

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

**STAFF REPORT
TO THE
COMMUNITY DEVELOPMENT COMMISSION
REQUESTING DEVELOPER DESIGNATION
November 14, 2006**

I. PROJECT IDENTIFICATION AND OVERVIEW

Project Name: TIF Developer Designation of Loretto Hospital
Applicant Name: Loretto Hospital
Project Address: 645 South Central Avenue
Ward and Alderman: 29th Ward – Isaac Carothers
Community Area: Austin
Redevelopment Project Area: Harrison/Central TIF
Requested Action: TIF Developer Designation
Proposed Project: Redevelopment of Loretto Hospital.
TIF Assistance: \$7,500,000

II. PROPERTY DESCRIPTION

Address: 645 South Central Avenue
Location: Northeast Corner of South Central Street and West Flounoy Street. The Loretto Hospital campus also includes one parking lot directly east on West Flounoy Street and one parking lot north on W. Harrison Street.
Tax Parcel Numbers: 16-16-300-012, -016, -017(5517-5527 W. Harrison), -018, -019, -020, -021, -022, -023, -024, -028(5520-5536 W.

Flournoy), -036, -038, -039(5521-5525 W. Harrison), -040 (5522 W. Flournoy), 16-16-301-001(5437 W. Harrison)

Land Area: 3.2 Acres

Current Use: Decades of use and periodic expansions have left Loretto Hospital in outdated and obsolete condition. The project consists of expanding and renovating the existing Emergency Department (ED) and Main Lobby / Entrance on the first floor of the hospital building. The current room conditions date back to the original construction and are in dire need of upgrades relative to “state of the art” technology, mechanical/electrical systems, patient safety and interior environment. All 100 patient rooms will be remodeled to create a more healing and patient-friendly environment. The project will correct code and functional deficiencies that have developed over the last 37 years.

Current Zoning: Residential Planned Development #35 (Passed 1965).

Proposed Zoning: Residential Planned Development #35 as Amended. The Hospital will expand the boundaries of the PD.

Environmental Condition: N/A

III. BACKGROUND

Decades of use and periodic expansions have left Loretto Hospital in outdated and obsolete condition. Due to limited cash flow generation, (52% of the patients are on public aid and 38% are Medicare recipients) Loretto Hospital has deferred its major capital improvements. Through the use of public and private funds as well as increment from adjacent TIF districts, Loretto Hospital will be able to finance major capital improvements to the hospital.

Loretto Hospital includes one parking lot directly east on West Flournoy Street and one parking lot north on W. Harrison Street. Loretto Hospital is sited upon a total of 3.2 acres and contains one contiguous building.

IV. PROPOSED DEVELOPMENT TEAM

Development Entity: Loretto is the only hospital serving the Austin community, one of the largest communities in the City of Chicago. The original hospital building was located at the west end on South Central Avenue and was constructed in 1939 with major additions in 1969 and 1985.

Consultants: Ernst & Young is the TIF Consultant- a global provider of accounting, tax, information technology, and transaction advisory services, among others. Under the State and Local Tax Practice, Ernst & Young's Incentives Group helps clients identify and secure financial incentives from countries, states and municipalities throughout the world. E&Ys Chicago practice, has successfully established a number of Tax Increment Financing ("TIF") Districts within the City of Chicago, most recently the Harrison/Central TIF on the West side of the City. The Harrison/Central Redevelopment Project Area will provide an economic stimulus for the Austin Community thereby benefiting residents, businesses and overall economic development. Daley and George is the Law firm filing the Amendment to the Planned Development.

V. PROPOSED PROJECT

Project Overview: The project consists of expanding and renovating the existing Emergency Department (ED) and Main Lobby / Entrance on the first floor of the hospital building. Both areas occupy the east end of the 1969 addition to the Hospital and will require multi-phased construction to maintain the "24/7" occupancy. The approximately 4,375 square feet ED building addition will be located on the east side of the hospital at the first floor as a one-story portion. Parking will be expanded and reconfigured to provide for better on-site traffic and patient flow. New and larger entrance canopies will afford much needed protection and separation for patients, staff and vehicles.

The ED will expand from its current 10 exam stations by 40% to 14 larger, private exam rooms and will be arranged in a racetrack configuration with centralized core functions that will be more operationally efficient. The project will correct code and functional deficiencies that have developed over the last 37 years. The new ED will nearly double in size from its current 5,000 square feet to nearly 10,000. There will be a new separate walk-in entrance on the east side with dedicated parking. A new ambulance entrance and canopy will be located to be more private and distinct from other building entrances and parking.

The new building will be built with a steel frame, concrete foundations, and a concrete on metal deck roof structure. All steel framing will have fireproofing protection. The adjacent canopies will be constructed with the same materials and will be framed integrally with the addition. The addition and all canopies will be fire sprinkled. The staff entry canopy will be constructed with an unprotected steel frame and will be structured independently of the existing hospital building. The exterior materials will be primarily brick masonry to match the existing building, with stone banding / accents. The project will provide a green roof over 50% of the newly constructed Emergency Department, which adheres to DPDs green matrix policy.

The existing patient rooms and nursing units are located in both the original 1939 building and the 1969 addition and are outdated. The current room conditions date back to the original construction and are in dire need of upgrades relative to "state of the art" technology,

mechanical/electrical systems, patient safety and interior environment. All 100 patient rooms will be remodeled to create a more healing and patient-friendly environment. This will include new headwalls for integrating support systems including medical gases, electrical and lighting. The remodeled rooms will include new finishes for the walls, ceilings, floors and doors, along with new plumbing fixtures. The new patient room design will be oriented towards the current hospitality-friendly trend in health care. The remodeling work will be phased in small numbers due to the continued use of patient rooms.

Other project improvements to the hospital include the renovation of the recovery room, ambulatory care relocation, upgrade to the fire sprinkler system (bringing the hospital up to code), expansion of the Addiction Center facility and new storm sewers and building transformer.

The Amendment to the Planned Development is expected to be presented to the Chicago Plan Commission on December 14, 2006.

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

Environmental Features:

GREEN ROOF

The project includes a Green Roof on the building addition that exceeds the 50% minimum requirement. The Green Roof will be accomplished with 2'x4' trays, 4-inches deep that will have a 50/50 mix of sedum plant material. This will help to reduce the amount of heat islands to minimize impact on the microclimate, which in turn reduces the amount of air conditioning for the building.

LANDSCAPING

The Landscaping for the site will meet the requirements of the City of Chicago. There will be a substantial increase in green space / landscaping since the existing project site currently does not have any green space or landscaping. The amount of storm water runoff will be decreased. The new parking lot layout is more efficient than the existing, which helps to reduce the amount of impervious surface without reducing the amount of parking spaces needed. This also helps to reduce the amount of heat island effect.

MECHANICAL HVAC SYSTEMS

Two new air-handling units with high-efficiency motors will serve the new Emergency Department that will operate on the existing steam and chilled water systems of the hospital. They will be individually controlled and each will serve about half of the exam rooms. Each unit will have the capability of exhausting air at 100% if necessary for infection control purposes. An existing air-handling unit will also be replaced by a new system to serve the adjacent main lobby area.

WATER CONTROL

Nearly every sink and lavatory will have water efficient faucets with electronic sensor controls to maximize water efficiency in order to reduce the burden on the municipal water supply and wastewater systems. This includes all of the exam rooms and patient / public toilet rooms. New toilets will be low-water consumption type.

BUILDING EXPANSION UNDER EXISTING OVERHANG

Two directions of the building expansion make use of enclosing space below existing building overhangs. Thus, energy is saved for the current heating of existing, overhanging floor slabs. Also, less roof area is needed for the addition thereby reducing the amount of heat island effect.

VI. FINANCIAL STRUCTURE

The City, through the Department of Planning and Development (DPD), is planning to reimburse the Developer for TIF-eligible costs incurred in an amount not to exceed \$7,500,000. Payment will be made in three forms; 1) A cash payment at closing of the RDA for an amount up to \$500,000 for costs incurred in establishing the Harrison and Central TIF district, 2) a reimbursement for the completion of “blocks” of hospital rooms in the amount up to \$4,000,000; and 3) a taxable note payment for in an amount up to \$3,000,000 for the renovation of the emergency room.

The \$4,000,000 for the updating of the hospital rooms will be payable in quarterly installments. The hospital will deliver 5 to 10 rehabilitated hospital rooms per quarter; each room is eligible for between \$35,000 to \$40,000 payment per completed room. A maximum annual amount payable to the hospital for completed rooms is \$1,600,000. All payments will be contingent upon the available incremental taxes “AIT”. If payment is less than the possible maximum, unpaid amount will be paid in next payment subject to the availability of the AIT.

Illinois Department of Commerce and Economic Opportunity will be providing a grant of \$5.0 million to the City of Chicago Department of Planning and Development who will accept the funds in the role of administrator. Once the grant is allocated, DPD will administer the full grant of \$5.0 million to Loretto Hospital to update the Emergency Room Department with a new 4,600 square foot building addition, a new entrance/ambulance canopy, and the renovation of 7,300 square feet of existing Emergency Department space.

The following table identifies the sources and uses of funds.

Sources and Uses of Funds

<u>Sources</u>	<u>Amount</u>	<u>% of total</u>
Hospital Grant	\$5,000,000	21.28%
TIF Payment at Closing	\$500,000	2.13%
Federal Provider Tax Program	\$6,500,000	27.66%
Westside Insurance-Dividend	\$1,500,000	6.38%
Equity/Operation Income	\$4,000,000	17.02%
Debt (ABC Bank)	\$6,000,000	25.53%
Total Sources	\$23,500,000	100%

<u>Uses</u>	<u>Amount</u>	<u>\$/sf of Building*</u>
Hard Costs		
Demolition/Site Preparation	\$ 942,000	
Public Infrastructure	\$ 956,000	
Foundations	\$ 43,000	
Building Structure	\$ 477,000	
Building Enclosure	\$ 390,000	
Interior Construction	\$ 5,194,000	
Elevator	\$ 167,000	
HVAC/Mechanical	\$ 1,503,000	
Plumbing & Fire Protection	\$ 4,309,000	
Environmental	\$ 195,000	
Electrical	\$ 2,311,000	
Landscaping	\$ 335,000	
Signage	\$ 115,000	
<u>Subtotal for Hard Costs</u>	<u>\$16,937,000</u>	<u>\$76.99 psf</u>
Hard Cost Contingency (8.64% of hard costs)	\$ 1,602,000	\$7.30 psf
Total Hard Costs	\$18,539,000	\$84.27 psf
Medical Equipment and Furniture	\$ 2,619,000	\$11.90 psf
Soft Costs		
Architect=s Fee (5.03% of hard costs)	\$932,000	
Engineering Fees (1.83% of total costs)	\$430,000	
Loan Interest (0.87% of total costs)	\$205,000	
<u>Other soft costs (3.30% of total costs)</u>	<u>\$775,000</u>	
Total Soft Costs (9.97% of total costs)	\$2,342,000	\$10.65 psf
Total Uses	\$23,500,000	\$106.82 psf

*Gross building area is 220,000 square feet

VII. PUBLIC BENEFITS

The proposed project will provide the following public benefits.

Community Participation

As a partner with the Austin Community, Loretto Hospital is committed to promoting wellness, education and diversity in a holistic and safe environment. (See the exhibit to the staff report for further information)

Property Taxes: Improvements to Loretto Hospital will expand the tax base by attracting private investment to the surrounding area.

Environmental Features: The project will incorporate a green roof over 50% of the newly constructed Emergency Department.

Permanent Jobs: The project is estimated to generate 10 permanent nursing personnel jobs. The Mayor=s Office for Workforce Development (MOWD) has been informed of the project and work with the developer on job training and placement.

Construction Jobs: The project will produce 50 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 eight 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

Alderman Isaac Carothers endorses the project and has provided a letter of support (see exhibits for copy). The Austin Chamber of Commerce also endorses the project and has provided a letter of support (See exhibits for a copy of the support letter).

IX. CONFORMANCE WITH REDEVELOPMENT AREA PLAN

The proposed project is located in the Harrison/Central Tax Increment Financing Redevelopment

Project Area. The proposed project will satisfy the following goals of the area=s redevelopment plan: Renovate and expand existing healthcare facilities including Loretto Hospital located within the RPA. The implementation strategy for achieving the plan=s goals envisions the need to provide TIF financial assistance to pay for certain eligible costs associated with private investment. The proposed project also conforms to the plan=s land use map, which calls for Medical 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. Before today=s action is presented to the city council for approval, the department will conduct a thorough background check of all principals having an ownership interest of 7.5 percent or greater, and of the boards of directors and trustees of non-profit organizations. Similar background checks will be conducted on the development entity itself.

Closing of the redevelopment agreement will not occur before the City Council has approved the agreement, the developer has obtained all necessary City approvals including zoning and building permits, and the developer has presented proof of financing. The redevelopment agreement 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 Loretto Hospital as Developer for: 1) the expansion and renovation the existing Emergency Department (ED) and Main Lobby / Entrance on the first floor of the hospital building; and, 2) the renovation of all 100 patient rooms to incorporate “state of the art” technology at its current location at 645 South Central Avenue.

EXHIBITS

Redevelopment Area Map
Neighborhood Map or Aerial
Survey or Plat
Site Plan
Typical Floor Plan
Front Elevation or Rendering
Sample M/WBE Letter
Copies of M/WBE Certified Letter Receipts
Lender=s Letter of Interest
Community Letters of Support
Alderman=s Letter of Support
List of Loretto's Community Participation