of the project. Based upon this information, the Planning Board must ultimately conclude that the party seeking the permit renewal "proceeded with due diligence," as that phrase is defined at 77 Ill. Admin. Code § 1130.140. For the reasons set forth in this letter, the Permit Holders believe that they have established the necessary predicates for a permit renewal for the Project.

Requested Completion Date

The Permit Holders are hereby seeking a new project completion date of **July 31, 2024**, so the Permit Holders can submit all of the other materials and information required by 77 Ill. Admin. Code § 1130.770(c), as well as allowing the Permit Holders sufficient time to audit and negotiate (if necessary) the construction costs submitted by the Landlord.

Status of the Project; Components Yet to be Finished; Reasons for Delay

As set forth above, based on the construction progress reports submitted to the Permit Holders by the Landlord, the Project remains on track, and the Permit Holders expect the Project to be completed by the Original Project Completion Date (i.e., February 28, 2024). That said, the Permit Holders are not directly managing the construction project and are somewhat of a third party to the actual, final timing on the completion of the Project. It is possible that the Landlord may be addressing minor punch list items for a specific suite inside the Medical Office Building for a week or two after the Original Project Completion Date. The Permit Holders also need the Landlord's assistance in gathering up the construction costs. At the same time, the



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Permit Holders will need to verify the construction costs submitted by the Landlord. Thus, although the Permit Holders do not need an audit for purposes of the Review Board project completion process pursuant to 77 Ill. Admin. Code § 1130.770(d)(5) because the Project does not exceed three times the capital expenditure minimum, the Permit Holders will need sufficient time to verify the construction numbers submitted to the Permit Holders by the Landlord and to leave enough time for any negotiations or allocations that may need to occur on the final construction costs.

Evidence of Financial Commitment to Fund the Project

The Permit Holders financially committed the Project on November 22, 2022, when the Permit Holders executed the Space Lease with the Landlord. Subject to the permit alteration request to increase the total Project costs by seven percent (7%) that the Permit Holders will be filing shortly after this Permit Renewal Request, this Project will continue to be funded as originally approved by the Board.

Anticipated Final Cost of the Project

As set forth above, the Permit Holders are not directly managing the construction project. Thus, the Permit Holders do not know the final construction costs at this point (although the Permit Holders are certainly aware of the fact that the national economy has endured almost two years of elevated inflation and it is likely that the construction costs for the Medical Office Building will likely exceed the original construction cost projections that the Permit Holders were provided by the Landlord.) Out of an abundance of caution, the Permit Holders also intend to file shortly after this Permit Renewal Request, a request to increase the total Project costs by seven percent (7%) pursuant to 77 Ill. Admin. Code § 1130.750, i.e., from \$25,543,836 to \$27,331,904.52.



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Conclusion

Accordingly, the Permit Holders believe that they are entitled to a permit renewal for the Project on the terms set forth in this letter. If you need any other information, please call. I am also enclosing a check in the sum of \$1,000 to cover the processing fee.

Sincerely,

A handwritten signature in black ink that reads "Edward J. Green". The signature is written in a cursive style.

Edward J. Green

FOLEY & LARDNER LLP
 777 E Wisconsin Ave
 Milwaukee, WI 53202

NO. 1603258

Date February 27, 2024
 Void After 90 Days

79-11607759

PAY **One Thousand and 00/100 Dollar(s)**

AMOUNT
\$1,000.00

U.S. Bank Wausau, Wisconsin

PAY TO
 THE
 ORDER
 OF

ILLINOIS DEPARTMENT OF PUBLIC HEALTH
 ILLINOIS HEALTH FACILITIES AND SERVICES REVIEW BOARD
 525 WEST JEFFERSON STREET, 2ND FLOOR
 SPRINGFIELD, IL 62761



FOR _____

CHECKS OVER \$50,000 REQUIRE TWO SIGNATURES

⑈ 1603258 ⑈ ⑆075911603⑆ 755701992⑈

Page Number	Check Date	Check Number	Check Amount	Paid to	
1	02/27/24	1603258	\$1,000.00	ILLINOIS DEPARTMENT OF PUBLIC HEALTH	
Invoice Number	Invoice Date	Matter #	GL Acct	Amount	Check Memo
SilverCross 22-022	02-26-24	026141-0161	20103-01	\$1,000.00	CDST: CHIC (Ed, Green)