

**VIA OVERNIGHT DELIVERY**

November 14 2022

Mr. Michael Constantino  
Chief of Project Review  
Illinois Health Facilities and Services Review Board  
525 W. Jefferson Street , 2<sup>nd</sup> floor  
Springfield, IL 62761

Re: Permit Application Modification  
Project: 22-032 – Lurie Children's Outpatient Center in Schaumburg  
Applicants: Ann & Robert H. Lurie Children's Hospital of Chicago  
Children's Hospital of Chicago Medical Center

Dear Mr. Constantino:

Ann & Robert H. Lurie Children's Hospital of Chicago (Lurie Children's) is modifying permit application 22-032 for construction of the Lurie Children's Outpatient Center in Schaumburg. As these modifications do not constitute Type A modifications under Health Facilities & Services Review Board (HFSRB) rules, we request that the project remain on the schedule for consideration at the upcoming December 13, 2022 HFSRB meeting.

The application modification reflects the following changes:

- increasing the total project cost from \$55,894,541 to \$61,483,000, reflecting both changes in the program and continued escalation of costs in the construction industry
- increasing the total amount of space, from 70,000 square feet to 75,000 sq ft.
- expanding space allocated to specialty care visits
- reducing shelled space from 14,911 sq ft to 7,500 sq ft.
- other changes evolving out of the ongoing facility planning process

Attached are materials submitted in support of Lurie Children's modification of the permit application:

- Narrative Description
- Table: Project Costs and Sources of Funds, Attachment 7
- Table: Cost/Space Requirements, Attachment 9
- Section: Size of the Project, Attachment 14
- Section: Unfinished or Shell Space, Attachment 16



Table: Reasonableness of Project Costs, Attachment 37, demonstrating that the total of clinical construction cost plus clinical contingency remains below the RS Means standard for the project

Please let me know the additional amount due for this modification. We appreciate your additional efforts in reviewing our project and look forward to review by the HFSRB on December 13, 2022. If you have any questions, please contact me or Ralph Weber, our CON consultant at 847-791-0830.

Sincerely,

A handwritten signature in blue ink that reads "Ann Sherline".

Ann Sherline  
Senior Associate General Counsel  
Ann & Robert H. Lurie Children's Hospital of Chicago  
225 East Chicago Avenue, Box 261  
Chicago, IL 60611  
312-227-4312

Cc: Amy Van Aalst, Project Manager, Facility Services, Ann & Robert H. Lurie Children's  
Hospital of Chicago  
Ralph Weber

## 2. Narrative Description (MODIFICATION)

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.

Ann & Robert H. Lurie Children's Hospital of Chicago ("Lurie Children's") and Children's Hospital of Chicago Medical Center, as co-applicants, propose to construct an outpatient care center at 3 Hillcrest Boulevard, on the northwest corner of Hillcrest Boulevard and Roselle Road in Schaumburg. The vacant property is also referred to as 405 Arbor Glen Boulevard. The process for acquisition of the property is underway.

The outpatient care center will include 42 exam/treatment rooms for pediatric primary and specialty care, diagnostic imaging (x-ray and ultrasound) and cardiac testing (ECG, ECHO and stress testing). Clinical services will include an ambulatory infusion center with three additional exam rooms, a blood bank and pharmacy. Other services are audiology; physical, occupational and speech therapy, prosthetics & orthotics; and a pathology lab with phlebotomy service.

The three-story building will total 75,000 departmental gross sq ft (dgsf), of which 17,333 sq ft will be clinical space and 57,667 sq ft non clinical space. Of the 57,667sq ft, 7,500 dgsf will be unfinished/shelled space. As required, a separate permit application will be submitted when the plan for use of the shelled space is completed, most likely by late 2028. All space is new construction. Surface parking for 240 – 260 cars is included in the project. The total capital cost associated with the project is \$61,483,000.

Construction on the project will start in early 2024, following review and permitting by local and State agencies. The project will be completed by December 31, 2025.

The project is Non-Substantive because it does not propose to establish a new category of service and there are no services provided to inpatients.

### Project Costs and Sources of Funds (Modification)

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	\$139,709	\$654,473	\$794,182
Site Survey and Soil Investigation	2,500	47,500	50,000
Site Preparation	150,750	2,864,250	3,015,000
Off Site Work	10,000	40,000	50,000
New Construction Contracts	5,335,768	29,596,032	34,931,800
Modernization Contracts	0	0	0
Contingencies	430,000	2,829,110	3,259,110
Architectural/Engineering Fees			
- construction	419,072	2,101,528	2,520,600
- site work	20,406	86,195	106,601
Consulting and Other Fees	244,825	2,203,425	2,448,250
Movable or Other Equipment (not in construction contracts)	4,799,335	6,126,863	10,926,198
Bond Issuance Expense (project related)	0	0	0
Net Interest Expense During Construction (project related)	0	0	0
Fair Market Value of Leased Space or Equipment	0	0	0
Other Costs to Be Capitalized			
- IT	272,048	2,448,436	2,720,484
- artwork	23,550	211,950	235,500
- signage	42,528	382,748	425,275
Acquisition of Building or Other Property (excluding land)			
<b>TOTAL USES OF FUNDS</b>	<b>11,890,491</b>	<b>49,592,509</b>	<b>61,483,000</b>
SOURCE OF FUNDS	CLINICAL	NONCLINICAL	TOTAL
Cash and Securities	\$11,890,491	\$49,592,509	\$61,483,000
Pledges			
Gifts and Bequests			
Bond Issues (project related)			
Mortgages			
Leases (fair market value)			
Governmental Appropriations			
Grants			
Other Funds and Sources			
<b>TOTAL SOURCES OF FUNDS</b>	<b>\$11,890,491</b>	<b>\$49,592,509</b>	<b>\$61,483,000</b>
<b>NOTE: ITEMIZATION OF EACH LINE ITEM MUST BE PROVIDED AT ATTACHMENT 7, IN NUMERIC SEQUENTIAL ORDER AFTER THE LAST PAGE OF THE APPLICATION FORM.</b>			

Cost Space Requirements (MODIFICATION)  
(departmental gross sq ft)

Department/Area	Clinical	Non-Clinical	Cost	Gross Square Feet		Amount of Proposed Total Gross Sq Ft That Is:			
				Existing	Proposed	New Const	Modernized	As Is	Vacated
Construction Costs									
CLINICAL/REVIEWABLE									
Cardiology diagnostics									
Echo / ECG / Stress test	\$557,506		\$557,506		1,811	1,811			
Radiology Imaging									
general x-ray	\$316,921		\$316,921		1,030	1,030			
ultrasound	\$109,360		\$109,360		355	355			
Rehabilitation									
Physical Therapy	\$517,787		\$517,787		1,682	1,682			
Occupational Therapy	\$267,821		\$267,821		870	870			
Speech Therapy	\$257,108		\$257,108		835	835			
Prosthetics & Orthotics	\$267,821		\$267,821		870	870			
Ambulatory Infusion	\$2,000,960		\$2,000,960		6,500	6,500			
Audiology	\$392,804		\$392,804		1,276	1,276			
Pathology lab / phlebotomy	\$647,680		\$647,680		2,104	2,104			
Subtotal Clinical	\$5,335,768		\$5,335,768		17,333	17,333			
NON-REVIEWABLE									
Exam Rooms									
Primary Care		\$1,719,499	\$1,719,499		3,147	3,147			
Specialty Care		\$7,857,836	\$7,857,836		14,379	14,379			
Reception / Waiting		\$1,600,000	\$1,600,000		4,000	4,000			
Lobby / restrooms		\$336,000	\$336,000		560	560			
Staff support, lockers, lounge		\$1,101,072	\$1,101,072		3,277	3,277			
Housekeeping, utility		\$969,769	\$969,769		2,878	2,878			
Storage		\$887,400	\$887,400		2,465	2,465			
Admin, conference		\$4,497,610	\$4,497,610		8,649	8,649			
Building systems, mechanical		\$8,814,326	\$8,814,326		9,624	9,624			
Café/Nourishment		\$237,520	\$237,520		1,188	1,188			
Shelled Space		\$1,575,000	\$1,575,000		7,500	7,500			
Subtotal Non-clinical		\$29,596,032	\$29,596,032		57,667	57,667			
TOTAL CONSTRUCTION	\$5,335,768	\$29,596,032	\$34,931,800		75,000	75,000			
OTHER PROJECT COSTS									
Preplanning Costs	\$139,709	\$654,473	\$794,182						
Site Survey / Soil	\$2,500	\$47,500	\$50,000						
Site Preparation	\$150,750	\$2,864,250	\$3,015,000						
Off Site Work	\$10,000	\$40,000	\$50,000						
Contingencies	\$430,000	\$2,829,110	\$3,259,110						
A/E Fees									
A/E Fees on New Constructi	\$419,072	\$2,101,528	\$2,520,600						
A/E Fees on Site Work	\$20,406	\$86,195	\$106,601						
Consulting, fees	\$244,825	\$2,203,425	\$2,448,250						
Moveable Equipmt, Furnish									
Clinical Medical Equipmt.	\$4,799,335		\$4,799,335						
Non-Clinical Medical Equipmt.		\$3,172,251	\$3,172,251						
Furnishings		\$2,954,612	\$2,954,612						
Bond Issuance Expense									
Net Int Exp Dur Constr									
FMV leased space, eqpmnt									
- space									
- equipment									
Other Capital Costs									
- IT	\$272,048	\$2,448,436	\$2,720,484						
- artwork	\$23,550	\$211,950	\$235,500						
- signage	\$42,528	\$382,748	\$425,275						
Subtotal	\$6,554,723	\$19,996,477	\$26,551,201						
TOTAL PROJECT COSTS	\$11,890,491	\$49,592,509	\$61,483,000						

## SIZE OF THE PROJECT (MODIFICATION)

The project is the construction of a new building on unimproved land at 3 Hillcrest Blvd (also referred to as 405 Arbor Glen Boulevard) in Schaumburg. The total project size is 75,000 departmental gross sq ft (dgsf). Of this total, 17,333 dgsf is clinical; 57,667 dgsf is non-clinical space. The table shows the distribution of space by functional area.

<u>Department/Service</u>	<u>Proposed DGSF</u>	<u>State Standard (dgsf)</u>	<u>Difference</u>	<u>Met Standard?</u>
<b><i>Clinical Space</i></b>				
Cardiology diagnostics				
Echo/ECG/Stress test	1811	NA	NA	NA
Radiology imaging				
general x-ray	1,030	1,300	270	Yes
Ultrasound	355	900	545	Yes
Rehabilitation				
physical therapy	1,682	NA	NA	NA
occupational therapy	870			
speech therapy	835	NA	NA	NA
prosthetics & orthotics	870			
Audiology	1,276	NA	NA	NA
Pathology lab/phlebotomy	2,104	NA	NA	NA
Ambulatory infusion	6,500	NA	NA	NA
<b>Total Clinical dgsf</b>	<b>17,333</b>			
<b><i>Non-clinical</i></b>				
Exam rooms				
Primary Care	3,147	12 x 800 = 9,600	6,453	Yes
Specialty Care	14,379	30 x 800 = 24,000	9,621	Yes
Reception/waiting	4,000		NA	NA
Lobby/restrooms	560		NA	NA
Staff support, lockers, lounge	3,277		NA	NA
Housekeeping, utility	2,878		NA	NA
Storage	2,465		NA	NA
Admin, conference room	8,649		NA	NA
Building systems/mechanical	9,624		NA	NA
Café, nourishment	1,188		NA	NA
Shelled space	7,500		NA	NA
<b>Total Non-clinical dgsf</b>	<b>57,667</b>		NA	NA
<b>Total dgsf</b>	<b>75,000</b>			

The project is consistent with State size standards for the functional areas for which there are standards.

The project includes 7,500 sq ft of shelled space. The decision to provide shelled space in Schaumburg reflects the experience that Lurie Children's outpatient sites fill up to physical capacity almost immediately. Operational problems related to space capacity issues have been the norm at outpatient satellite facilities. Decisions about the future use of the 7,500 sq ft shelled space will be based on patient visit volumes for the individual clinical divisions in the first two years, recruitment of physicians and staff, and assessment of possible new programs.

## UNFINISHED OR SHELL SPACE

1. The planned 75,000 sq ft building includes 7,500 departmental gross sq ft (dgsf) of unfinished / shelled space.

2. At this time, it is not known what the use(s) of the unfinished / shelled space will be. That will be determined based on the experienced utilization of the planned services, and evolving needs in the Planning Area. Potential uses include additional exam/treatment rooms, offices for physicians and other providers who rotate to the facility from their main offices on the downtown Chicago campus, expansion of the infusion center, and possibly the addition of medical imaging and other ancillary services.

3. The shelled space is being constructed because it is the past experience of Ann & Robert H. Lurie Children's Hospital of Chicago ("Lurie Children's") that the planning of its satellite facilities in has been too conservative. For example, and as previously mentioned, the outpatient center on Touhy Avenue in Skokie was intended to relieve some of the volume pressure in the outpatient center at the Clark-Deming facility, which remains at the location of the former Children's Memorial Hospital in the Lincoln Park area of Chicago. campus. But instead, most of the volume at Skokie has been new patients. Meanwhile, the Clark-Deming volumes have, instead of plateauing, increased from 150,000 in 2018 to an estimated 175,000 this year. As another example, the Lurie Children's outpatient service in New Lenox, under a partnership with Silver Cross Hospital, is expected to grow beyond projections due in part to Silver Cross's establishment of its NICU. Pediatric orthopedics and otolaryngology are especially growing in that market area. While this location in New Lenox is far from Schaumburg and has no direct relationship with the proposed project, it is indicative of the conditions Lurie Children's is facing in its various outpatient satellite locations.

The decision to provide shelled space in Schaumburg reflects the experience that Lurie Children's outpatient sites fill up almost immediately. Operational problems almost always come down to having space capacity issues. Future use of the 7,500 sq ft shelled space will be based on patient visit volumes for the individual clinical divisions in the first two years, recruitment of physicians and staff, and assessment of possible new programs.

4. The decision on the future uses of the unfinished / shelled space will be made by or during the third year of operation of the Lurie Children's Hospital Outpatient Center in Schaumburg. The planned schedule is to open the facility by December 31, 2025. The third year of operation will be from December, 2027 through December, 2028. Following design and build-out of the shelled space, use and operation of the additional area is anticipated to begin by mid-2030.

Consistent with decisions on the future uses of the space, Ann & Robert H. Lurie Children's Hospital of Chicago will submit a permit application for Certificate of Need approval of the utilization plans for the unfinished / shelled space.



C. Reasonableness of Project and Related Costs (MODIFICATION)

Department	COST AND SQUARE FOOT BY DEPARTMENT									
	A	B	C	D	E	F	G	H		As Is
	Cost / Sq Ft		DGSF		DGSF		Const \$	Mod \$	Total Cost	Sq Ft
	New	Mod	New	Circ %	Mod	Circ %	(A x C)	(B x E)	(G + H)	
CLINICAL										
Cardiology diagnostics	\$307.84		1811	21%			\$557,506		\$557,506	
Radiology Imaging										
general x-ray	\$307.69		1,030	21%			316,921		316,921	
ultrasound	\$308.06		355	21%			109,360		109,360	
Rehabilitation										
physical therapy	\$307.84		1,682	17%			517,787		517,787	
occupational therapy	\$307.84		870	17%			267,821		267,821	
speech therapy	\$307.91		835	17%			257,108		257,108	
prosthetics & orthotics	\$307.84		870	17%			267,821		267,821	
Infusion	\$307.84		6,500	22%			2,000,960		2,000,960	
Audiology	\$307.84		1,276	20%			392,804		392,804	
Pathology lab / phlebotomy	\$307.83		2,104	23%			647,680		647,680	
Clinical subtotal	\$307.84		17,333	21%			\$5,335,768		\$5,335,768	
NON-CLINICAL										
Exam Rooms										
primary care	\$546.39		3,147	23%			\$1,719,499		\$1,719,499	
specialty care	\$546.48		14,379	24%			7,857,836		7,857,836	
Reception / waiting	\$400.00		4,000	26%			1,600,000		1,600,000	
Lobby / restrooms	\$600.00		560	27%			336,000		336,000	
Staff support, lockers, lounge	\$336.00		3,277	21%			1,101,072		1,101,072	
Housekeeping, utility	\$336.96		2,878	24%			969,769		969,769	
Storage	\$360.00		2,465	22%			887,400		887,400	
Admin, conference	\$520.02		8,649	24%			4,497,610		4,497,610	
Building systems, mechanical	\$915.87		9,624	19%			8,814,326		8,814,326	
Café, nourishment	\$199.93		1,188	13%			237,520		237,520	
Shelled space	\$210.00		7,500	0%			1,575,000		1,575,000	
Non-clinical subtotal	\$513.22		57,667	16%			\$29,596,032		\$29,596,032	
TOTAL	\$465.76		75,000	19%			\$34,931,800		\$34,931,800	