

APPROVED
March 12, 2025

Melissa Bealon
Board Secretary Melissa Bealon

Item #-1
March 12, 2025

CONSIDERATION AND APPROVAL OF NON-INSTRUCTIONAL CAPITAL PROJECTS

Submitted for: Approval.

Summary: This item recommends approving the non-instructional capital projects for the following Public University projects:

Southern Illinois University:

Memorial Health System Real Estate for the School of Medicine
Springfield, Illinois

Action Requested: The Illinois Board of Higher Education approve the project listed in this item.

STATE OF ILLINOIS
BOARD OF HIGHER EDUCATION

CONSIDERATION AND APPROVAL OF NON-INSTRUCTIONAL CAPITAL PROJECTS

The Board of Higher Education Act (110 ILCS 205/8) requires public universities to receive IBHE approval for capital improvements for non-instructional uses, such as dormitories, field houses, stadiums, recreational facilities, parking lots and the like, if the project is in excess of \$2 million. The projects are assessed for alignment with the Board's Non-Instructional Capital Project Guidelines, approved by the Illinois Board of Higher Education in August 2002, and administrative rules. The projects must be consistent with the mission and scope of the institution; provide needed additional, replacement, or more efficiently utilized space; and are economically feasible, and aligned with the strategic plan, as required by administrative rules.

Background and Scope

The University is seeking IBHE approval to proceed with a non-instructional capital improvement project to purchase the buildings commonly known as 201 E. Madison Street and 520 N. Fourth Street in Springfield, IL. SIU currently leases most of the space in the buildings. However, over the life of the buildings, the cost to acquire these properties will save the University money versus continuing to lease the properties.

201 East Madison

The three-story brick, ADA compliant office building at 201 E. Madison St., Springfield, IL is part of the 3.66-acre property located at the corner of E. Madison St. and Second St. This property includes 260 parking spaces on the north and east sides of the building. SIU School of Medicine currently leases the 87,533 GSF building from Memorial Health. 201 E. Madison is conveniently located less than a mile away from SIU School of Medicine's main campus and is within the boundaries of the Mid-Illinois Medical District. The appraisal value of this property is \$19,600,000. The purchase price of this property is \$16,300,000.

201 E. Madison St. is an administrative building currently occupied by SIU School of Medicine's Departments of Population Science and Policy, Offices of General Counsel, Employee Health, Marketing and Communications, Patient Business Services, Medical Records, Credentialing, SIU HealthCare Administration, Patient Call Center, Quality and Performance, Compliance, and Information Technology, as well as the Center for Clinical Research.

- Lot size: 3.66 acres (irregular shaped lot)
- ASF: 82,097
- GSF: 87,533
- Short-term, transitional lease-back space of 4,368 SF on 1st floor to Memorial Health
- Size/dimensions of parcel: 334 feet x 333 feet plus 147 feet x 325 feet
- Appraisal, ALTA Survey, Environmental Survey: to be provided

520 North Fourth

The two-story brick, ADA compliant medical office building at 520 N. Fourth St., Springfield, IL is part of the 5.9-acre property located at the corner of Carpenter St. and Fourth St. This property includes two hundred parking spaces on the south side of the building.

SIU School of Medicine currently leases the 64,030 GSF building from Memorial Health. 520 N. Fourth St. is conveniently located less than a mile away from SIU School of Medicine's main campus and is within the boundaries of the Mid-Illinois Medical District. The appraisal value of this property is \$25,700,000. The purchase price of this property is \$22,800,000.

520 N. Fourth St. is a medical office building currently occupied by SIU Center for Family Medicine, which includes a Child Advocacy Clinic, Comprehensive Care Clinic, Diabetes, Nutrition and Weight Loss Clinic, Geriatric Program, Kids Health Harbor Clinic, Support Team for Addiction Recovery Treatment Clinic, Survivor Recovery Center, as well as provides Virtual Care and Women's Health Services. This property was renovated by Memorial Health in 2017 to add approximately 30,000 SF of clinical space for SIU Center for Family Medicine and the administrative offices for the Department of Family and Community

- Lot size: 5.9 acres (irregular shaped lot)
- ASF: 55,232
- GSF: 64,030
- Size/dimensions of parcel: 323 feet x 787 feet plus 27 feet x 152 feet
- Appraisal, ALTA Survey, Environmental Survey: to be provided

Project Rationale

SIU School of Medicine is evaluating and adjusting its real estate model from leasing office and clinical space to owning and maintaining assets. The properties at 201 E. Madison and 520 N. Fourth St. properties align with SIU School of Medicine's strategic property initiatives. The cost of acquiring these properties will save the University money over the useful life of the buildings. These assets are in class A shape and the land that accompanies them provides adequate parking and are well maintained parking lots.

Project Financing

- Total cost of purchasing the assets (201 E. Madison St. and 520 N. Fourth St.): \$39,100,000
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|--------------------|--------------|
| 201 E. Madison St. | \$16,300,000 |
| 520 N. Fourth St. | \$22,800,000 |
| Total | \$39,100,000 |

- 201 E. Madison cost per square foot: \$186.22/SF (87,533 SF)
- 520 N. Fourth St. cost per square foot: \$356.08/SF (64,030 SF)

Note: The 520 N. Fourth Street facility consists of specialized clinical space which attributes to the higher cost per sf.

– SIU School of Medicine has a structure in place to continue services and payment of O&M costs. Per the terms of the current lease agreements with Memorial Health System, SIU currently pays approximately \$882,372 of O&M per year. The O&M costs following purchase of the facilities is not expected to vary significantly. The funding source for the O&M is non-appropriated revenues generated by the School of Medicine.

– The purchase of these assets will not impact on student fees. No donations were secured, and no pledged information applies to the purchase.

– SIU School of Medicine will finance the purchase of 201 E. Madison St. and 520 N. Fourth St. using Certificates of Participation. Below are the financing assumptions:

Principal Financed:	\$39,100,000
Term:	25-year
Structure:	fixed rate with level debt service
True Interest Cost:	4.639%
Average Annual Debt Service:	\$2,676,576

The average annual debt service is comparable to the \$2.6 million in base rent payments that SIU currently pays to Memorial Health Service to lease these facilities.

Constituency Input/Decision-making:

SIU School of Medicine evaluates property needs through committees and work groups to help identify and study property leasing and acquisition opportunities. This strategy along with annual planning is helping inform owning vs, leasing, expanding our campus footprint, and for growing our presence in the Healthcare market.

SIU School of Medicine will use processes and request approvals outlined by Illinois procurement, Illinois Board of Higher Education and the SIU Board of Trustees for financing and acquiring these properties.

The project and budget was presented and approved at the SIU Board of Trustees meeting on February 6, 2025.

February 6, 2025 BOT – Project & Budget Approval

March 12, 2025 IBHE Approval

April 17, 2025 BOT – Authorization to Sell COPs

Week of May 19, 2025 Financing Closing

Information and matters presented will be included with each step of the approval process.

Staff Recommendation

Staff have reviewed the projects presented in this item and found them to be in accordance with the Board's Non-Instructional Capital Project Guidelines, approved by the Illinois Board of Higher Education in August 2002, and administrative rules. The projects are consistent with the mission and scope of the institution; provide needed additional, replacement, or more efficiently utilized space; and are economically feasible, as required by administrative rules.

The Illinois Board of Higher Education hereby approves the Public University Non-Instructional Capital Project included in this item.