

TO MEMBERS OF THE BOARD OF REGENTS

ACTION ITEM

For Meeting of March 17, 2026

EAST CAMPUS MEDICAL CENTER SEISMIC IMPROVEMENTS AND RENEWAL, SAN DIEGO CAMPUS: BUDGET, SCOPE, EXTERNAL FINANCING, AND DESIGN FOLLOWING AN EXEMPTION DETERMINATION PURSUANT TO THE CALIFORNIA ENVIRONMENTAL QUALITY ACT

EXECUTIVE SUMMARY

The University of California, San Diego campus proposes to upgrade and renew the East Campus Medical Center (ECMC) to bring the facilities in compliance with California State Senate Bill 1953 (SB 1953) for operation of the hospital beyond 2030 and update the facilities to meet code requirements and improve the patient experience. This project would extend the life of these facilities and expand clinical services to improve patient access.

In September 2023, the Regents approved the acquisition of the ECMC (formerly Alvarado Hospital Medical Center), in anticipation of the facilities requiring both seismic upgrades and significant renewal. In November 2023, preliminary plans funding of \$12.7 million was approved to complete pre-design studies, preliminary design, and project cost estimating for the project.

With key elements of the planning and design work complete, the Regents are now being asked to: 1) approve the total project budget of \$322,758,000 to be funded from external financing (\$287,115,000) and hospital reserves (\$35,643,000); 2) approve the project scope; 3) approve external financing in the amount of \$287,115,000; 4) find that the project is categorically exempt from California Environmental Quality Act (CEQA); and 5) approve the design of the ECMC Seismic Improvements and Renewal project.

With approval of this item, UC San Diego Health (UCSDH) will be able to move forward with the next phase of clinical program development at ECMC including cardiovascular, urology, gastroenterology, and neurosurgical services. These services are sorely needed in the community and will help provide the financial underpinnings for ECMC including supporting debt service for this investment. Maintaining 302 licensed beds at ECMC will facilitate improved management of inpatient capacity across ECMC and the nearby Hillcrest Campus and help manage patient flow by enabling flexibility of occupancy based on need. Long term, this would allow the Hillcrest Hospital to be re-built (needed due to SB 1953 requirements) at the scale of approximately 300 beds versus the originally projected approximately 460 beds, creating savings

of approximately \$1.1 billion in new construction costs (using current estimate of \$7.1 million/bed.)

RECOMMENDATION

The President of the University recommends that the Finance and Capital Strategies Committee recommend to the Regents that:

- A. The 2025–26 Budget for Capital Improvements and the Capital Improvement Program be amended as follows:

From: San Diego: Seismic Improvements of Acute Care Hospital and Associated Structures – preliminary plans – \$12.7 million, to be funded from hospital reserves.

To: San Diego: East Campus Medical Center Seismic Improvements and Renewal – preliminary plans, working drawings, construction, and equipment – \$322,758,000 to be funded from external financing (\$287,115,000) and Hospital Reserves (\$35,643,000).

- B. The scope of the East Campus Medical Center Seismic Improvements and Renewal project be approved. The project shall provide improvements to bring the facility in compliance with California State Senate Bill 1953. The project would also provide clinical expansion, interior modernization, and upgrades necessary to support new clinical services.

- C. The President be authorized to obtain external financing in an amount not to exceed \$287,115,000 to finance the East Campus Medical Center Seismic Improvements and Renewal project and declare that external financing may be used to reimburse prior expenditures. The President shall require that:

- (1) Interest only, based on the amount drawn, shall be paid on the outstanding balance during the construction period.
- (2) As long as the debt is outstanding, general revenues of the San Diego Health campus shall be maintained in amounts sufficient to pay the debt service and to meet the related requirements of the authorized financing.
- (3) The general credit of the Regents shall not be pledged.
- (4) Any reimbursements will meet all requirements set forth in Treasury Regulations Section 1.150-2.

- D. The President of the University recommends that, following review and consideration of the California Environmental Quality Act (CEQA) determination for the East Campus Medical Center Seismic Improvements and Renewal project, including any written

information addressing this item received by the Office of the Secretary and Chief of Staff to the Regents no less than 48 hours in advance of the beginning of the Regents meeting, testimony or written materials presented to the Regents during the scheduled public comment period, and the item presentation, the Regents:

- 1) Determine that the project is categorically exempt from CEQA; and
- 2) Approve the design of East Campus Medical Center Seismic Improvements and Renewal project, San Diego.

BACKGROUND

Past Regents Items

- *Acquisition and External Financing of Acute Care Hospital, Associated Structures and Parking Garage, UC San Diego Health, September 2023*
- *Preliminary Plans for Seismic Improvements of Acute Care Hospital and Associated Structures, San Diego Campus, November 2023*

Project Background and Context

UC San Diego Health's (UCSDH) vision is to provide high-quality, equitable and appropriate care for its patients and elevate the health of the communities it serves. Acquiring the East Campus Medical Center (ECMC) in 2023 greatly enhanced UC San Diego Health's ability to deliver sought-after, high-quality inpatient and outpatient services in San Diego and support its growing position within the San Diego County market. This acquisition also enables UC San Diego Health to meet the critical and growing needs of its patient population while maintaining centers of excellence for sub-specialty tertiary and quaternary care on its main academic campuses.

The ECMC facilities include the East Tower (Main Hospital) and West Tower (Rehabilitation and Behavioral Health Hospital) buildings, a connecting bridge between the two towers, an Emergency Department addition, a separate parking garage, a service building, and a fire pump building, for a total of seven structures (see Attachment 4, Project Site). The aforementioned structures, excluding the parking garage, make up approximately 316,000 gross square feet of space which all falls under the Department of Health Care Access and Information (HCAI) purview for building code and regulation.

Project Drivers

The acquisition of ECMC in November 2023 has exceeded expectations for every metric including volume, quality, transfers, financial contribution, access and service line expansion. Key metrics are as follows:

- Over 3,600 transfers since January 2024 decanting both Hillcrest and La Jolla as well as

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- expediting transfers and repatriating UCSDH patients from other facilities.
- On track to deliver a minimum of \$75 million of contribution margin for fiscal year 2025-26.
- Service line expansion in Orthopedics, General Surgery, Urology, Neurosurgery, Ear, Nose, and Throat (ENT), Cardiology, Radiology, Emergency, Critical Care, and Heart Failure utilizing both UCSDH faculty and community physicians.
- Quality scores have greatly improved to Leapfrog rating A and a Vizient ranking of 42 out of 250 community hospitals.

As ECMC has established itself strategically as an important hospital campus for UCSDH, making the necessary investments to bring the campus to seismic compliance, renew the facilities, and expand new and accretive services so the campus can service patients for the next 30 years has become a cost-effective strategic priority. The overall driver of the proposed project at ECMC is to create and maintain high-quality inpatient, outpatient, behavioral health, peri-operative, procedural, imaging, laboratory, pharmacy, and other specialty services for the community at a fraction of the cost of building new facilities. Seismic improvements, code upgrades, and renewal would allow for the continuation of inpatient services beyond 2030 in a seismically compliant, updated facility that meets modern standards.

UC San Diego Health's strategic plan for ECMC focuses on renewing the facilities to deliver on the strategic goals including:

- Revitalize and reinvest in the aging hospital facility to provide modern, competitive facilities.
- Expand clinical services and improve access to high-quality care while growing market share in the east San Diego County market.
- Grow as a community hospital with participation and support from UC San Diego departments and community affiliates in a financially sustainable model.

PROJECT DESCRIPTION

The proposed project would provide seismic improvements to bring the facility in compliance with California Senate Bill (SB) 1953 requirements for operation of the hospital beyond 2030, as well as significant renewal to better serve patients across various service lines.

Following due diligence conducted at the East Campus Medical Center (ECMC) facility, a Structural Performance Category (SPC) 4D seismic retrofit of the East Tower and the service building is required to bring the facility in compliance with SB 1953 for operation beyond 2030. The hospital SPC 4D seismic retrofit recommended for the East Tower would require facility modifications to improve its structural integrity.

For operations beyond 2030, Nonstructural Performance Category (NPC) 4D and NPC 5 compliance is required for all buildings on the ECMC campus except the emergency department building and parking garage. These buildings are identified as NPC 2 by Department of Health Care Access and Information (HCAI), meaning that equipment and systems critical to patient care may not be completely functional following a strong earthquake; therefore, nonstructural

improvements, as described in the project description section below, are required.

The proposed seismic improvements would consist of structural enhancements to the East Tower to provide an SPC 4D compliance, as determined by concrete and steel materials testing and structural analysis by computer modeling for earthquake survivability. Scope would include localized strengthening at the existing tower and exterior podium concrete shear walls. Scope would also include NPC 4D and NPC 5 compliance upgrades to the West Tower, connecting bridge, main hospital, service building, east equipment yard, and fire pump building. The proposed NPC 4D improvements would include, but not be limited to, anchorage and bracing of critical equipment. The proposed NPC 5 upgrades would provide life-safety and emergency systems, including onsite water supplies, fuel storage, and sewage/liquid waste holding tanks, sufficient to support 72 hours of emergency operations.

Multiple infrastructure and code upgrades would address foundational systems and physical plant components essential for safe, compliant, and efficient hospital operations. Many of the existing systems are beyond their useful life, increasing the risk of failure and costly emergency repairs. Investing now will prevent future disruptions and support long-term sustainability. Renewal work would include replacement and upgrade of aging building systems, including steam, roof, electrical distribution, HVAC components, hot water, nurse call, security, building automation systems, and other interior service systems to improve safety, reliability, and operational efficiency. Scope would also include refreshing inpatient rooms and building out shelled spaces to enhance clinical capabilities and improve patient experience. The proposed renewal is critical to maintaining regulatory compliance, reducing operational risks, and ensuring uninterrupted patient care.

The proposed project would contribute to improved outcomes and bolster positive margin required to sustain investment. Following the proposed seismic improvements and renewal, the hospital is anticipated to have approximately 160 single-occupancy acute care patient rooms, as well as approximately 50 to 80 behavioral health beds, to support UC San Diego Health's ongoing effort to meet community demand for its services and improve the patient experience. The project would not result in a substantial increase in hospital capacity or intensity of use, as the total number of beds following implementation would be generally consistent with existing conditions, and improvements would occur within the footprint of the existing medical facility.

FUNDING PLAN AND FINANCIAL FEASIBILITY

The proposed project budget of \$322,758,000 will be funded as follows.

Table 1: Project Funding Plan

Fund Source	Total	Percent of Total
External Financing	\$287,115,000	89%
Hospital Reserves	\$35,643,000	11%
Total Sources	\$322,758,000	100%

As of June 30, 2025, the UC San Diego Health System had an 9.4 percent modified net income margin, 5.2 times modified debt service coverage, and 51 days' cash on hand. Modified total margin and modified debt service coverage includes the adjustments allowed under the University's Debt Policy. Over the ten-year projection period, the modified net income margin is projected to range from a low of 9.2 percent to a high of 11 percent, above the minimum requirement of equal to or greater than zero percent. Modified debt service coverage is projected to range from a low of 4.3 times to a high of seven times, above the minimum requirement of equal to or greater than three times. Days cash on hand are projected to range from a low of 40 days to a high of 75 days, which does not meet the requirements of the University's Debt Policy. The Executive Vice President – Chief Financial Officer has granted UC San Diego Health an exception to the Debt Policy for the days cash on hand metric.

Additional information can be found in Attachment 2, Summary of Financial Feasibility, and Attachment 7, UC San Diego Health Projected Financial Performance.

Overview of Cost Drivers

The seismic compliance upgrades and renewal of East Campus Medical Center are uniquely complex compared to other previous UC Health projects. Currently there is not an adequate quantity of comparable renovation projects both in number and volume to conduct a meaningful analysis. A significant contributor to cost is the hospital's challenging need to phase the project to mitigate operational impacts to patient diagnostics, treatment, and care spaces still in use during construction. Other challenges include the site's space limitations for placement of emergency storage tanks and upsizing of outdated normal and emergency electrical power, and other impacts, as discussed below.

Continued escalation, unpredictability in the construction market, workforce availability, and supply chain issues related to potential import tariffs continue to affect costs.

The cost for improvements to the East Campus facilities, \$1,021 per gross square foot (gsf), is significantly lower than the average cost per gsf for construction of a new, similarly sized facility, which typically cost a significantly higher cost per gross building square foot. Associated with the commitment to increase patient care services in East San Diego, the project has to balance the increased demand for individual patient rooms along with the complexities and costs associated with the sizable infrastructure demands of modern healthcare technology.

Additional information may be found in Attachment 1, Sources and Uses, and Attachment 2, Summary of Financial Feasibility.

Project Delivery and Schedule

UC San Diego intends to utilize the Integrated Construction Manager/General Contractor (iCM/GC) delivery method for the majority of the proposed scope.

Construction is estimated to span seven years, from September 2026 to December 2033. This approach is intended to allow for phasing to mitigate the intensity of disruption while maintaining safe hospital operations.

PROJECT DESIGN

Site Conditions and Location

The East Campus Medical Center (ECMC) is located in San Diego, directly adjacent to the Interstate 8 freeway and proximate to San Diego State University (SDSU). It is approximately nine miles east of the UC San Diego Health Hillcrest campus. The hospital serves SDSU and the general community in the east county area. Planned growth at SDSU, combined with moderately priced housing in the surrounding communities creates conditions that will promote patient growth and a high-volume trend at ECMC for the foreseeable future. For additional information, refer to Attachment 3, Project Location, and Attachment 4, Project Site.

Project Design

The proposed project consists of the two primary categories of seismic compliance and facility renewal and modernization. The majority of improvements will be internal to the existing buildings and underground utilities with minimal modifications planned for the facility exterior. The exterior finishes of the facilities would remain the same. Additional information including illustrations can be found in Attachment 5, Design Graphics.

The proposed seismic improvements consist of targeted structural and non-structural seismic improvements to existing buildings. Exterior materials and finishes associated with seismic improvements will be selected to remain compatible with existing building colors, textures, and massing, ensuring that new elements are visually integrated and subordinate to the primary building forms.

The seismic upgrade strategy has been informed by structural engineering teams with demonstrated experience providing optimized solutions for occupied healthcare and campus facilities. Construction methods and sequencing would emphasize durability, constructability, and phased implementation to support ongoing operations, life safety, accessibility, and modernization. This approach minimizes the need for overly intrusive structural members and reduces permanent visual and spatial impacts to the exterior and within occupied spaces.

Renewal would include remodeled diagnostic, treatment, procedural, and patient care spaces to meet modern healthcare technological demands within a thoughtful, healing environment. This will include updated interior finishes that are sustainable along with mechanical, electrical, and plumbing systems sized to meet future load requirements while applying the best available technology for reliability and energy efficiency.

Universal design guidelines included in the program emphasize thoughtful design inclusive of all patient populations beyond minimum code requirements. Features that support a safe, equal, and inclusive environment for building users include gender-inclusive restrooms and quiet spaces to

allow for temporary relief from noisy areas.

Sustainable Practices

The project would comply with the University of California (UC) Sustainable Practices Policy. The Sustainable Practices Policy establishes goals for green building, clean energy, climate action, transportation, sustainable operations, zero waste, procurement, food service, water, health care performance assessment, health and well-being, and diversity, equity, inclusion and justice. A full range of sustainability practices for building design and operations are included in the budgeting, programming, and design effort for the project.

As this is not a new building, as described in the Sustainable Practices Policy, use of the UC Operational Carbon and Energy Assessment for New Construction tool (OCEAN Tool) analysis and achieving LEED certification are not required. However, in keeping with the intent of UC energy reduction goals, a custom OCEAN Tool analysis was completed that aims to reduce ECMC energy use intensity by ten percent by project completion. This would be accomplished through LED lighting retrofits, mechanical systems replacements with high efficiency equipment, modernized building automation systems, recommissioning, and monitored building commissioning.

Energy and Infrastructure: This project would deliver significant infrastructure upgrades for ECMC, including a Building Automation System (BAS) upgrade, cooling coil replacement, electrical and power distribution system replacement, HVAC system upgrades and replacements, and operating room lighting replacements. These improvements would modernize ECMC systems, enabling more efficient and effective energy management throughout the medical center. The upgrades are expected to reduce energy consumption and, consequently, reduce greenhouse gas emissions and energy use intensity, both Key Performance Indicators of the UCOP Sustainable Practice Policy to measure Climate and Energy.

Healthier, Safer Materials: Renovation materials would comply with UCOP Purchasing Guidelines. Examples include carpet and adhesives, hard-surface flooring, and resilient flooring, all selected to promote a healthier and safer environment.

CONSISTENCY WITH SELECT UC POLICIES AND PRACTICE

The project complies with UC Policies for Seismic Safety, Sustainability, and Small/Disabled Veteran Business Enterprises.

CEQA COMPLIANCE

The project is categorically exempt from the California Environmental Quality Act (CEQA) under Class 1: Existing Facilities (CEQA Guidelines Section 15301) because it involves interior demolition, renovation, and modernization of an existing medical facility with no expansion of the building footprint and no change in the existing use. Proposed improvements constitute repair, replacement, or minor alteration of existing facilities. The project would not result in a substantial increase in hospital capacity or intensity of use, as the total number of beds following

implementation would be generally consistent with existing conditions, and improvements would occur within the footprint of the existing medical facility. The project would not result in a substantial increase in use or operational intensity, or environmental impacts related to traffic, utilities, or site access. None of the exceptions to categorical exemptions listed in CEQA Guidelines Section 15300.2 apply.

ATTACHMENTS:

Attachment 1:	Project Sources and Uses
Attachment 2:	Summary of Financial Feasibility
Attachment 3:	Project Location Map
Attachment 4:	Project Site Map
Attachment 5:	Design Graphics
Attachment 6:	UC San Diego Health Projected Financial Performance