

**City of Chicago  
Department of Housing and Economic Development**

**STAFF REPORT  
TO THE  
COMMUNITY DEVELOPMENT COMMISSION  
REQUESTING DEVELOPER DESIGNATION  
March 8, 2011**

**I. PROJECT IDENTIFICATION AND OVERVIEW**

Project Name: Resurrection University

Applicant Name: Saints Mary and Elizabeth Medical Center

Project Address: 1431 North Claremont Avenue

Ward and Alderman: 1<sup>st</sup>, Alderman Moreno

Community Area: West Town (24)

Redevelopment Project Area: Humboldt Park Commercial

Requested Action: TIF Developer Designation

Proposed Project: Renovation of hospital space for relocated university

TIF Assistance: \$4,738,139

**II. PROPERTY DESCRIPTION**

Address: 1431 North Claremont Avenue

Location: Between Lemoyne and Hirsch Streets, and Oakley and Western Avenues.

Tax Parcel Numbers: 17-06-109-002, 17-06-108-001 through -008, 17-06-108-016 through -022, 17-06-108-024 through -031, 17-06-108-039 through -046.

Land Area: Approximately 7 acres

Current Use: 8-story, 240,510 square-foot hospital building; 6-story parking structure; and surface parking lot.

Current Zoning: PD #12

Environmental Condition: The developer conducted an asbestos survey of the property which indicated the presence of asbestos in the renovation area. The developer has budgeted \$500,000 for remediation and has committed to comply with all federal, state and local requirements regarding remediation and disposal.

### **III. BACKGROUND**

Resurrection University was founded in 1914 as the West Suburban School of Nursing and has been part of the Resurrection Health Care System (a 501(c)(3) nonprofit organization) since 2004. The University, which has a College of Nursing and a College of Allied Health, offers a B.S. and M.S. in nursing, as well as B.S. degrees in Health Informatics and Information Management. The University is currently housed at West Suburban Medical Center in Oak Park.

The University has an enrollment of 275 students (of which 51% are City of Chicago residents), with 50 employees. It projects continuing strong demand for the Registered Nursing occupation nationally and in the Chicago area. Nursing shortages in the Chicago area have been cited by the Metropolitan Chicago Healthcare Council and the City's Local Economic and Employment Development (LEED) Council. The Resurrection Health Care System, which provides healthcare services at over 100 Chicago area locations, also recognizes the importance of retaining Resurrection University graduates to meet its own workforce needs, and is targeting retention of 80% of its graduates within its Chicago area facilities. To meet this high demand, the University plans to nearly double enrollment to 500 students, and to subsequently increase staffing by 27 employees.

The University's current lease at the Oak Park facility expires in July 2012, and space there is not adequate to accommodate its expansion plans. It intends to move to a new location before the July 2012 lease expiration. The Resurrection System acquired St. Mary Hospital at 2233 W. Division St. and St. Elizabeth Hospital at 1431 N. Claremont Ave. in 2001. The University has identified vacant space at St. Elizabeth as suitable for the relocation of its facility and is requesting TIF assistance for the renovation.

### **IV. PROPOSED DEVELOPMENT TEAM**

**Development Entity:** Resurrection Health Care Corporation is a 501(c)(3) nonprofit organization. It is the parent corporation of Saints Mary and Elizabeth Medical Center, of which Resurrection University is an operating division. Resurrection University's mission is to provide

community healthcare, nursing education and service to low-income and underserved areas.

**Consultants:**

General contractor: Bear Construction  
Architect: Perkins & Will  
Engineering: Terra Civil Engineering, LLC  
Counsel: Foley & Lardner, LLP  
TIF Consultant: S.B. Friedman & Co.  
Consultant: The Haymarket Group, Ltd.  
Consultant: Target Group

**V. PROPOSED PROJECT**

**Project Overview:** The project involves the renovation of approximately 38,900 square feet of vacant space on five floors of the eleven-story St. Elizabeth Hospital building at 1431 North Claremont Avenue in the West Town community area. The renovation will provide classrooms, a student lounge, cafeteria, conference rooms, offices and a simulator. In addition, an existing parking structure and surface parking lot will be renovated to provide forty-one additional parking spaces. The parking lot renovation will include additional landscaping, lighting, and underground stormwater detention.

Included in the hard construction cost is \$500,000 for removal/remediation of asbestos that has been identified in the area to be renovated, as well as \$550,000 for the cost of specialized audio-visual and medical equipment in the simulator lab.

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

**Environmental Features:** The project will be LEED certified for commercial interiors. It will include use of local and certified materials, increased energy efficiency, and monitoring of air quality.

**VI. FINANCIAL STRUCTURE**

Saints Mary and Elizabeth Medical Center (SMEMC) is the owner and will be the developer of the project. Resurrection University, an operating division of SMEMC will be the operator and will lease space from SMEMC. A diagram of the ownership structure is attached.

In addition to TIF, the project's funding sources include a \$1,247,000 Independent Colleges Capital Program (ICCAP) grant from the State of Illinois, approximately \$2,800,000 in New Market Tax Credits, \$750,000 from the Infrastructure Improvement Budget of Resurrection Health Care Corporation (RHCC), the parent corporation of SMEMC, and \$4,000,000 from RHCC's Capital Budget.

The TIF funding request is for the lesser of \$4,738,179, or 35% of the \$13,537,655 total project cost. The assistance will be paid from district-wide increment, since the project as a nonprofit entity will not generate any increment. The TIF assistance will be delivered in the form of a lump sum payment of 50% of the TIF assistance upon completion of the construction and the opening of the school. An interest bearing taxable TIF Note for the remaining 50% of TIF assistance will be issued upon RDA closing. The Note will be paid over a ten-year period, with annual compliance requirements regarding jobs and ongoing operation of the school.

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> |
|--|---------------------|-------------------|
| RHCC Capital Budget                    | \$4,000,000         | 30%               |
| RHCC Infrastructure Improvement Budget | \$750,000           | 5%                |
| New Markets Tax Credits                | \$2,802,476         | 21%               |
| State ICCAP grant                      | \$1,247,000         | 9%                |
| TIF (paid after project completion)    | <u>\$4,738,179</u>  | <u>35%</u>        |
| <b>Total Sources</b>                   | <b>\$13,537,655</b> | <b>100%</b>       |

  

| <u>Uses</u>                                    | <u>Amount</u>             | <u>\$/sf of Building*</u> |
|--|---------------------------|---------------------------|
| Hard costs                                     |                           |                           |
| Interior renovation                            |                           |                           |
| Audio-visual equipment                         | \$350,000                 |                           |
| Medical equipment                              | \$200,000                 |                           |
| Other interior hard costs                      | <u>\$7,955,995</u>        |                           |
| Subtotal interior hard costs                   | \$8,505,995               |                           |
| Parking structure hard costs                   | \$1,249,064               |                           |
| Surface lot hard costs                         | <u>\$1,216,125</u>        |                           |
| <b>Total Hard costs</b>                        | <b>\$10,971,184</b>       | <b>\$280.00 psf</b>       |
| Soft Costs                                     |                           |                           |
| Architect's Fee (5% of hard costs)             | \$1,499,258               |                           |
| Legal, consulting fees (2% of total costs)     | \$250,000                 |                           |
| Contractor preconstruction services            | \$50,000                  |                           |
| Architect TIF services                         | \$50,000                  |                           |
| Permits  | \$80,000                  |                           |
| Development/testing                            | \$30,000                  |                           |
| Moving/relocation costs                        | \$350,000                 |                           |
| Commissioning                                  | \$125,000                 |                           |
| Utilities                                      | \$10,000                  |                           |
| Contingencies                                  | <u>\$122,213</u>          |                           |
| <b>Total Soft Costs (19.7% of total costs)</b> | <b><u>\$2,566,471</u></b> | <b><u>\$66.51 psf</u></b> |
| <b>Total Uses</b>                              | <b>\$13,537,655</b>       | <b>\$345.54 psf</b>       |

\*Gross building area is 39,178 square feet not including parking structure or surface lot

## **VII. PUBLIC BENEFITS**

The proposed project will provide the following public benefits.

**Environmental Features:** The project will be LEED certified.

**Increased education and employment opportunities:** Resurrection University will engage in significant outreach to area community colleges and high schools in order to increase neighborhood student and minority enrollment. The University will offer two additional scholarships to local area residents who attend a City College. It will continue to distribute transfer guides (sample attached) to local community colleges that outline the requirements for transfer to the University, and will establish formal articulation agreements with individual colleges. Resurrection will also provide recruiters each semester at City Colleges and feeder schools, as well as interface with college academic advisors. The University will invite students from neighborhood high schools such as Roberto Clemente to a nurse shadow day, attend college and career fairs at the schools and establish relationships with Instituto del Progreso Latino and the Health Sciences Career Academy.

**Permanent Jobs:** The project is estimated to generate 50 permanent relocated jobs and 27 new permanent jobs in the University. The department's workforce development specialists will work with the developer on job training and placement.

**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**

Alderman Moreno endorses the project and has provided a letter of support (see exhibits for copy). The following schools and community organizations have endorsed the project: Roberto Clemente High School, Healthcare Alternative Systems, Saint Augustine College, Casa Central, Block Club Federation, Maternity B.V.M. Church, Instituto del Progreso Latino, Wilbur Wright College, and Josephinum Academy. Two current Resurrection University students have also provided letters of support (See exhibits for copies of support letters).

## **IX. CONFORMANCE WITH REDEVELOPMENT AREA PLAN**

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

- Promote the rehabilitation of existing structures and new construction where appropriate throughout the Redevelopment Project Area.
- Encourage the participation of minorities and women in the redevelopment process of the Redevelopment Project Area.
- Encourage maintenance, restoration and reuse of existing structures to the maximum extent feasible.
- Provide sufficient off-street parking to accommodate new and existing area residents, institutions and commercial redevelopment.
- Provide needed incentives to encourage a broad range of improvements for both the rehabilitation of existing buildings and new development.

The implementation strategy for achieving the plan's goals envisions the need to provide TIF financial assistance for the development of educational institutions. The proposed project also conforms to the plan's land use map, which calls for an institutional planned development at the subject site.

## **X. CONDITIONS OF ASSISTANCE**

If the proposed resolution is approved by the CDC, DHED 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 DHED 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 of the sale of the property 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 Housing and Economic 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 DHED recommends that the CDC recommend to the City Council the designation

of Saints Mary and Elizabeth Medical Center as Developer for the development of Resurrection University at 1431 North Claremont Avenue.

## **EXHIBITS**

Redevelopment Area Map  
Neighborhood Aerial Map  
Site Plan  
Floor Plans  
Front Entrance Rendering  
Ownership structure table  
RHCC/SMEMC Board members  
Sample community college transfer guide  
Sample M/WBE Letter  
Copies of M/WBE Certified Letter Receipts  
Community Letters of Support  
Alderman's Letter of Support