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Office of the President

TO MEMBERS OF THE FINANCE AND CAPITAL STRATEGIES COMMITTEE:

ACTION ITEM – CONSENT

For Meeting of November 15, 2023

PRELIMINARY PLANS FUNDING, SEISMIC IMPROVEMENTS OF ACUTE CARE HOSPITAL AND ASSOCIATED STRUCTURES, SAN DIEGO CAMPUS

EXECUTIVE SUMMARY

Following approval at the September 2023 Regents meeting, UC San Diego has acquired an approximately 6.05-acre site currently occupied by Alvarado Hospital Medical Center (Alvarado facility) at 6645 and 6655 Alvarado Street, San Diego. The property includes an acute care hospital (302 licensed beds), associated structures, and 557 parking spaces located both on grade and in a parking garage. The proposed project would include seismic improvements to the main hospital and a small service building required to bring the facilities in compliance with California State Senate Bill 1953 for the operation of the hospital beyond 2030.

UC San Diego Health's vision is to provide high-quality, equitable, and appropriate care for its patients and elevate the health of the communities it serves. UC San Diego Health's current locations in La Jolla and Hillcrest continue to have inadequate capacity to meet demand. The Alvarado facility is located approximately nine miles east of the Hillcrest hospital, and 38 percent of Hillcrest inpatients (excluding healthy newborns) currently come from ZIP codes within the Alvarado facility's primary service area. After the project is complete, the Alvarado facility will be able to serve many of the same patients as Hillcrest, thus relieving some of the current system burdens.

The current capacity limits UC San Diego Health's ability to accept transfers of the most critically ill in the community whom UC San Diego Health's providers would best treat. The Alvarado facility has a newly renovated emergency department and an anticipated useful life of 20 to 30 years, with reasonable improvements. With the proposed project, the facility's approximately 160 single-occupancy patient rooms would support UC San Diego Health's ongoing efforts to meet community demand for its services.

The Regents are asked to approve preliminary plans funding of \$12.7 million from hospital reserves. The proposed funding would allow the campus to engage in pre-construction services with an executive architect and construction professional. Approval of the budget, scope, external financing, and design following action pursuant to the California Environmental Quality

Act will be requested in a subsequent Regents' action, anticipated in summer 2025.

RECOMMENDATION

The President of the University recommends that the Finance and Capital Strategies Committee recommend to the Regents that the 2023-24 Budget for Capital Improvements and the Capital Improvement Program be amended to include the following project:

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

BACKGROUND AND PROJECT DRIVERS

Past Actions

- **September 2023:** Acquisition and External Financing of Acute Care Hospital, Associated Structures and Parking Garage, UC San Diego Health, San Diego Campus (Regents)

The purchase transaction is under contract and is anticipated to close in December 2023. The campus understands that any funds spent prior to closing would be at risk; however, funding for the preliminary plans phase is not planned to be spent until after escrow closes.

Background

The structures on the Alvarado Hospital Medical Center (Alvarado facility) site fall under the Department of Health Care Access and Information (HCAI) purview for building code and regulation. Alvarado facilities include the East Tower and West Tower hospital buildings, a connecting bridge between the two towers, an Emergency Department addition, a separate parking structure, a service building, and a fire pump building, for a total of seven structures. See also Attachment 2, Project Site.

Project Drivers

Following due diligence conducted at the Alvarado 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 Senate Bill 1953 for operation beyond 2030. The hospital SPC 4D seismic retrofit recommended for the East Tower would require a major and invasive construction project. To reduce the risk inherent in the execution of the proposed project, it is recommended that a complete design and construction logistics team be engaged to validate the assumptions in the seismic evaluation report and develop a comprehensive scope and execution strategy.

Nonstructural Performance Category (NPC) 4D compliance would also be required for all buildings on the campus except the emergency department structure and parking garage for operations beyond 2030. These buildings are identified as NPC 2 by HCAI, meaning that equipment and systems critical to patient care may not be completely functional following a strong earthquake; therefore, nonstructural improvements, as described below, are required.

PROJECT DESCRIPTION

Per the due diligence conducted on the Alvarado facility, the project would provide an SPC 4D seismic retrofit of the East Tower, including the main hospital and a small service building, to bring the facility in compliance with SB 1953 requirements for the operation of the hospital beyond 2030. These seismic improvements are anticipated to include adding four new concrete shear walls outside the interior footprint of the towers and extending down through two levels of the podium structure, with new steel drag elements connecting the new walls to the existing slabs. Additional localized strengthening would be required at the existing tower and exterior podium concrete shear walls.

In addition, the project would provide 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 include onsite, integrated supplies of water and holding tanks for sewage and liquid waste, sufficient to support 72 hours of emergency operations.

Following the proposed seismic improvements and renovation, the hospital is anticipated to have approximately 160 single-occupancy acute care patient rooms, as well as 92 behavioral health beds, to support UC San Diego Health's ongoing efforts to meet community demand for its services.

Project Site

The Alvarado facility is centrally located in San Diego, directly adjacent to the I-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 population. Planned growth at SDSU, combined with moderately priced housing in the surrounding communities creates conditions that will promote patient growth and a high occupancy pattern at Alvarado for the foreseeable future. For additional information, refer to the Project Location (Attachment 1) and Project Site (Attachment 2).

Project Delivery

The campus intends to utilize the Construction Manager/General Contractor (CM/GC) delivery method. The CM/GC model locks teams in early and 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 subtrade construction costs to fit the overall project construction budget.

Small Business Enterprises

The campus is committed to promoting and increasing participation of Small Business Enterprises (SBEs) and Disabled Veteran Business Enterprises (DVBES) in all purchasing and contract business, subject to any applicable obligations under State and federal law, collective bargaining agreements, and University policies. The campus regularly communicates with interested contractors and consultants to provide information about how to find opportunities to work at the campus and to encourage them to respond to the annual announcement soliciting interest to perform services. Providing qualified SBEs with the maximum opportunity to participate will be encouraged with the selected design professionals and contractors with the goal of meeting 25 percent participation.

Sustainability

The project will comply with the University of California Policy on Sustainable Practices. The Sustainable Practices Policy establishes goals for green building, clean energy, transportation, climate protection, facilities operations, zero waste, procurement, food service, and water systems. 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 or major renovation project, the OCEAN Tool analysis does not apply.

Funding Plan

The preliminary plans phase will be funded with hospital reserves. Project costs will ultimately be funded with external financing.

As of June 30, 2022, the UC San Diego Health System had an 11.8 percent modified total margin, 6.1x modified debt service coverage, and 68 days' cash on hand. Modified total margin and modified debt service coverage include the adjustments allowed under the University Debt Policy. Over the ten-year projection period, the modified total margin is projected to range from a low of 6.8 percent to a high of 11.6 percent, above the minimum requirement of equal to or greater than zero (0) percent. Modified debt service coverage is projected to range from a low of 4.3x to a high of 8.0x, above the minimum requirement of equal to or greater than 3x. Days' cash on hand are projected to fall below the 70-day minimum requirement in 2023 and then increase to 86 by 2033.

Approval Request and Project Schedule

The campus requests approval of preliminary plans funding of \$12.7 million, to be funded with hospital reserves. This funding would enable the campus to engage in pre-construction services with an executive architect and select a Construction Manager/General Contractor. The funding would support scope refinement, detailed programming, preliminary design,

design development, and project cost estimating before submitting the project for full approval of budget, scope, external financing, and design following action pursuant to the California Environmental Quality Act by the Regents, anticipated in summer 2025. Additional information may be found in the Preliminary Plans Budget (Attachment 3).

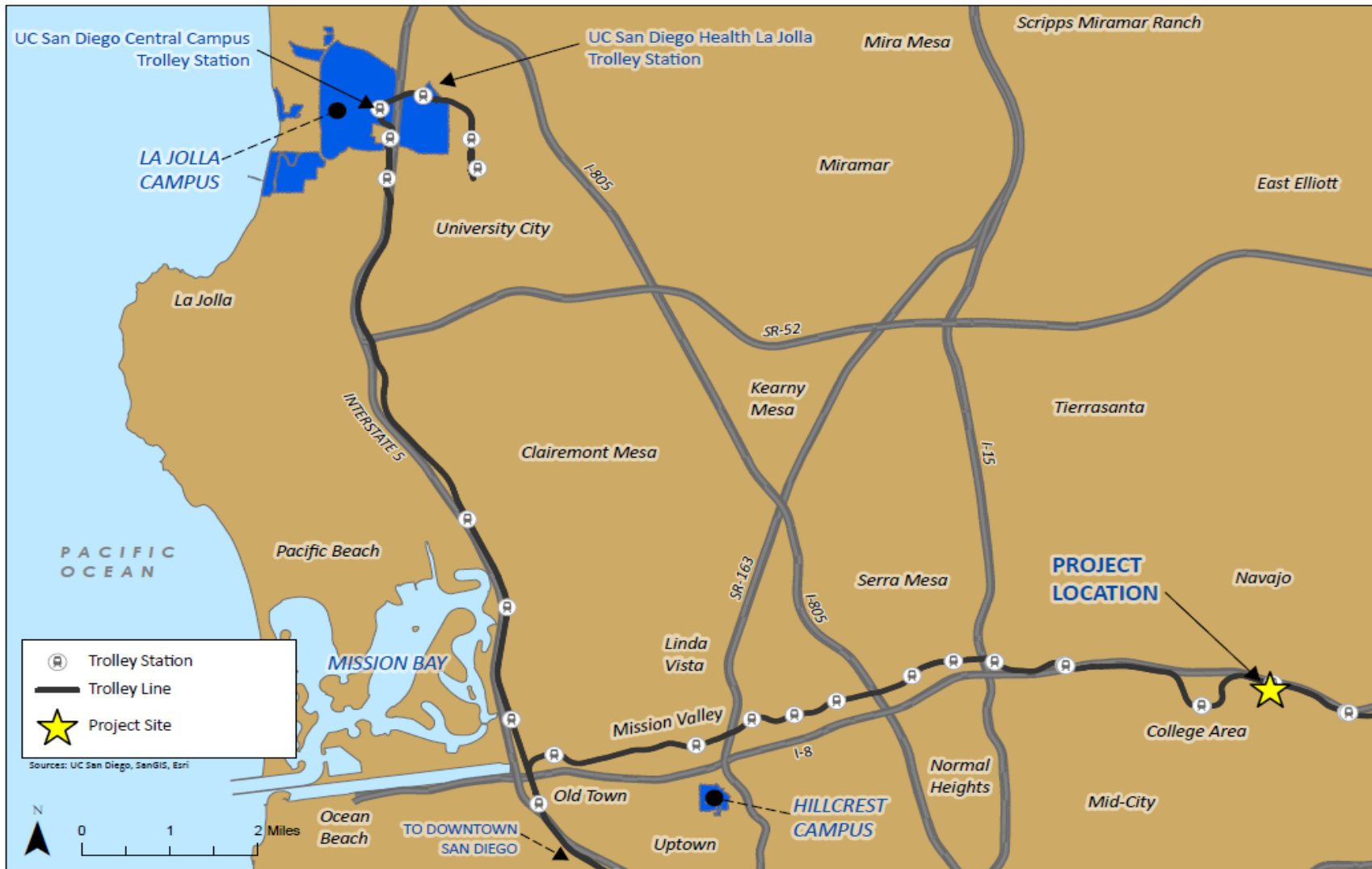
The campus estimates that construction will commence in winter 2026 and be completed in late 2028.

Key to Acronyms

Alvarado facility	Alvarado Hospital Medical Center
CEQA	California Environmental Quality Act
CM/GC	Construction Manager / General Contractor
DVBE	Disabled Veteran Business Enterprises
HCAI	California Department of Health Care Access and Information
OCEAN	Operational Carbon and Energy Assessment for New Construction
SBE	Small Business Enterprises
SPC	Structural Performance Category
NSPC	Nonstructural Performance Category

ATTACHMENTS

Attachment 1:	Project Location
Attachment 2:	Project Site
Attachment 3:	Preliminary Plans Budget



Seismic Improvements of Acute Care Hospital and Associated Structures
Project Location



**Seismic Improvements of Acute Care Hospital and Associated Structures
Project Site**

**SEISMIC IMPROVEMENTS OF ACUTE CARE HOSPITAL
AND ASSOCIATED STRUCTURES
PRELIMINARY PLANS BUDGET**

Category	Amount
Building ¹	\$2,500,000
A/E Fees ²	\$6,500,000
Campus Administration ³	\$500,000
Surveys, Tests, Plans ⁴	\$1,200,000
Special Items ⁵	\$2,000,000
Total Preliminary Plans Budget	\$12,700,000

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's services will also include procuring subcontractors to work and collaborate with the architect and engineers throughout the design phases.
- Provide the documentation necessary to obtain campus and Regental approvals, including approval of budget, scope, external financing, and design following action pursuant to CEQA.

¹ Includes Construction Manager/General Contractor preconstruction fees through design development

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

³ Includes campus project management, planner, engineers, design reviews, 3rd party peer reviews, and contracts administration

⁴ Includes soil borings, site surveys, and design-phase testing

⁵ Includes specialty consultants (e.g. traffic, vibration, environmental, acoustic, lab, audio visual, wind study, security, telecom, utility, etc.) and agency fees