



May 6, 2024

Via E-mail

Tom Dame, Esquire
Gallagher, Evelius, and Jones
218 N. Charles Street, Suite 400
Baltimore, MD 20201

**Re: University of Maryland Medical Center
Request for Second Post CON Approval Project
Change
Construction of Addition for Cancer Center
Matter # 19-24-2438**

Dear Mr Dame:

Commission staff has reviewed the second request for a post Certificate of Need (CON) project change from the University of Maryland Medical (UMMC) and have a number of questions:

1. The mechanical penthouse is being moved to the 14th floor and has been included in the MVS analysis for the UMROI exemption request (the footprint for the mechanical penthouse is 22,215 SF and the total SF between the two project MVS analyses is 29,348 SF). Please respond to the following:
 - a. You have reported that the increased SF is due to a mezzanine level in the mechanical penthouse. Please describe what is meant by a mezzanine level.
 - b. Does the mezzanine have the same 29-foot ceilings reported for the penthouse itself? How does that affect the overall height of the 14th floor?
 - c. Revise the MVS analysis to accurately reflect the square footage and ceiling heights of the mechanical penthouse.
2. The elevator areas on floors 10-13 are charged in both the UMROI exemption request and the Cancer Center request. This is not permitted. Please revise the MVS for this project, or the UMROI exemption, or both, to include the elevator areas in only one project.

3. The change request states that much of the increased cost is due to relocation of a number of services and facilities during the connection of the new building to the existing building and that the Cancer Infusion Center move is an interim move. Are the remainder of the facilities being permanently moved or are they also interim move, and if so where?
4. Regarding Exhibits 2 and 3, Tables C and E, UMMC indicates the following changes between the First and Second Modification requests:

	First Modification October 2023	Second Modification April 2024	Variance	Percentage (+/-)
Renovation Costs	\$14,100,000	\$32,081,970	\$17,981,970	127.5%
Total Renovation Square Footage	41,644	38,704	(2,940)	-7.1%
Renovation Cost/SF	\$338.58	\$828.91	\$490.33	144.8%

UMMC indicates that the total renovated square footage for the Stoler Cancer Center has decreased from 41,644 SF for the First Project Modification to 38,704 SF with the Second Project Modification, a decrease of 7.1%. Conversely, the total cost of renovations has increased from \$14,100,000 to \$32,081,970, an increase of 127.5%. Please respond to the following:

- a. Explain the 7.1% decrease (2,940 sf) in total square footage identified as areas involved in the renovation to the North Hospital. What areas have been taken out of the renovations approved in the October 2023 project modification since UMMC has incurred additional renovation costs submitted with the second project modification that include relocation costs and modifications to the South Entrance.
- b. Why has the cost of renovations increased significantly by 127.5% while the amount of area that UMMC is renovating decreased in a six-month period from October 2023 to April 2024? Have supply chain issues, cost increases, or labor shortages had an impact on the completion of the Stoler Center?
- c. Does the applicant anticipate any further project modifications or increases in project costs before the completion of the Stoler Center in June 2028?
- d. While the applicant indicates that the additional project costs are due to renovations, the MVS benchmark for new construction of a Class A, Good Quality General Hospital as reported by the Marshall & Swift Valuation Service in November 2023 is \$560.00/SF. The \$32.1 million in total renovation costs for 38,704 SF calculates to about \$828.91/SF, which exceeds the \$560/SF benchmark for new construction by 48.0%. Please explain why the costs are so much higher for this renovation.



5. Please discuss whether UMMC has informed the Health Services Cost Review Commission about this second project modification. Does UMMC plan to seek a rate adjustment to its GBR for the \$18,902,790 in additional project costs?
6. Regarding the relocation costs on p. 4, please provide the following:
 - a) The basis or need for \$9,776,970 to relocate for the Pediatric Specialty Care, Pediatric Surgery Office, Radiology Suite, Gift Shop, Pastoral Care Department, Outpatient Registration, Admissions, and Cancer Infusion Services.
 - b) The basis or need for \$3,200,00 to provide a connection to service elevators on the North Hospital upper floors.
 - c) The total square footage for each of the above referenced departments or offices that will be relocated.
7. Your request states that Phase One of the project involved construction and Phase Two involves renovation of the existing space, yet certain renovation cost increases appear to be needed earlier than 2028 (i.e. moving the building entrance). Please provide a breakdown of the activities and the costs involved in the two phases.
8. On p. 7, UMMC indicates that The Stoler Center will “Place project phase in operational service” (a) for Phase 1 New Construction around June 30, 2026, and (b) Phase 2 Renovation Construction around June 30, 2028. Explain what the applicant means by “operational service” for each phase.
 1. Explain the logistics of implementing the two phases for the Stoler Center, the UM ROI Exemption, and the relocation of the Mechanical Penthouse to the fourteenth floor. A timeline would be helpful.
 2. How will UMMC consolidate the Mechanical Penthouse approved with the Stoler Center CON with the UM ROI Exemption to serve the completed fourteen-story addition. Will the mechanical penthouse be completed prior to the beginning of operational service in 2026?
9. Regarding the modification to the South Entrance, discuss why UMMC did not include these costs for expanding the South Entrance with the October 2023 project modification. Provide the total square footage for the area included in the modification for the South Entrance.



May 6, 2024

Page 4

10. As indicated on p. 5, discuss what is included in the \$1.0 million in “other miscellaneous enabling moves to accommodate the construction of the Stoler Center.” Document the cost and the total square footage of the area impacted by this move.
11. What is the basis or need for the remaining \$844,270 in gross interest during the construction period and the \$76,550 in loan placement fees?
12. Explain why there will be no interest on project debt until 2028 in this change request when previously it was reported to start in 2026.
13. Please discuss the progress made by UMMC in raising the \$40.0 million in philanthropy and in having the State of Maryland pledge \$170.0 million in funding (includes the \$125.0 million for the Cancer Center and the \$55.0 million for the UMROI merger and consolidation project) for the fourteen-story Stoler Cancer Center/UMROI tower.
14. Please submit Tables J and K.

Please submit six copies of the responses to completeness questions and the additional information requested in this letter within ten working days of receipt. Also submit the response electronically, in both Word and PDF format, to Ruby Potter (mhcc.confilings@maryland.gov).

All information supplementing the applicant must be signed by person(s) available for cross-examination on the facts set forth in the supplementary information, who shall sign a statement as follows: “I hereby declare and affirm under the penalties of perjury that the facts stated in this application and its attachments are true and correct to the best of my knowledge, information, and belief.”

Should you have any questions regarding this matter, feel free to contact me at (410) 764-3232.

Sincerely,



Moira A. Lawson, Ph.D., MPH
Program Manager, Certificate of Need

cc: Wynee Hawk, Director, Center for Healthcare Facilities Planning and Development
Jeanne Marie Gawel, Acting Chief, CON, MHCC



mhcc.maryland.gov

May 6, 2024

Page 5

Alexa Bertinelli, Assistant Attorney General, MHCC
Caitlin Tepe, Assistant Attorney General, MHCC
Dr. Ihuoma Emenuga, Health Officer, Baltimore City Health Department
Christopher J. Tully, Esq., Associate Counsel, UMMS
Dana D. Farrakhan, FACHE, Sr. VP, Strategy, Community and Business Development
Scott Tinsley-Hall, Director, Strategic Planning, UMMC
Ella R. Aiken, Esquire Gallagher, Evelius, and Jones
Alison Best Lutich, Esquire Gallagher, Evelius, and Jones



mhcc.maryland.gov