

**City of Chicago
Department of Planning and Development**

**STAFF REPORT
TO THE
COMMUNITY DEVELOPMENT COMMISSION
REQUESTING DEVELOPER DESIGNATION
MARCH 11, 2014**

I. PROJECT IDENTIFICATION AND OVERVIEW

Project Name:	Swedish Covenant Hospital Redevelopment
Applicant Name:	Swedish Covenant Hospital (“SCH”)
Project Address:	5140 N. California Avenue
Ward and Alderman:	40 th Ward, Patrick J. O’Connor
Community Area:	Lincoln Square Community Area (4)
Redevelopment Project Area:	Foster/California TIF
Requested Action:	TIF Developer Designation
Proposed Project:	Improvements and expansion of healthcare services for the diverse population of women served at Swedish Covenant Hospital by creating Women’s Health Center and expansion and modernization of the hospital’s Emergency Department.
Purpose of Project:	The purpose of the project is to support 1) improvement and expansion of healthcare services for the diverse population of women served at SCH and 2) expansion and modernization of the hospital's Emergency Department, a 128 year-old hospital and a non-profit 501(c)(3) institution.
TIF Assistance:	\$4,600,000 (25% of total project costs)

II. PROPERTY DESCRIPTION

Address:	5140 N. California Avenue (Women's Health Center) 2739 W. Foster Avenue (Emergency Department)
Location:	Near Foster Avenue and California Avenue
Tax Parcel Numbers:	13-12-306-008, 009 & 012 (Women's Health Center) 13-12-400-001 (Emergency Department)
Project Area:	31,773 sq.ft. (Women's Health Center) 13,833 sq.ft. (Emergency Department)
Current Use:	The site of the Women's Health Center will be on the existing 4 th Floor of the Galter Medical Pavilion located at 5140 N California Avenue. Existing Emergency Department (ED) is housed on the first floor of the seven-story East Wing building at 2739 W. Foster Avenue. The project area will be part of the entire 23,897 sq.ft. ED area.
Current Zoning:	PD 92
Proposed Zoning:	Same
Environmental Condition:	The property does not require remediation.

III. BACKGROUND

The Swedish Covenant Hospital campus is located in the Lincoln Square Community Area, located on the North Side of the City. The Lincoln Square Community area encompasses the smaller neighborhoods of Ravenswood Manor, Ravenswood Gardens, Ravenswood, Bowmanville, Budlong Woods and Lincoln Square neighborhoods. The City of Chicago officially designated the area as Lincoln Square in 1925.

Based on 2010 data, about 44,000 people live in the neighborhood along with over 1,000 small and medium sized businesses. The area was developed and settled in the late 1800's to early 1900's. The area population remained fairly stable between 1930 and 1960 with Germans, Russians, Swedish and Polish people as the dominant ethnic groups. The area reached its historical peak of 50,000 during this time. During the 1970's, a large population influx of Greek immigrants moved in to the area, displaced from their neighborhoods west of the Loop by the expansion of the University of Illinois at Chicago campus. During this time, one-fifth of the population in the area (mostly of German descent) exited the area and was replaced with Hispanic, Asian (mostly Korean), and people of other racial and ethnic origin. Today Lincoln

Square is among the most diverse Chicago community areas.

The SCH campus generally covers the area between Francisco Avenue to California Avenue and Foster Avenue south to Carmen Avenue. The campus consists of 12 medical buildings, 2 parking garages, 1 parking lot, 1 power plant, 2 bungalows and 2 vacant lots. The entire SCH campus is located within the newly created Foster/California TIF Redevelopment Project Area which includes areas made up of residential and institutional uses. The residential area is characterized by older predominantly multi-family properties interspersed with a few isolated single family buildings and a church building. East of Washtenaw, the area is exclusively institutional in use including Budlong elementary school, and semipublic uses including the sprawling Swedish Covenant hospital and related buildings as well as a few church properties.

SCH's service territory, a three-mile radius around the hospital, has approximately 650,000 residents in 12 Chicago Community Areas: Albany Park, Edgewater, Forest Glen, Irving Park, Jefferson Park, Lake View, Lincoln Square, North Center, North Park, Rogers Park, Uptown, and West Ridge. The population in many of these communities is often described as the working poor and is largely made up of low-wage workers and immigrants. The leading factors affecting access to care in these communities are poverty, lack of insurance, language barriers, cultural barriers, a shortage of physicians and medical services.

In the past decade two hospitals in the surrounding area, Edgewater Medical Center and Ravenswood Hospital, have closed. This has resulted in an increased demand for Swedish Hospital services; in the past ten years the number of patient visits to the Emergency Department increased 50%. Fifty –three percent of hospital patients are covered by Medicaid or uninsured. The female patient population for the hospital is comprised of many immigrant women, 40% of whom are non-English speaking and may have cultural barriers to health care access. The Department of Health and Human Services has designated the area as “Medically Underserved Area/Population” and also a “Healthcare Professional Shortage Area”.

In 2012, SCH received over 224,000 adults and children in outpatient visits and 16,600 inpatient admissions. Forty-three per cent (43%) of these visits were Medicaid or self-pay (uninsured). More than 40% of women seen at SCH are non-English speakers and 53% of the female population has financial, educational and cultural access barriers to healthcare.

The aging buildings and constrained site create a number of specific challenges. Infrastructure systems are inefficient and difficult to maintain. Older buildings need to be rehabilitated if not replaced. Older buildings score low on flexibility and adaptability, making the rehab of space to “state of the art” standard difficult. The challenges of rehabilitating older buildings and the confined campus site have resulted in scattering of related services (e.g., women's health care services) across the campus, contributing to, for example, inefficient patient transports and transfers, lengthy walks for staff and visitors, and the sharing of elevators by medical and maintenance personnel.

Over 45,000 individual patients at SCH in 2012 were adult women. Their healthcare needs are distinct in a number of areas as over 40% of those 45,000 adult women are non-English speaking

and experiencing financial, educational, and ethnic barriers to healthcare. While SCH currently provides competent professional healthcare, outdated facilities and space limitations stand in the way of delivering the highest quality healthcare for women. Currently screenings and diagnostic testing are provided in 10 locations in 5 different buildings on the SCH campus making it very difficult to ensure female technicians are consistently available in all 10 locations to serve women who cannot be seen by males.

Emergency Department was constructed in 1978 in the East Wing building at 2739 W. Foster Ave. The number of patient visits to the Emergency Department continued to increase by nearly 1,000 additional visits each year for over 10 years. In 2012 ED medical personnel received 49,417 patient visits. Partial renovation of the Emergency Department was completed in 2007 which increased the number of patient rooms and modernized the main waiting area. However, substantial upgrades in the facility are needed to serve the nearly 50,000 annual patient visits today.

IV. PROPOSED DEVELOPMENT TEAM

Development Entity: Swedish Covenant Hospital is a 128 year old, not-for-profit, comprehensive acute care hospital that currently employs 2,444 people including 550 physicians and 939 nursing staff with annual operating budget of approximately \$283 million for the fiscal year ending September 2013.

In 2012, the hospital continued to demonstrate its commitment to the community by:

- contributing \$3.3 million to community programming that served 212,193 individuals
- giving \$10.6 million in charity care and discounts for the underinsured and uninsured
- absorbing more than \$13.6 million in unreimbursed Medicaid costs
- providing health care services to more than 285,000 people
 - ✓ 53% of which were either Medicaid recipients or uninsured
 - ✓ 84% of all patients served live within 5 miles of the hospital
- becoming a Federally qualified health and wellness center in July, 2013 will serve approximately 41,500 area residents, 87% estimated will qualify as low-income patients

Swedish Covenant Hospital's service area poses unique challenges:

- The U.S. Dept. of Health and Human Services designated "Health Professional Shortage Area" for primary care and mental health care for low-income residents
- Federally designated as a medically underserved area for Asian-American community
- 20 highly distressed census tracts within the hospital service area
- Most diverse population in Chicago; third most diverse population in the entire U.S.
- SCH patients speak more than 50 different languages and dialects
- hospital staff also represents more than 50 nationalities and speak more than 50 languages

Architect: Anderson Mikos Architects, Ltd. is an award-winning 55-person Architecture, Interior Design and Planning firm totally focused on Health Care architecture. The firm's

exclusive practice serves clients nationally from its office in Chicago. The firm consistently is ranked 50-55th nationally in Health Care architecture and currently ranks 21st in Health Care Interior Design volume.

Consultants: Johnson Research Group (JRG) is a Chicago-based, full-service strategic development and real estate advisory firm specializing in tax increment financing (TIF), capital planning analysis, property tax research and analysis services, and project management and development coordination. JRG works on behalf of public agencies, non-profit groups, businesses and private developers to overcome physical and economic barriers to development. Led by Ann Moroney, President and owner, JRG is comprised of senior level professionals with both public and private sector experience in one or more areas of public management, TIF designation, real estate development and pro-forma analysis, public finance, market analysis, and redevelopment agreement negotiation.

V. PROPOSED PROJECT

Project Overview:

Women's Health Care Initiative:

Building on its medical strengths, SCH plans to expand and enhance clinical services by removing access barriers for women of every ethnic and religious group. The anchor for this initiative is building the Mayora Rosenberg Women's Health Center on the 4th floor of the Galter Medical Pavilion. The 4th floor will be totally redone to provide more than 16,783 sq. ft. for a Women's Health Center, a Resource Center, and outpatient Cardiology Center for Women, and class and conference rooms. The rehabilitation will also include 1,688 sq.ft. of space devoted to chillers and replacement (13,302 sq.ft.) of the main roof. A new women's health center provides the opportunity to centralize in one area all services for women, provide an all- female staff and women only patient areas, scheduling with evening and weekend appointments, child friendly areas, bilingual staff and bi-lingual educational health care resource materials.

Emergency Department:

Emergency Department Renovation will consist of a "gut rehab" of approximately 13,833 square feet on the 1st floor of the East Wing building. Specific improvements include 15 private large rooms for trauma cases, 5 dedicated psychiatric rooms, 12-bay fast track private exam areas, new post-exam common waiting area, private consultation room, new pharmacy work station, new physician/nurse work station, and improvements to the infrastructure that serves the emergency room (e.g. elevators, mechanical systems, communications, and restrooms).

Renovation and construction of the 4th floor of Gaiter Medical Pavilion for the Mayora Rosenberg Women's Health Center is planned to begin Spring 2014 for completion by Fall 2014. The rehab and construction of the Emergency Department in the East Wing building is scheduled to begin January 2015 for completion by Spring 2016.

A site plan, floor plans and elevation are provided as exhibits to this report.

Environmental Features: Both Women’s Health Center and Emergency Department will obtain 14 of the 17 LEED prescribed Air Quality points as follows:

Indoor Environmental Quality

17 Possible Points

Prerequisite 1	Minimum Indoor Air Quality Performance	Required
Prerequisite 2	Environmental Tobacco Smoke (ETS) Control	Required
Credit 1	Outdoor Air Delivery Monitoring	1
Credit 2	Increased Ventilation	(No)
Credit 3.1	Construction Indoor Air Quality Management Plan - During Construction	1
Credit 3.2	Construction Indoor Air Quality Management Plan – Before Occupancy	1
Credit 4.1	Low-Emitting Materials—Adhesives and Sealants	1
Credit 4.2	Low-Emitting Materials—Paints and Coatings	1
Credit 4.3	Low-Emitting Materials—Flooring Systems	1
Credit 4.4	Low-Emitting Materials—Composite Wood and Agrifiber Products	(No)
Credit 4.5	Low-Emitting Materials—Systems Furniture and Seating	1
Credit 5	Indoor Chemical and Pollutant Source Control	1
Credit 6.1	Controllability of Systems—lighting	1
Credit 6.2	Controllability of Systems—Thermal Comfort	1
Credit 7.1	Thermal Comfort—Design	1
Credit 7.2	Thermal Comfort—Verification	1
Credit 8.1	Daylight and Views—Daylight	1 of 2
Credit 8.2	Daylight and Views—Views for Seated Spaces	1
	Attainable Points	14

VI. FINANCIAL STRUCTURE

The City will support the project with TIF assistance in an amount not to exceed \$4,600,000 or approximately 25% of the total project cost. The assistance will be paid out annually in five payments upon completion of each component, funded with increment from area-wide Foster/California TIF funds and/or funds ported from an adjacent TIF. The Developer will commit to a jobs and occupancy covenant in order to receive the annual TIF payments.

Given the hospital’s age and its constrained site and its desire to provide comprehensive quality health care and serve disadvantaged populations, the hospital has a long list of capital needs. The investment of \$153 million over the last 10-years went a long way to addressing these needs. Nevertheless, many more capital improvements are needed. This is the basis for the 5-year

capital program of approximately \$100 million.

Unfortunately, SCH is unlikely to have the financial resources to fund a capital program of this magnitude. Compared to prior years, traditional sources of funding for capital projects will be more difficult to secure. SCH has reached its capacity with respect to the issuance of tax exempt bonds for capital improvements, which have funded most of strategic capital investments to date. Although SCH received some State funding for capital improvements in the past there is no prospect for such funding in the future. Consequently, SCH's financing goal of minimizing the difference between what SCH needs to do and what SCH can afford to do will be that much more challenging.

Going forward, the Hospital must rely more heavily on donations and operating profit than in the past. Although SCH's cash reserves are sufficient to meet their operating requirements, SCH must proceed cautiously with the use of these funds for capital improvements given the fluctuations in State and Federal reimbursements. Consequently, SCH has been seeking other sources of funding for capital improvements. Private donations will cover a significant portion of the new Women's Health Center but donations and cash reserves are insufficient to cover the cost of the two projects being presented, let alone a large portion of the 5-year capital program. Consequently, SCH is seeking TIF to reduce SCH's capital program funding gap. Without TIF, SCH would be required to do some combination of the following: not proceed with one of both projects; delay the projects; reduce the scope of the projects, or eliminate other needed projects in SCH's capital program.

The following table identifies the sources and uses of funds. The project will be funded through various sources including (1) Investments, (2) Financing - Trustee-Held Bond Project Funds for construction projects, and (3) Cash - funding from the hospital's cash flow.

TIF Reimbursements will replenish investments and cash accounts to help Swedish Covenant Hospital maintain its long term investment portfolio and options to make other good business decisions that will maintain operating revenues necessary for future healthcare.

Sources and Uses of Funds

<u>Sources</u>	<u>Amount</u>	<u>% of total</u>
Investments	\$5,000,000	27%
Financing	\$2,917,680	16%
Capital Campaign	\$3,000,000	16%
Cash	<u>\$7,480,126</u>	<u>41%</u>
Total Sources	\$18,397,806	100%

Uses

Women's Health Center

Hard Costs	Amount	Per SF
Concrete	\$ 3,000	\$ 0.18
Mechanical Systems	\$ 980,000	\$ 58.39
Roof Thermal and Moisture Protection	\$ 600,000	\$ 35.75
Doors and Windows	\$ 325,711	\$ 19.41
Finishes	\$ 725,000	\$ 43.20
Construction Management	\$ 13,529	\$ 0.81
General Conditions	\$ 275,606	\$ 16.42
Metals	\$ 25,000	\$ 1.49
Electrical	\$ 748,000	\$ 44.57
Woods and Plastics	\$ 630,000	\$ 37.54
Demolition	\$ 125,000	\$ 7.45
Hard Cost Contingency	\$ 139,500	\$ 8.31
Total Hard Costs	\$ 4,590,346	\$ 273.51
Soft Costs/Fees		
Architecture and Engineering (11.7% of hard costs)	\$ 536,411	\$ 31.96
General Contractor Fee (1.7% of hard costs)	\$ 76,100	\$ 4.53
Artwork Allowance	\$ 59,150	\$ 3.52
Equipment (18.7% of total costs)	\$ 1,496,850	\$ 89.19
Furniture Allowance	\$ 416,779	\$ 24.83
Signage Allowance	\$ 33,450	\$ 1.99
IT Equipment	\$ 234,005	\$ 13.94
Miscellaneous Specialties	\$ 85,054	\$ 5.07
Testing	\$ 60,000	\$ 3.58
Permits	\$ 47,741	\$ 2.84
Contingency	\$ 381,794	\$ 22.75
Total Soft Costs	\$ 3,427,334	\$ 204.21
Total Women's Center	\$ 8,017,680	\$ 477.73

* Floor sq.ft.: 16,783 sq.ft., 1,688 sq.ft. of space devoted to chillers and 13,302 sq.ft. roof replacement

Emergency Department

Hard Costs	Amount	Per SF
Elevators and Escalators	\$ 65,000	\$ 4.70
Concrete	\$ 77,000	\$ 5.57
Mechanical Systems	\$ 1,600,000	\$ 115.67
Roof Thermal and Moisture Protection	\$ 19,650	\$ 1.42
Doors and Windows	\$ 450,466	\$ 32.56
Finishes	\$ 901,655	\$ 65.18
Construction Management	\$ 26,200	\$ 1.89
General Conditions	\$ 392,589	\$ 28.38
Metals	\$ 34,060	\$ 2.46
Electrical	\$ 1,554,000	\$ 112.34
Woods and Plastics	\$ 870,000	\$ 62.89
Demolition	\$ 336,012	\$ 24.29
Hard Cost Contingency	\$ 458,500	\$ 33.15
Total Hard Costs	\$ 6,785,132	\$ 490.50
Soft Costs/Fees		
Architecture and Engineering (15.9% of hard costs)	\$ 1,080,515	\$ 78.11
General Contractor Fee (2% of hard costs)	\$ 138,000	\$ 9.98
Equipment (9.1% of total costs)	\$ 950,000	\$ 68.68
Furniture Allowance	\$ 675,000	\$ 48.80
Signage Allowance	\$ 138,330	\$ 10.00
IT Equipment	\$ 285,000	\$ 20.60
Miscellaneous Specialties	\$ 65,695	\$ 4.75
Site Survey	\$ 65,000	\$ 4.70
Testing	\$ 35,000	\$ 2.53
Permits	\$ 144,454	\$ 10.44
Overhead Expenses	\$ 18,000	\$ 1.30
Total Soft Costs	\$ 3,594,994	\$ 259.89
Total Emergency Department	\$ 10,380,126	\$ 750.39

* Floor sq.ft.: 13,833 sq.ft

Total Uses for Women's Center and Emergency Department: \$18,397,806

VII. PUBLIC BENEFITS

The project will have a broad reaching effect on both the quality and number of patient's SCH is able to serve through its renovation, modernization and improvements. In addition, the proposed project will provide the following public benefits.

Environmental Features: The project will incorporate LEED Indoor Air Quality features.

Permanent Jobs: The project is estimated to generate 30 permanent full time job opportunities, including female doctors, nurses and technicians. 2,400 jobs will be retained.

Construction Jobs: The project will produce 200 temporary construction jobs.

Affirmative Action: The developer will comply with the requirements of Chicago's affirmative action ordinance, which requires contract participation of 24% by minority-owned business enterprises (MBEs) and 4% by woman-owned business enterprises (WBEs). The developer has provided notification of the proposed project, by certified mail, to several associations of minority and women contractors. A sample version of the letter and copies of the post office receipts for the certified letters are presented as exhibits to this report.

City Residency: The developer will comply with the requirements of Chicago's city residency ordinance, which requires that at least half of all construction-worker hours be filled by Chicago residents. The developer will also comply with the requirement that all construction jobs are paid the prevailing wage.

VIII. COMMUNITY SUPPORT

40th Ward Alderman Patrick O'Connor endorses the project and has provided a letter of support (see exhibits for copy).

IX. CONFORMANCE WITH REDEVELOPMENT AREA PLAN

The proposed project is located in the Foster/California Tax Increment Financing Redevelopment Project Area. The proposed project will satisfy the following goals of the area's redevelopment plan:

1. An environment that will foster an improved quality of life and contribute more positively to the health, safety and general welfare of the Project Area and the surrounding community.
2. Modernization, improvement and/or expansion of Swedish Covenant Hospital facilities to ensure the provision of high quality and comprehensive medical care to the diverse population, socially, economically, and culturally.

The implementation strategy for achieving the plan's goals envisions the need to provide TIF financial assistance for the project.

The proposed project also conforms to the plan's land use map, which calls for institutional development at the subject site.

X. CONDITIONS OF ASSISTANCE

If the proposed resolution is approved by the CDC, DPD will negotiate a redevelopment agreement with the developer. The redevelopment agreement will incorporate the parameters of

the proposed project as described in this staff report. It is DPD policy that no business will be conducted with a development entity whose any principal has outstanding municipal debts (such as unpaid parking tickets, unpaid water bills, unpaid business licenses, and others), is in arrears of child support payments, or who is a debtor in bankruptcy, a defendant in a legal action for deficient performance, a respondent in an administrative action for deficient performance, or a defendant in any criminal action.

Closing will not occur before the City Council has approved the redevelopment agreement, the developer has obtained all necessary City approvals including zoning and building permits, and the developer has presented proof of financing. The documents will include a development timetable.

XI. RECOMMENDATION

The Department of Planning and Development has thoroughly reviewed the proposed project, the qualifications of the development team, the financial structure of the project, its need for public assistance, its public benefits, and the project's conformance with the redevelopment area plan, and DPD recommends that the CDC recommend to the City Council the designation of Swedish Covenant Hospital as Developer for the development of Women's Health Center at 5140 N. California Avenue and the improvements of Emergency Department at 2739 W. Foster Avenue.

EXHIBITS

TIF Project Assessment Form
Redevelopment Area Map
Neighborhood Map or Aerial
Site Plan
Typical Floor Plan
Sample M/WBE Letter
Copies of M/WBE Certified Letter Receipts
Alderman's Letter of Support
EPNA Forms