

July 12, 2023

VIA EMAIL

John P. Kniery
Board Administrator
Illinois Health Facilities and Services Review Board
525 West Jefferson, 2nd Floor
Springfield, IL 62761

**Re: Request for Expedited Consideration and Response to Request for
Additional Information – Project # 23-023 Rush North Harlem MOB**

Dear Mr. Kniery:

We are writing to request expedited consideration of the CON application for Rush North Harlem MOB, Project # 23-023 and respond to request for additional information from July 10, 2023. This project was filed as a non-substantive project to construct a medical office building on behalf of Rush Oak Park Hospital. The proposed MOB will mostly consist of medical office space, and will include some clinical services such as mammography, radiology, and other imaging services.

The Applicant expects that the pending application will not receive any findings of non-conformance, and no request for public hearing was received nor have any opposition comments been received. Given the construction season in Chicago has begun the Applicant would be greatly disadvantaged if they were required to wait until after consideration at the October Board meeting to begin construction. Consideration by the Board Chair of the application would allow for construction related activity to begin in earnest and ideally would allow for the foundation and walls of the structure to be completed before the winter season. Once the walls are erected and the building is wrapped, work could continue in the interior during the cold season.

As a non-substantive project with no findings and no opposition we believe that consideration by the Board Chair is warranted and appropriate. Your staff recently posed three questions regarding the application, please accept the following as our response.

1. How was the Fair Market Value of the lease calculated?

The value of the lease was determined through an arm's length negotiation between the site owner and the Applicants. A copy of the letter of intent exhibiting control over the site can be found in the application beginning at page 31. To provide additional context, the

site was formerly home to a Sears retail store and that location was shut down and the building was subsequently raised several years ago. The site has stood vacant until Rush was able negotiate terms to utilize the site for the proposed facility. The building will be 61,000 GSF and the annual net base rent per square foot was negotiated at \$35.50 per square foot. The proposed lease calls for increases of 2.25% through years 2 through 15. Please see a base rent table reflecting the annual and monthly rent costs.

Base Rent Table

Building Square Feet: 61,000
 Annual Net Base Rent per Sq Ft (Year 1) \$35.50
 Annual Net Base Rental Increases: 2.25%

<u>Lease Year</u>	<u>Annual Base Rent (est.)</u>	<u>Monthly Base Rent</u>
1	\$2,165,500	\$180,458.33
2	\$2,214,224	\$184,518.65
3	\$2,264,044	\$188,670.32
4	\$2,314,985	\$192,915.40
5	\$2,367,072	\$197,255.99
6	\$2,420,331	\$201,694.25
7	\$2,474,788	\$206,232.37
8	\$2,530,471	\$210,872.60
9	\$2,587,407	\$215,617.24
10	\$2,645,623	\$220,468.62

2. Please address the criteria associated with Criterion 1120.140(d)- Direct Operating Costs and Criterion 1120.140(e)- Total Effect of the Project on Capital Costs.

It is expected that the proposed imaging services will meet state target utilization during their first year of operation with a total of 24,389 patient procedures performed. In addition, it is expected as noted on page 83 of the application that 80,538 patients will visit the facility for treatment. Based on historical volumes it is estimated that 24,389 of those patient visits will result in imaging procedures being performed. The direct operating costs for the first full fiscal year at target utilization in current dollars is \$25,141,000, which includes fully allocated costs of salaries, benefits, and supplies for services and does not include the lease expenses which are \$2,032,000. Therefore, the direct cost per equivalent patient unit of service when considering all patient visits is \$337.39 or \$1,030.83 if you only consider procedures performed.

The total capital costs are \$57,171,452 and the total effect of the project on capital costs per equivalent patient visit is \$709.86 or if evaluated by patient procedure the equivalent per patient procedure is \$2,344.14.

3. Please provide the number of MRI Units at Rush Oak Park Hospital.

There is currently 1 MRI unit and 2 Breast Imaging units at Rush Oak Park Hospital. The mammography volumes were reported in the specific breast imaging section on page 17 of the annual hospital questionnaire, rather than the former section with the other ancillary equipment. Below are the volumes for both screening and diagnostic mammograms.

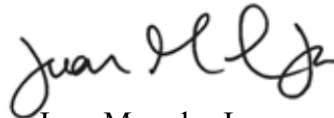
Breast Imaging AHQ Volumes (includes screening and diagnostic mammograms)

CY 2019	CY 2020	CY 2021	CY 2022
8,649	5,953	7,564	9,570

If you have any questions or need any additional information regarding the project or this request, please feel free to contact me at 312-212-4967.

Very truly yours,

BENESCH, FRIEDLANDER,
COPLAN & ARONOFF LLP



Juan Morado, Jr.