

Office of the President

TO MEMBERS OF THE FINANCE AND CAPITAL STRATEGIES COMMITTEE:

ACTION ITEM – CONSENT

For Meeting of November 14, 2018

**APPROVAL OF PRELIMINARY PLANS FUNDING, HILLCREST CAMPUS
OUTPATIENT PAVILION AND PARKING, SAN DIEGO CAMPUS**

EXECUTIVE SUMMARY

The proposed Hillcrest Campus Outpatient Pavilion and Parking project (formerly known as the Hillcrest Campus Redevelopment Phase 1 project) would develop approximately 11 acres of the Hillcrest Campus, consolidate and expand outpatient services, and strategically replace space that must be vacated as part of the overall campus redevelopment plan.

The proposed project would be the first project implemented under the proposed 2019 Long Range Development Plan for the Hillcrest Campus (LRDP). The 2019 LRDP is the subject of a related discussion item that is also being presented to the Finance and Capital Strategies Committee at this Regents meeting. The plan sets out the goals for the Hillcrest Campus, primarily driven by planning for the replacement of the existing hospital by 2030 due to seismic requirements. The strategic redevelopment of the Hillcrest Campus requires a multi-phase construction effort over approximately 15 years, including construction of a replacement hospital/inpatient services, and consolidation of fragmented outpatient services, offices, and support activities.

This project would provide space for outpatient services (200,000 to 220,000 gross square feet); up to approximately 2,000 parking spaces for faculty, staff, patients, and visitors (to replace parking displaced through the redevelopment plan); related support; and utility infrastructure. The space dedicated to outpatient services would address increasing demands for these services and include a broad range of diagnostic and treatment services in a number of specialty areas; these services would clinically and financially support the replacement hospital. The project also includes associated demolition of structures on the site. Pending further analysis, administrative office space of approximately 80,000 gross square feet may be included in the project.

The Regents' Health Services Committee endorsed the proposed Hillcrest Campus Redevelopment Phase 1 project at its April 2018 meeting and the project was presented to the Finance and Capital Strategies Committee for discussion at the July 2018 Regents meeting.

The Regents are being asked to approve preliminary plans funding in the amount of \$20 million for the Hillcrest Campus Outpatient Pavilion and Parking project, to be funded from campus funds. The requested preliminary plans funding would allow the campus to confirm and refine the scope of work through detailed programming, preliminary design, and project cost estimating. The campus anticipates seeking approval of budget and external financing in 2019 and approval of design following action pursuant to the California Environmental Quality Act in fall 2019. Anticipated completion of the proposed project is 2022.

RECOMMENDATION

The President of the University recommends that the Finance and Capital Strategies Committee recommend to the Regents that the 2018-19 Budget for Capital Improvements and the Capital Improvement Program be amended to include the following project:

San Diego: Hillcrest Campus Outpatient Pavilion and Parking – preliminary plans – \$20 million, to be funded from campus funds.

BACKGROUND

UC San Diego Health maintains a two-campus strategy integrating locations in Hillcrest and La Jolla and is dedicated to delivering the highest level of care and medical innovation in a nurturing and supportive environment. The 62-acre Hillcrest Campus (34 buildable acres), located 13 miles south of the La Jolla Campus (refer to Attachment 1), supports the clinical, research, and teaching missions of UC San Diego. The hospital at Hillcrest (Hospital) requires seismic mitigation. Built in 1963, renovation of the Hospital would be costly and logistically problematic; therefore, it must be removed from service and replaced by 2030 to meet the seismic requirements set by Senate Bill 1953. This project is the first phase in the redevelopment of the Hillcrest Campus.

The Hillcrest neighborhood and nearby areas are some of the more densely populated areas in San Diego County. The urban context of these communities contributes to its diverse population, which includes some of UC San Diego Health's most vulnerable patients, with the most complex conditions. This diversity allows for a comprehensive experience for medical residents, many of whom continue their practice in the San Diego region.

As of 2016, approximately 40 percent of patients who received care at the Hillcrest Campus lived within San Diego's Central Metropolitan Statistical Area. The Hillcrest Campus provides a significant service to underserved populations. Forty percent of Hillcrest patients are on Medi-Cal, and Hillcrest functions as a major healthcare safety net provider for a significant portion of San Diego County's uninsured inpatient care.

The Hillcrest Campus is also home to the Owen Clinic, among the nation's top human immunodeficiency virus (HIV) care programs and the behavioral unit, which provides needed inpatient mental health services. These specialty care centers serve as a major tertiary and quaternary referral center for San Diego, Riverside, and Imperial Counties.

A key objective during the redevelopment of the Hillcrest Campus is that the existing Hospital, clinics, and research activities remain in operation while replacement occurs. During this time, it is anticipated that UC San Diego Health would continue to provide a full spectrum of primary, specialty, and emergency services, and would continue to operate the Regional Burn Center and the Level 1 Trauma Center.

Another major objective of redevelopment is to support both clinical and training functions through replacement of out-of-date facilities. Certain clinical services currently spread throughout the campus would be better suited in centralized outpatient settings, as clinical care and reimbursement models evolve in favor of care delivery in lower-cost settings. Delivery of sufficient parking to offset displacement of existing parking structures is another important element of Hillcrest redevelopment.

As proposed, construction would provide outpatient services, medical office and support space, parking, and related utility infrastructure. Outpatient space would include replacement outpatient facilities for services in space currently in or attached to the Hospital as well as additional outpatient space required to support the growing healthcare market. Up to approximately 2,000 structured parking spaces would be constructed adjacent to the new building to serve patients, visitors, faculty, and staff. The new parking would allow for the demolition of other parking facilities on the campus to make way for other parts of the redevelopment plan.

PROJECT DRIVERS

The project drivers, outlined below, remain consistent with those endorsed by the Regents' Health Services Committee at its April 2018 meeting and presented to the Finance and Capital Strategies Committee at the July 2018 Regents meeting.

Outpatient Clinical Services and Medical Offices

- Replacement of clinical facilities that are out of date or obsolete and/or will fall out of seismic regulatory compliance.
- Reorganization and physical redesign of Hillcrest Campus would promote multidisciplinary collaboration, improve patient access, enhance patient experience, increase financial performance, and grow market share.
- Adoption of industry trends that emphasize care delivery in outpatient settings.
- Accommodation of growth to support competitive recruitment of key clinical faculty and community physicians.
- Expansion of clinical programs and space needed to maintain and enhance UC San Diego's commitment to the communities it serves.

Parking

The Hillcrest Campus currently has a total of 2,250 parking spaces located in Arbor Parking Structure (553 spaces), Bachman Place Parking Structure (1,032 spaces), and surface lots (665

spaces) spread throughout the Campus. The Arbor and Bachman parking structures have ongoing maintenance issues and require significant investment to remain operational. In addition, the Bachman Parking Structure is located on the site planned for the future central utilities plant that would serve the replacement hospital, and the existing structure's location constrains the flow of traffic from Bachman Place.

The proposed project would provide up to approximately 2,000 parking spaces to replace the aging Arbor and Bachman Parking Structures. By consolidating the parking into one general area, parking demands can be better managed. Upon completion of the parking, Arbor and Bachman Parking Structures would be demolished as part of a project in a later phase.

PRELIMINARY PROGRAM

The preliminary program of outpatient clinical space is described below. The campus is conducting workflow and operational planning and, therefore, the program may change upon further analysis. Final composition of services in the proposed Outpatient Pavilion would be defined during the development of a detailed project program and could include:

- *Cancer Center* – Provide comprehensive cancer care and treatment to the Hillcrest region as a satellite of the Moores Cancer Center in La Jolla, including multidisciplinary clinics, oncology infusion, non-oncology infusion, and radiation therapy.
- *Outpatient Clinics* – Provide examination room spaces and associated treatment or diagnostics spaces to house more than ten specialty clinics currently located in buildings on the Hillcrest Campus. Physical redesign will apply Lean principles and enable growth among specialties.
- *Outpatient Surgical and Procedural Suites* – Provide outpatient operating and procedural rooms, currently housed in buildings on Hillcrest Campus.
- *Prep/Recovery for Outpatient Surgery* – Area for pre-op/post-anesthesia care unit and patient holding to provide patient intake, preparation, recovery, and discharge of ambulatory surgery and outpatient procedure patients requiring conscious sedation, blocks, or anesthesia.
- *Central Sterile Processing* – Area for instrument and scope processing and sterilization for outpatient surgery and procedure suites.
- *Outpatient Radiology and Diagnostic Imaging* – Provide outpatient imaging services, including general radiology (x-ray), ultrasound, mammography, dual-energy x-ray absorptiometry or DEXA scan, magnetic resonance imaging, computerized tomography, and positron emission tomography.
- *Dialysis* – Provide treatment stations for outpatient dialysis.
- *Outpatient Rehabilitation* – Area for physical, speech, and occupational therapy and rehabilitation.
- *Pulmonary Rehabilitation* – Area for pulmonary rehabilitation services.
- *Clinical Lab* – Provide basic clinical laboratory services including phlebotomy and select testing.
- *Pharmacy* – Provide services primarily to support the cancer center and infusion treatments at Hillcrest.

- *Building Support* –Materials management, storage, and receiving area for cleaned and soiled linens, and housekeeping.

PROJECT DESCRIPTION

The proposed project would include the following components:

- 200,000 to 220,000 gross square feet of space for an Outpatient Pavilion (including medical offices and support space) to accommodate hospital-licensed services and programs that will support Hillcrest Campus’s existing and future inpatient hospital and other Health System facilities.
- A main parking structure/other associated parking (up to approximately 2,000 spaces), and related utility infrastructure.
- Approximately 80,000 gross square feet of administrative offices may also be part of the project depending on needs identified during the programming phase.

The Outpatient Pavilion would serve as the centralized home for existing clinical services and would house services complementary to those offered in the future replacement hospital and other surrounding buildings. The facility would include necessary space for continuity and planned growth of these clinical services as well as provide space for multidisciplinary oncology clinics, infusion, and treatments currently not offered at the Hillcrest Campus. The facility would also include medical offices and support space.

Anticipated demolition of structures on the site is included in the project scope, and would include demolition of the Surgery Research Laboratory, modular buildings, and other small structures.

Parking (up to 2,000 spaces)

The parking would be provided in a new main parking structure and an underground parking structure and would serve faculty, staff, patients, and visitors. The new main parking structure would support the entire health care district and be patient-oriented. The underground parking structure would provide spaces adjacent to the Outpatient Pavilion below an on-grade streetscape that extends First Avenue across the canyon. This below-grade structure would also serve as a utility and service corridor that would connect the future central utility plant to the future hospital, in addition to providing loading and service access to the Outpatient Pavilion. Interconnectivity between the two parking structures would provide flexibility in parking space allocations, thereby increasing efficiency and reducing additional wayfinding measures for patients and visitors.

Project Site

The proposed project would be located on the eastern area of the Hillcrest Campus along the mesa edge and into the small canyon bounded by Dickinson Street, Front Street, Arbor Drive, and Bachman Place (refer to Attachment 2). In this project, development between Front Street

and Bachman Place would include the construction of up to three structures. The 11-acre project site currently contains many older, low-density structures and temporary modular buildings and redevelopment in this area avoids disruption to the existing hospital.

Funding Plan

Preliminary plans would be funded with campus funds. Proposed project costs are expected to be funded with a combination of external financing, gift funds, hospital reserves, and campus funds. Raising philanthropic funds for the proposed project is a top priority for UC San Diego. One avenue of philanthropic support for the proposed Outpatient Pavilion could occur through naming opportunities.

The ongoing operations of the Outpatient Pavilion would be funded from incremental and accretive patient revenues. The parking facilities would be funded from patient and visitor parking revenues and from faculty and staff permits.

Project Delivery

Upon approval of preliminary plans funding, the campus would competitively bid for the services of an Integrated Construction Manager/General Contractor (Integrated CM/GC) for the project, thus assembling the key players before any substantive design has begun. Phase One/Preconstruction Services would include detailed initial construction cost validation, constructability, phasing input, site logistics, design management, and schedule development with the intent of significantly reducing the risk of false starts and construction cost and schedule overruns. This Integrated CM/GC delivery model locks teams in early and also affords opportunities to heighten interest in the project within the subcontractor community, engage the team early in the process, obtain real-time market pricing through each project phase, and fine tune sub-trade construction costs to fit the overall project construction budget.

Project Schedule

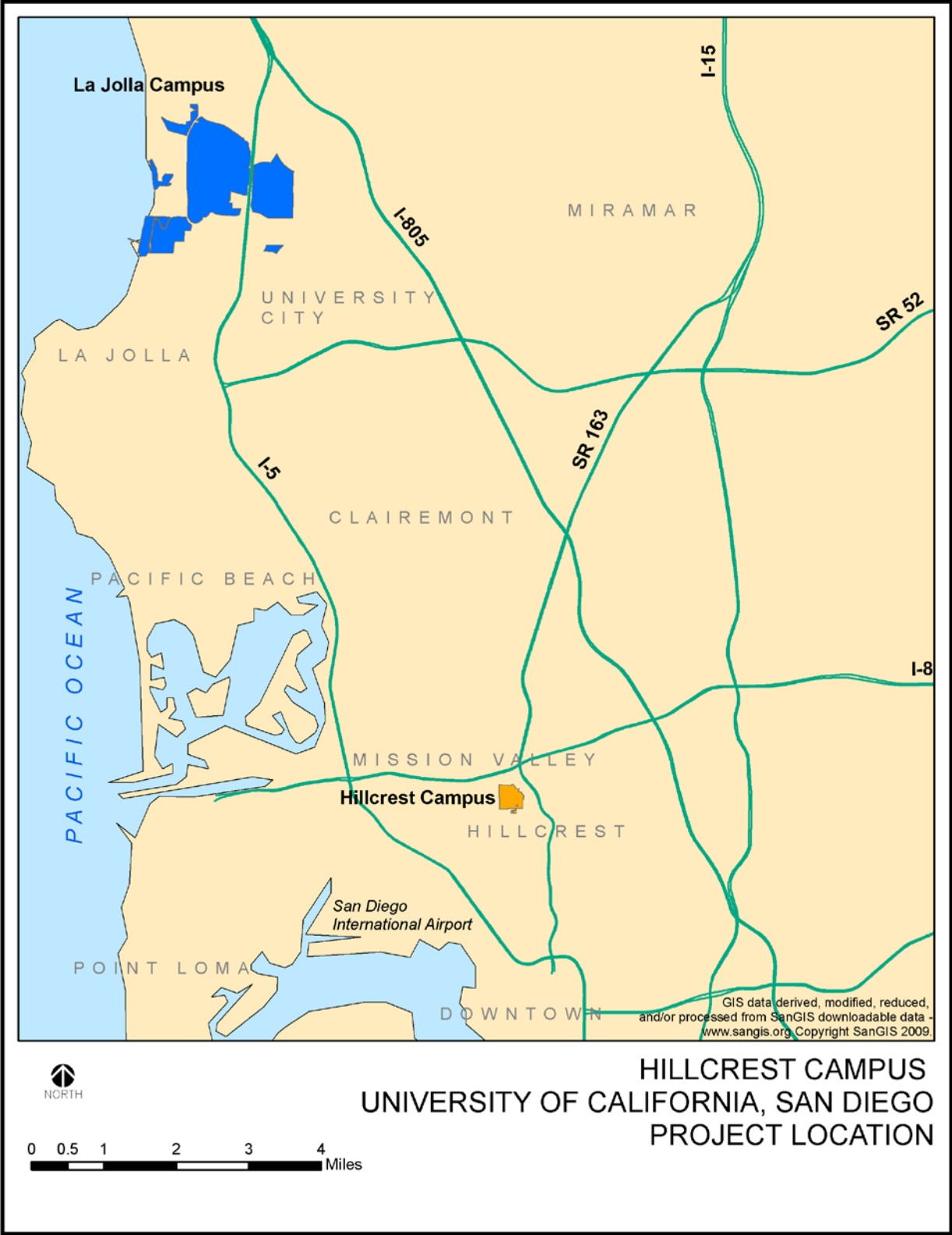
The campus plans to seek full budget and external financing approval from the Regents in 2019, and submit the project for approval of design following action pursuant to the California Environmental Quality Act in fall 2019. Anticipated completion of the project would be in 2022.

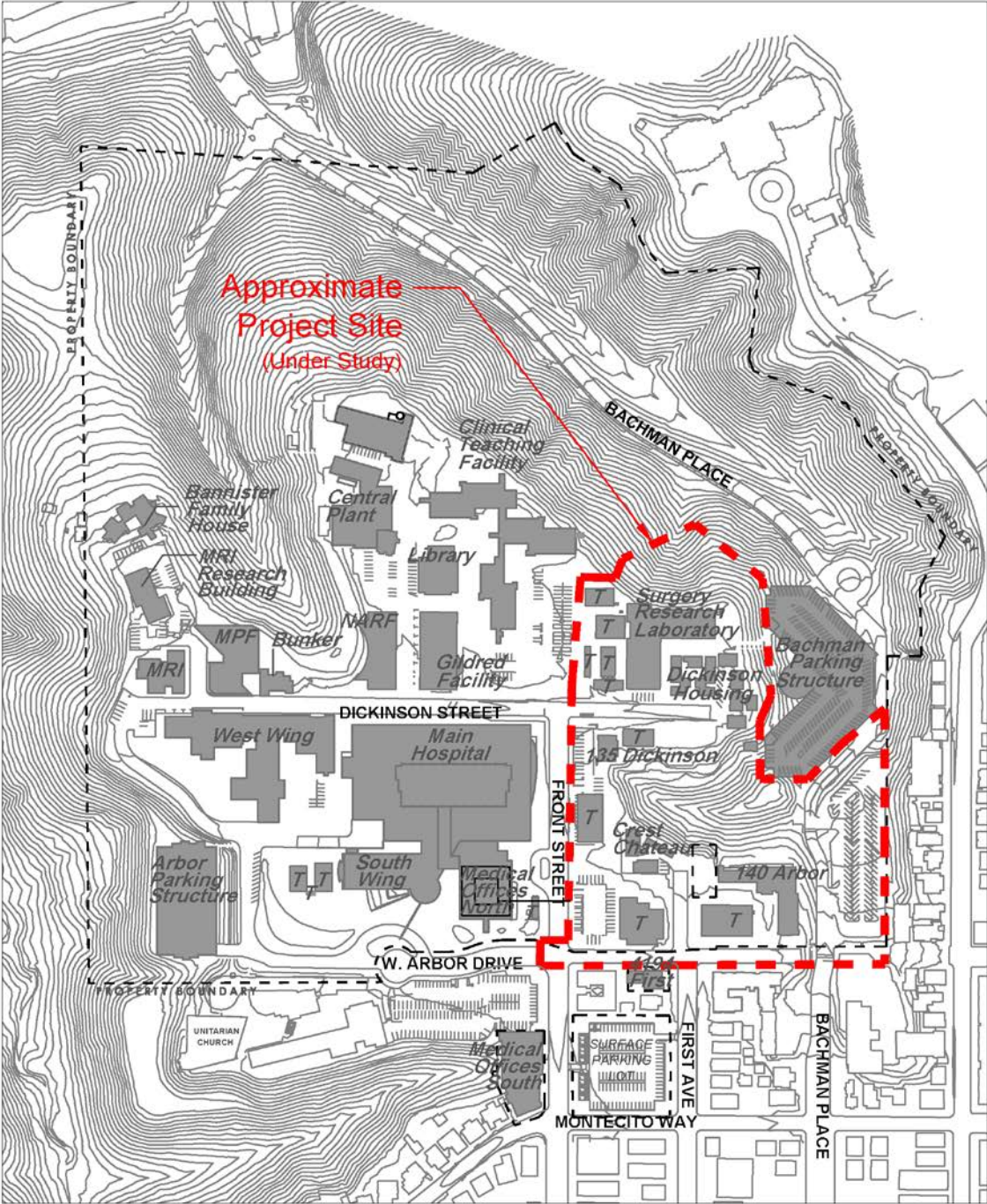
KEY TO ACRONYMS

GSF	Gross Square Feet
HIV	Human Immunodeficiency Virus
Integrated CM/GC	Integrated Construction Manager/General Contractor
LRDP	Long Range Development Plan

ATTACHMENTS:

Attachment 1:	Project Location Map
Attachment 2:	Project Site Map
Attachment 3	Preliminary Plans Budget
Attachment 4:	Summary of Alternatives Considered for Outpatient Pavilion





Approximate
Project Site
(Under Study)



0' 325' 650'

OUTPATIENT PAVILION AND PARKING
UNIVERSITY OF CALIFORNIA SAN DIEGO
PROJECT SITE

PRELIMINARY PLANS BUDGET

HILLCREST CAMPUS OUTPATIENT PAVILION AND PARKING PROJECT

Category	Amount	Percent of Total
Building ¹	\$2,000,000	10%
A/E Fees ²	\$13,500,000	68%
Campus Administration ³	\$900,000	5%
Surveys, Tests, Plans ⁴	\$600,000	3%
Special Items ⁵	\$3,000,000	15%
Total Preliminary Plans Budget	\$20,000,000	100%

The preliminary plans budget activities involve the following:

- Select and retain the services of an architecture and engineering team to provide programming, site planning, schematic design, and design development documents.
- Select and retain the services of a Construction Manager/General Contractor through a best value process to provide pre-construction services including estimating, constructability reviews, scheduling, and quality control. The construction manager services will also include the procurement of design-assist and design build subcontractors to work and collaborate with the architect and engineers throughout the design phases.
- Provide the required documentation necessary to obtain campus and Regental approvals, including approval of budget and financing, and approval of design following action pursuant to California Environmental Quality Act.

¹ Includes integrated Construction Manager/General Contractor preconstruction fees

² Includes Executive Architect fees for pre-design studies, schematic design, and design development

³ Includes campus project manager, planner, engineers, design review, and contracts administration

⁴ Includes soil boring, geotech site survey, and design-phase testing

⁵ Includes specialty consultants (i.e. Lean consultant who analyzes functional and physical efficiencies, traffic, logistics, security, utilities, etc.) and agency fees.

SUMMARY OF ALTERNATIVES CONSIDERED FOR OUTPATIENT PAVILION

Four project alternatives were considered: 1) new construction on campus; 2) lease/purchase; 3) renovation of existing campus facilities; and 4) no project / “do nothing”.

The Alternative Solutions were evaluated in terms of the following criteria, with priority given to the factors that contribute the highest value to the program.

- **Amount of Program Space:** Does the option provide space to meet program goals for outpatient services?
- **Quality of Environment:** Does this option meet the goals for consolidation and collaboration/adjacencies of patient services?
- **Project Cost and Financial Risk:** How does this option compare in terms of financial risk?
- **Lifecycle Cost:** How does this option compare in terms of ongoing cost of operation, maintenance, and renewal?

1) New Construction on Campus

By constructing a new Outpatient building on the Hillcrest Campus, UC San Diego Health would be able to provide the necessary space – in both quantity and type – to centralize outpatient services that are currently fragmented. Also, these outpatient services are currently located within or attached to facilities that will fall out of seismic regulatory compliance and are slated for removal. The new building would be designed to support Office of Statewide Health Planning and Development Level 3 compliance and the unique requirements of specialized health services. The proposed project site is adjacent to the existing and future hospital facilities.

With this option, several specialty clinics currently located throughout the Hillcrest Campus would be consolidated into a single on-campus outpatient facility, situated together with operating and procedure rooms, imaging, clinical laboratory, pharmacy, and other ancillary services such as outpatient rehabilitation. Patients would have single-point access to a variety of outpatient services in a centralized facility, while maintaining close proximity to the future hospital for services and programs that may be needed there. Faculty in the new building would benefit as well from a location proximate to the Hospital and research spaces. The proposed redevelopment in the 2019 Long Range Development Plan (LRDP) also conserves higher-cost hospital space for inpatient or emergency department services.

Specialty clinic growth and outpatient program development on the Hillcrest Campus have been hampered by outdated and inadequate facilities. The new building would not only provide the necessary spaces for existing facilities, but would be designed to accommodate growth of faculty and services (such as cancer care) required to meet the needs of the community. With the new direction of health care focusing on team-based outpatient care delivery settings, strategic placement of specialty clinics within the new building can promote cross-specialty collaboration and enhance patient care and outcomes.

The additional clinical capacity and services provided by the new facility are expected to generate incremental income to UC San Diego Health. Initial financial modeling indicates that the facility would operate at positive income from opening, based on the current mix of services and conservative estimates of future reimbursement trends.

In this scenario, a space program of approximately 200,000 to 220,000 gross square feet (gsf) can be met. This option also would meet the goal of consolidating outpatient clinics in a single location, adjacent to inpatient services on the Hillcrest campus. UC San Diego Health expects additional clinical capacity to be provided by the new facility and increased volume, thus moderating financial risk. This option requires annual operations and maintenance that would be covered by incremental income described above, which would prolong the life of the facility.

2) Off-Campus Option (Lease or Purchase)

Due to the limited availability of medical office space in the Hillcrest area, off-campus leased space could not accommodate the minimum amount of ambulatory space required in a single location. Even if space were available, at current market rents for medical offices and for surgical and procedure centers near campus, the first year's annual base rent for a building with 200,000 to 220,000 gsf of space would exceed \$14 million, and would be subject to ongoing rent escalation.

Similar to leased spaces, there are no options to purchase medical office space or land in the Hillcrest area that would accommodate the needed scope of the outpatient facility being proposed. Although off-campus clinical space will always be required to provide convenient access points for patients, such use of off-campus space for this magnitude of related clinical services may lead to lower patient satisfaction as a consequence of sending patients to multiple locations for services and limited opportunities for multi-disciplinary care in the clinic setting. This alternative could lead to reduced faculty morale and efficiency by forcing clinicians to divert time from clinical care, teaching, and research in order to commute between campus and multiple off-campus locations. This option would result in diminished clinical revenue by the reduction in the amount that can be collected per patient visit.

Moreover, this alternative does not meet the required space program, nor does it meet the goals of consolidating outpatient clinics and services in a single location, adjacent to inpatient services on the Hillcrest campus. Financial risks include reduced clinical revenue and increasing rents. Upfront design and construction costs would fluctuate depending on the facility, and operations and maintenance would likely be included in rental agreements.

3) Renovation of Existing Campus Facilities

The acute care Hospital on the Hillcrest campus will fall out of compliance with State seismic requirements by 2030 and must be replaced or closed. Current outpatient buildings and services within or attached to the Hospital need to be vacated and removed as a result. Outpatient services are located in Medical Offices North, which is attached to the Hospital (refer to Attachment 2). It is not feasible or advisable to remodel existing outpatient buildings as a long-

term solution as it is both costly and challenging to retrofit these facilities to meet current standards.

4) No Project

The option to not undertake the project is not desirable. Failing to provide an adequate solution for displaced outpatient specialty clinics and services will severely affect patient care as well as UC San Diego Health's reputation in the community. Patients would need to travel for care, putting an undue burden on an already vulnerable population. As the field of health care continues to emphasize outpatient care delivery, this option is not advisable.

Conclusion/Recommended Solution

Option 1 is the preferred solution. It meets all of the space requirements necessary to support a consolidated outpatient clinical enterprise on the Hillcrest Campus, including quantity of space and adjacencies to existing and future healthcare facilities. As such, UC San Diego proposes construction of a new outpatient facility to ensure the seamless and continued delivery of a wide spectrum of healthcare services on the Hillcrest Campus. The proposed project would be comprised of an Outpatient Pavilion and a main parking structure/other associated parking.

Parking Alternatives

There are no feasible alternatives that would meet the proximate parking needs of patients and visitors to the Hillcrest Campus. The proposed project would provide up to 2,000 parking spaces to replace Arbor and Bachman Structures and surface parking and to meet new demand. Additional spaces are necessary for the proposed expanded outpatient services not currently offered at Hillcrest, and these new services will generate more parking demand. By consolidating the parking into one general area, parking demands can be better managed, thus the net new spaces are marginal.

The Hillcrest area is proximate to San Diego transit systems including Metropolitan Transit System bus lines and light rail transit as well as dockless bikeshare programs and walkable street grids. As the Light Rail Transit UC San Diego Blue Line extends to University City, the Hillcrest Campus will be well positioned to connect to this network and to the La Jolla campus by modes other than private vehicle. Despite this nearby connectivity, the Hillcrest Campus does not have immediate access to transit stations and serves a population that is heavily dependent on vehicles to visit the campus. The patient population served by UC San Diego Health, especially in its Hillcrest location, is often amongst the most ill and least ambulatory. Many caregivers must have reasonably proximate parking in order to respond to the urgent needs of patients, while other research and administrative staff already embrace alternative transportation for their daily commutes.