

**Office of the President**

**TO MEMBERS OF THE FINANCE AND CAPITAL STRATEGIES COMMITTEE:**

**ACTION ITEM – CONSENT**

*For Meeting of May 19, 2020*

**APPROVAL OF DESIGN FOLLOWING ACTION PURSUANT TO THE CALIFORNIA ENVIRONMENTAL QUALITY ACT, INPATIENT REHABILITATION HOSPITAL PROJECT, DAVIS HEALTH CAMPUS**

**EXECUTIVE SUMMARY**

In July 2018, following the recommendation of the Health Services Committee at its June meeting, the Regents approved the formation of a joint venture between UC Davis Health and an affiliate of Kindred Healthcare, Inc., for the purpose of developing and operating an acute rehabilitation hospital in Sacramento, California (Joint Venture). The hospital will be located at 4875 Broadway Avenue, Sacramento, a 3.84-acre site owned by UC Davis and within the UC Davis Health Sacramento Campus. UC Davis will ground lease the site to PMB, LLC, a real estate developer competitively and jointly selected by the University and Kindred. The developer will provide all site and building improvements, and then lease the hospital to the Joint Venture at market rates. Also in July 2018, at the recommendation of the Finance and Capital Strategies Committee, the Regents delegated approval of the ground lease to the Chair of the Finance and Capital Strategies Committee and the Executive Vice President – Chief Financial Officer of the University, after consultation with the Executive Vice President – UC Health and the General Counsel.

The proposed project will build a 58,000-gross-square-foot (gsf) acute rehabilitation hospital. The new hospital is planned to open in November 2021.

The Regents are being asked to: 1) determine that the project is exempt from the California Environmental Quality Act, and 2) approve the design of the Rehabilitation Hospital.

**RECOMMENDATION**

The President of the University recommends that, following review and consideration of the environmental consequences of the Inpatient Rehabilitation Hospital project, as required by the California Environmental Quality Act (CEQA), including any written information addressing this item received by the Office of the Secretary and Chief of Staff to the Regents no less than 24 hours in advance of the beginning of this Regents meeting, testimony or written materials presented to the Regents during the scheduled public comment period, and the item

presentation, the Finance and Capital Strategies Committee recommend that the Regents:

- A. Determine that the Inpatient Rehabilitation Hospital project is exempt from CEQA.
- B. Approve the design of the Inpatient Rehabilitation Hospital, Davis Health campus.

### **BACKGROUND**

UC Davis Health has provided acute rehabilitation services since 1982, when its 19-bed inpatient rehabilitation unit first opened. The inpatient rehabilitation unit is currently located in seismically deficient space.

This project provides the opportunity to improve patient access and serve a larger patient population in the Sacramento region. For the Department of Physical Medicine and Rehabilitation, the proposed Rehabilitation Hospital will increase training opportunities for UC Davis Health medical residents and will serve as a rotation site for other UC Davis-accredited medical residency programs requiring inpatient rehabilitation rotation.

In order to provide better service to patients, UC Davis Health has formed a joint venture with Kindred Healthcare, Inc. (Joint Venture) to construct a new rehabilitation hospital (Hospital). The parties to this transaction are UC Davis Health and an affiliate of Kindred Healthcare, Inc. (Kindred). As discussed further below, the Hospital will be located on property owned by UC Davis; UC Davis will ground lease the site to a real estate developer competitively and jointly selected by UC Davis and Kindred; and the developer will construct the Hospital building, then lease it to the Joint Venture. In July 2018, following the recommendation of the Health Services Committee at its June meeting, the Regents approved the formation of the Joint Venture, and at the recommendation of the Finance and Capital Strategies Committee, the Regents delegated approval of the ground lease to the Chair of the Finance and Capital Strategies Committee and the Executive Vice President – Chief Financial Officer of the University, after consultation with the Executive Vice President – UC Health and the General Counsel.

A new and larger inpatient rehabilitation hospital in the community will address the growing demand for rehabilitation services. The primary diagnoses for patients admitted to an inpatient rehabilitation facility are stroke, acquired brain injury, spinal cord injury, Parkinson's disease, and multiple sclerosis. The incidence rate for these diseases in the Sacramento region is expected to experience a compound annual growth rate of 3.5 percent through 2021 and 3.6 percent through 2026, which indicates an increased need for rehabilitation services in the region. A new and larger inpatient rehabilitation hospital in the community will address this growing demand, while increasing the ability to support UC Davis Health's academic, research, and patient care missions.

#### **Selection of PMB through a Competitive Process**

On February 10, 2020, UC Davis Health issued a Request for Proposals (RFP) for a developer to assemble a team to build, maintain, and finance the proposed Hospital. UC Davis Health and

Kindred utilized a developer selection committee, which included UC Davis and Kindred staff and was independent of any developer. The selection committee evaluated respondents on the basis of their experience developing large, complex medical projects, experience with ground lease transactions, financial capability, and understanding of the site and market conditions, among other considerations.

Based upon the developer submissions, the committee recommended PMB, LLC for consideration by the joint venture board, who selected PMB, LLC as the most favorable proposal that met the goals outlined in the RFP. PMB, LLC is a San Diego-based firm with expertise in healthcare real estate development with a focus on the continuum of care including inpatient, outpatient, post-acute, and senior living facilities. PMB provides full-service real estate development, in-house legal business development, land use, design, construction management, and property management services.

Ground lease negotiations, among other agreements, are well developed with PMB and are expected to conform to previously delegated approvals which provide that: (1) the ground lease term not exceed 70 years, including all options to extend; (2) the ground rent to the Regents shall be fair market value; and (3) the Regents' interest in the land shall not be subordinated. UC Davis Health, Kindred, and PMB expect to enter into a ground lease subsequent to design and CEQA approval.

## **PROJECT DESCRIPTION**

The Rehabilitation Hospital would be an approximately 58,000-gross-square-foot (gsf) space to provide inpatient rehabilitation services. The two-story, 52-bed hospital would be below high-rise construction requirements and would be built to Office of Statewide Health Planning and Development (OSHPD)-Level 1 standards. The first floor would provide approximately 35,000 gsf for patient rooms, day rooms, a physical therapy gym, dining room, and staff and support spaces. The second floor, approximately 23,000 gsf, would provide patient rooms, day rooms, treatment spaces, and staff and support spaces.

## **DESIGN ELEMENTS**

### ***Location and Site Conditions***

The UC Davis Medical Center is located on the Sacramento campus, 2.5 miles southeast of downtown Sacramento and 17 miles east of the UC Davis main campus in Davis, California. The Sacramento campus includes the Main Hospital and Surgery and Emergency Services Pavilion, clinical research buildings, and educational buildings for the School of Medicine and School of Nursing (refer to Attachment 1).

The project site is on the southern perimeter of the Sacramento campus, approximately three-quarters of a mile from the UC Davis Medical Center, located at 4875 Broadway. The project is sited and designed to facilitate efficient inpatient functions with proximity to the Main Hospital. The project includes the demolition of an existing 68,000-sf building located on the 3.84-acre

project site (refer to Attachment 2).

### ***Building Design***

The Rehabilitation Hospital would be a steel framed two-story building designed to provide a healing environment for patients and promote staff efficiency by minimizing travel for staff and providing optimal functional adjacencies (refer to Attachment 3). The first and second floors would have a floor-to-floor height of approximately 14-8”.

The lobby and waiting area will allow ample daylight to create an open and inviting interior environment. The lobby and waiting areas allow for a strong visual connection between the waiting areas inside and the landscaped areas on the exterior of the building.

### **Building Core**

The building floor plan will be centralized around the central circulation spine for efficiency and ease of use. Core elements include three stair corridors at the northern end, southern end, and in the center of the building, two elevators, restrooms, electrical, telephone/data rooms, and custodial rooms.

### **Patient Rooms and Treatment Spaces**

Patient spaces will use natural light and natural finishes and textures. Finishes include wood casework, neutral primary paint with warm accent walls, and natural tile and flooring colors. Spaces will provide views of the outdoors from patient rooms and treatment spaces, creating a therapeutic and healing experience.

### ***Building Exterior and Materials***

The building façade is designed to enable natural light to penetrate the interior and minimize heat gain and energy use. The exterior building materials will consist primarily of prefabricated concrete panels, metal panels, and glass curtain wall. The first level may use masonry, stone, or other materials consistent with the Physical Design Framework. A rooftop mechanical penthouse with exterior screen wall will be positioned towards the northwest side of the building.

### ***Physical Design Framework***

The site is not included within the UC Davis Sacramento Campus Physical Design Framework that was approved by the Regents in November 2010. Although not within the Physical Design Framework, the project is supportive of the Framework’s goals and does not conflict with the ongoing implementation of the Physical Design Framework including overall concepts, building massing, transparent and welcoming building entry, consistent building materials, and developing indoor/outdoor rooms including the courtyard focused on physical rehabilitation.

### *Sustainable Practices*

The formation of the Joint Venture for the project was approved by the Regents in July 2018, prior to the adoption of the current sustainable practices policy which prohibits onsite fossil fuel combustion for space and water heating. Additionally, the project has received a waiver for compliance with the Leadership in Energy and Environmental Design (LEED) Silver requirement and will strive for LEED “certified.”

### *Seismic Safety Policy*

This project will comply with the University of California Seismic Safety Policy and independent seismic peer review.

### *Project Delivery or Schedule*

The project is currently in the permit and general contractor selection phase, with plans to begin demolition in June 2020. Construction is scheduled to commence in July 2020, with completion anticipated by November 2021.

## **CEQA COMPLIANCE**

It has been determined that the project is exempt under CEQA Guidelines Section 15302, as a replacement of an existing structure where the new structure will be located on the same site as the structure replaced and will have substantially the same purpose and capacity of the existing structure. The existing medical-related building of 68,000 square feet will be replaced by the proposed hospital facility of approximately 58,000 square feet. The proposed building will be more energy efficient than the existing building and use of the building will be less intensive than the intended use of the existing building.

No exceptions to the Class 2 facility replacement exemption would occur as a result of the proposed project. The proposed project would result in no significant effects to the environment as documented and is not in a particularly sensitive environment. The proposed project site is not within the area of a scenic highway and is not part of a hazardous waste site. The existing building and surrounding site area are not historic structures that would qualify for listing as historic resources and the project would not have a significant cumulative impact to the environment. Detailed examination of potential impacts to the environment have been considered and documented.

### **ATTACHMENTS:**

Attachment 1:	Project Location
Attachment 2:	Project Site
Attachment 3:	Design Graphics

PROJECT LOCATION





PROJECT SITE





DESIGN GRAPHICS

*Project Renderings - Aerial View*



*Project Renderings - Main Entrance*

