

**CITY OF CHICAGO  
DEPARTMENT OF PLANNING AND DEVELOPMENT**

**STAFF REPORT  
TO THE  
COMMUNITY DEVELOPMENT COMMISSION  
REQUESTING DEVELOPER DESIGNATION  
JUNE 10, 2014**

**I. PROJECT IDENTIFICATION AND OVERVIEW**

Project Name:	Sinai Tomorrow
Applicant Name:	Sinai Health System
Project Address:	1500 S. Fairfield Avenue
Ward and Alderman:	28 <sup>th</sup> Ward, Jason Ervin
Community Area:	North Lawndale Community Area (29)
Redevelopment Project Area:	Midwest TIF
Requested Action:	TIF Developer Designation
Proposed Project:	The proposed Sinai Tomorrow Project will result in enhancements to in-patient and outpatient care, increased capacity to deliver health care services to the community, and the extension of the useful life of Sinai's physical facilities.
Purpose of Project:	The purpose of the project which is a \$100 million dollar investment, is to achieve the following: (1) create care delivery models and environments that will sustain Sinai Health System in the future; (2) improve the delivery of outpatient care; and (3) improve the delivery of inpatient care.
TIF Assistance:	\$31,000,000 (31% of total project costs)

**II. PROPERTY DESCRIPTION**

Address:	1500 S. Fairfield Avenue (Mount Sinai Hospital)
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Location: Southwest Corner of Ogden and California Avenue

Tax Parcel Numbers: See Attached List of PINs

Project Area: 581,049 sq.ft. (Mt. Sinai Hospital)

Current Use: The Sinai Tomorrow Project site is located throughout the hospital complex. The project will be done in multiple phases at multiple locations over a period of eight (8) years.

Mount Sinai Hospital Campus consists of multiple number of separate and interconnected buildings which were developed over time near the intersection of Ogden and California.

Current Zoning: PD 49

Proposed Zoning: Same

Environmental Condition: The project does not involve remediation work.

### **III. BACKGROUND**

The Mount Sinai Hospital campus is located within the North Lawndale community area, and is located on the west side of the City. North Lawndale is located less than five miles from downtown Chicago, and is conveniently located close to the I-290 and the CTA Pink Line.

North Lawndale was originally a bustling neighborhood with residents who were immigrants and workers employed by local manufacturing companies. The community's population grew steadily through the early part of the 20th Century. However, over the past 60 years the population decreased by over 80,000 residents leaving the community with a high unemployment rate, decaying housing stock, and limited commercial and retail options. During the 20 year period between 1950 and 1970, seventy-five (75) percent of the businesses in Lawndale left the neighborhood. Between 1970 and 2000, the population of North Lawndale fell by more than half and the number of households decreased by almost 40 percent.

Today North Lawndale continues to be a working class community, but it is slowly recovering from a long period of population decline and disinvestment. Based on 2010 Census Data, it had a population of approximately 37,100 residents, down from its peak of 125,000 in 1960. Over ninety (90) percent of the population was African American, and the median household income was about \$26,000 per year compared to nearly \$44,000 for the City. Thirty-eight (38) percent of the community households were below the poverty level compared to nineteen (19) for the city.

Although population decline and major job loss have had a devastating effect on the community, it has attracted new development over the past 15 years. This includes a shopping center and cinema on Roosevelt Road, several housing developments, and the Homan Square Community

Center in the former Sears complex.

One example of the recent housing developments constructed in North Lawndale is Park Douglas Phase I which is the first phase of a larger mixed-income residential development that will eventually include 300 units located on CHA, City of Chicago, Mount Sinai Hospital and privately-owned land. It is a 137 unit rental housing development of which eighty-nine (89) units are affordable and public housing, and the remaining forty-eight (48) are market rate. The development opened in 2012, and currently is fully leased. The majority of the development site is located on CHA property that was the former site of the CHA's Lawndale Complex and Ogden Courts Homes. The CDC approved of the conveyance of twenty-seven (27) city-owned parcels to the development team in April 2010 for this project.

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

**Development Entity:** Mount Sinai Hospital (Sinai) is located at 1500 S. Fairfield Avenue within the Midwest Tax Increment Financing District. The hospital is part of the Sinai Health System, consisting of Mount Sinai Hospital, Sinai Children's Hospital, Schwab Rehabilitation Hospital, Sinai Medical Group, Sinai Community Institute, and Sinai Urban Health Institute. Additionally, in 2013 Holy Cross Hospital at 2701 W. 68<sup>th</sup> Street joined the Sinai Health System. Mount Sinai is a 319-bed teaching hospital that provides medical, surgical, behavioral health, therapeutic and diagnostic services to the greater Chicago area. It serves a largely underinsured population, and is one of the largest private Medicaid providers in the State of Illinois. Sinai is also one of seven hospitals in the metropolitan area that participate in the Level 1 Trauma Center Network (one of four within the city). All together, the system includes 695 licensed beds, with over 700 physicians on staff, and handles approximately 100,000 emergency room visits per year. The system serves patients living within a 27 zip code-service area that encompass nearly half the population of Chicago.

The majority of Sinai's patients are from the Chicago's African American and Hispanic communities on the West and Southwest sides of the City. Today, Sinai and its affiliated clinics provide care for over 300,000 individuals a year. Approximately 92% of patients are covered only by Medicaid or Medicare, or are uninsured. Sixty percent (60%) are covered by Illinois Medicaid, twenty percent (20%) are on Medicare, twelve percent (12%) are without any insurance, and eight percent (8%) use private insurance.

Sinai employs over 4,100 individuals, which includes 2,839 full time employees, and 1,336 part-time employees. Over twenty-two percent (22%) of total employees live in the neighborhoods immediately surrounding the hospital, making Sinai the largest employer, and a key institutional anchor for stability and revitalization in the North Lawndale community.

Sinai Health System is one of the most critical providers of health care for low-income patients not only in the City but in the entire State of Illinois. The need for Sinai's array of services has grown as other hospitals serving the West Side have closed or have altered their services. St. Anne's Hospital, Cabrini Hospital and Sacred Heart Hospital have all closed, and Bethany Hospital changed its services from an acute care hospital to a long-term health care facility that

no longer provides acute care, emergency care, or primary care. As one of the largest private providers of health care in Illinois for patients covered by Medicaid or without insurance, Sinai's importance in health care extends far beyond the immediate community of North Lawndale.

Sinai Health System has one of the largest community outreach and service programs of any health system in the United States. Their programs have received national recognition, including the Foster G. McGaw prize awarded nationally to hospitals with exemplary community program. Mount Sinai is the only Illinois hospital to receive this award. Sinai's community programming became so extensive that in 1993 they created a new entity, the Sinai Community Institute (SCI), to house the programs. Mount Sinai Hospital provides over \$1,000,000 annually to support SCI's operations. Programs provided by SCI include:

- One of the largest Women's, Infant, and Children (WIC) programs in the state of Illinois, providing nutrition services to over 10,000 clients in 6 locations;
- Parenting education through the Sinai Parenting Institute, providing comprehensive parenting education to over 100 parents including clients of the Illinois Department of Children and Family Services;
- Case management services for maternity patients;
- Adolescent pregnancy prevention and education, including an intensive case management program targeting adolescent mothers who have one child to try to prevent an early subsequent pregnancy;
- An elder abuse hotline, with follow up intervention;
- Job training and placement services through a partnership Illinois Department of Human Service's Supplemental Nutrition Assistance Program;
- After school tutoring programs in cooperation with Plamundon School;
- Day care services in partnership with Gads Hill Community Organization;
- Assistance in the development of community programs such as the North Lawndale Employment Network;
- Support for the development of area charter schools;
- Partnerships with area churches for health education and services;
- Official Affordable Care Act enrollment center;
- Work with the City's Get Covered Chicago Initiative.

SCI has also been active in violence prevention programs for youth. SCI developed a peer counseling program in conflict resolution. Schwab Rehabilitation Hospital has a unique program called In My Shoes that employs former gang members who have been disabled through violence to speak before student audiences. Sinai also partners with CeaseFire to provide services to victims of violence seen through the emergency department.

Sinai has also been active in developing partnerships to improve housing in the surrounding community. Sinai partnered with Ryerson Steel to bring Neighborhood Housing Services to the North Lawndale community which resulted in housing development, rehabilitation, and infrastructure improvements in the community. Sinai donated 20 lots it owned to the New Homes for Chicago program, contributing to the development of affordable housing units for purchase by moderate income families. Sinai also recently partnered with Brinshore

Development and the Michaels Organization to assist in the creation of 137 units of mixed income housing in North Lawndale at the Park Douglas Housing Development, the first phase in the eventual creation of up to 300 new housing units in the community.

**Consultants:** U.S. Equities Realty is a leading full-service commercial real estate firm headquartered in Chicago. The company serves as strategic real estate advisors to clients throughout the United States and in South America. Since U.S. Equities was formed in 1978, its principals have executed finance and investment transactions for their various clients, as well as for their own account, providing acquisition, disposition and financing services.

## **V. PROPOSED PROJECT**

### **Project Overview:**

The proposed Sinai Tomorrow Project consists of roughly \$100 million in critically-needed investments in Sinai's facilities that will result in enhancements to inpatient and outpatient care, increased capacity to deliver health care services to the community, and the extension of the useful life of Sinai's physical facilities. The project is specifically intended to achieve the following key health care objectives: (1) Create care delivery models and environments that will sustain the organization for the next generation; (2) Improve the delivery of outpatient care; (3) Improve the delivery of inpatient care.

### **In order to achieve these objectives, major components of the Sinai Tomorrow project include the following:**

- (1a) Completed and Underway Projects; (2014 – 2015)
  - Build out 3rd floor of Sinai Community Center (SCI)
  - Kling Building demolition
  - Cardiac Catheterization Lab
  - Interventional Radiology
  - Operating room fan unit replacement
- (1b) Expanded behavioral health services at the Holy Cross Hospital campus; (2015 – 2018)
  - Psych ED / Access Center
  - Inpatient Bed Units
- (2) Creation of a new outpatient center through the rehabilitation and re-purposing of the SCI building; (2015 – 2019)
  - New outpatient clinics
  - Diagnostic and testing services
  - Educational capacity
  - Social and financial services
  - Building entry and exterior enclosure improvements
- (3) Bed Unit Renovation in the Olin-Sang Building at Mount Sinai Hospital; (2016 – 2018)
  - Relocation of intensive care unit
  - Modernization of existing medical/surgical units
  - Private patient rooms

- Observation unit
- (4) Relocations and Renovations within Mount Sinai Hospital; (2015 – 2020)
- Inpatient areas will be relocated with renovation to allow for consolidation in newer buildings.
  - Imaging services
  - Oncology services
  - Renal dialysis
  - Food and nutrition
  - Business office
- (5) Infrastructure upgrades; (2015 – 2019)
- Emergency power generation and distribution system upgrades
  - Normal power generation upgrades
  - Fire alarm replacements
  - Air handling unit replacement
  - Hot water system replacement
- (6) Demolition of Kurtzon Building; (2020 – 2021)
- Demolish and prepare site for turn over to CHA for future housing development

**Environmental Features:** The developer is currently working with the Department of Planning and Development on developing a LEED strategy. The developer will be required to meet LEED standards related to air quality and energy efficiency.

## **VI. FINANCIAL STRUCTURE**

### VI. Financial Structure

The City of Chicago, through its Department of Planning and Development, proposes to enter into a Tax Increment Financing Redevelopment Agreement with Sinai Health Systems to reimburse the Developer for a portion of their TIF-eligible costs in an amount up to a maximum amount of \$31,000,000, which is approximately 31% of the Total Project Cost, currently estimated to be \$100,000,000 (the “TPC”).

The City Funds will be provided as a reimbursement for demolition, construction and rehabilitation costs associated with the Project, as well as other related TIF-eligible costs. The TIF-eligible expenses will be reimbursed from available area-wide increment in the Midwest Redevelopment Project Area Tax Increment Allocation Fund and because of insufficient funds in the Midwest TIF account will be ported from the adjacent Western/Ogden Redevelopment Project Area Tax Increment Allocation Fund.

**SOURCES & USES OF FUNDS**

<b>Sources:</b>		<u>Amount</u>	<u>% of total</u>
Equity, capital from operations		\$34,500,000	35%
Fundraising		\$55,000,000	55%
State of IL grants		<u>\$10,500,000</u>	11%
Total Sources:		<u>\$100,000,000</u>	100%
 <b>Uses:</b>			 <u>\$/Bldg. psf</u>
Hard Costs:			
Construction		\$74,000,000	\$127.36
Hard Cost Contingency		<u>\$8,800,000</u>	\$15.15
Total Hard Costs:		\$82,800,000	
Soft Costs:			
Architect	(7.2 % of total hard costs)	\$6,000,000	
Misc Soft Costs	(3.7% of total costs)	<u>\$3,700,000</u>	
Total Soft Costs:	(9.7% of total costs)	\$9,700,000	
Furniture and Fixtures	(7.5% of total costs)	\$7,500,000	
Total Uses:		<u>\$100,000,000</u>	
Land Area, Square Feet	311,018		
Building area, Square Feet	581,049		

Payment of City Funds will be provided through pay-as-you-go payments contingent upon the completion of project milestones for individual project components and will be provided according to the following schedule:

<b>Year</b>	<b>Milestone Payment</b>	<b>Western Ogden TIF (ported to Midwest TIF)</b>	<b>Midwest TIF</b>	<b>City Funds</b>
2015	Milestone Payment #1	\$2,250,000	\$2,250,000	\$4,500,000
2016	Milestone Payment #2	\$2,250,000	\$2,250,000	\$4,500,000
2017	Milestone Payment #3	\$2,250,000	\$2,250,000	\$4,500,000
2018	Milestone Payment #4	\$2,250,000	\$2,250,000	\$4,500,000
2019	Milestone Payment #5	\$1,500,000	\$1,500,000	\$3,000,000
2020	Milestone Payment #6	\$1,500,000	\$1,500,000	\$3,000,000
2021	Milestone Payment #7	\$1,500,000	\$1,500,000	\$3,000,000
2022	Milestone Payment #8		\$3,000,000	\$3,000,000
2023	Milestone Payment #9		\$1,000,000	\$1,000,000
<b>TOTAL:</b>		<b>\$13,500,000</b>	<b>\$17,500,000</b>	<b>\$31,000,000</b>

\*The actual amount may vary depending on the final certified Total Project Cost and the amount of TIF-Eligible expenses incurred for each Component.

## **VII. PUBLIC BENEFITS**

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

**Environmental Features:** The developer is currently working with the Department of Planning and Development on developing a LEED strategy. The developer will be required to meet LEED standards related to air quality and energy efficiency.

**Permanent Jobs:** The Project is expected to retain over 2,500 permanent jobs.

**Construction Jobs:** The project will produce 250 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**

28<sup>th</sup> Ward Alderman Jason Ervin 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 Midwest 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 Mt. Sinai 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 Sinai Health System as Developer for the development of Sinai Tomorrow Project located at 1500 S. Fairfield Avenue.

**EXHIBITS**

TIF Project Assessment Form  
Redevelopment Area Map  
Neighborhood Map or Aerial  
Property Index Number List  
Site Plan  
Sample M/WBE Letter  
Copies of M/WBE Certified Letter Receipts  
Alderman's Letter of Support