

# F2A

**Office of the President**

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

## **ACTION ITEM – CONSENT**

*For Meeting of September 29, 2021*

### **PRELIMINARY PLANS FUNDING, NEUROPSYCHIATRIC REPLACEMENT HOSPITAL, UCLA HEALTH, LOS ANGELES CAMPUS**

#### **EXECUTIVE SUMMARY**

UCLA Health proposes to convert the recently acquired Olympia Medical Center hospital facility into a state-of-the-art acute Neuropsychiatric Hospital. The overall approach for developing the complex remains consistent with the discussion with the Health Services Committee at its July 2020 meeting and the December 2020 action item with which the Regents approved the acquisition.

In this item, the Regents are being asked to approve preliminary plans funding of \$22.5 million to be funded with hospital reserves for the project. The preliminary plan's funding would allow the campus to confirm the program, scope, and a budget; complete the selection of a progressive design-build team; develop preliminary plans; complete site surveys and geotechnical testing; and prepare California Environmental Quality Act (CEQA) documentation. The campus anticipates returning to the Regents for full budget and design approval following action pursuant to CEQA in late 2022.

#### **RECOMMENDATION**

The President of the University recommends that the Finance and Capital Strategies Committee recommend to the Regents that the 2021-22 Budget for Capital Improvements and the Capital Improvement Program be amended to include the following project:

Los Angeles: Neuropsychiatric Replacement Hospital – preliminary plans – \$22.5 million to be funded with hospital reserves.

#### **BACKGROUND**

In December 2020, UCLA Health acquired the Olympia Medical Center hospital facility, an adjacent medical office building (MOB), and a parking structure located near the intersection of San Vicente and Olympic Boulevards in Los Angeles, approximately six miles east of the Westwood UCLA campus. Please see Attachment 2, Project Location Map.

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UCLA Health plans to renovate Olympia Medical Center into the proposed Neuropsychiatric Replacement Hospital and relocate the 74 inpatient psychiatric beds from the Resnick Neuropsychiatric Hospital located on the fourth floor of the Ronald Reagan UCLA Medical Center (RRUMC) and expand inpatient bed capacity. UCLA Health will use the vacated bed capacity at RRUMC for adult and pediatric tertiary and quaternary specialized medical and surgical services. The MOB adjacent to the proposed Neuropsychiatric Replacement Hospital provides an opportunity for UCLA Health to expand, relocate, and optimize outpatient behavioral health programs and clinical research and educational programs associated with the licensed neuropsychiatric hospital and dedicated psychiatric emergency services. The MOB and parking structure each have a seismic waiver that requires them to be in compliance with the UC Seismic Safety Policy within three years of acquisition. While planning activities for that effort are forthcoming, the proposed Neuropsychiatric Replacement Hospital renovation will not be dependent on any future projects at these other buildings. When projects for the MOB and parking structure are defined, they will be coordinated with the Neuropsychiatric Replacement Hospital renovation but proceed as separate projects based on schedules, commercial leases, and authorities having jurisdiction over construction.

The acquisition was presented as a discussion item to the Health Services Committee at its July 2020 meeting, and then approved in December 2020 by the Regents for a purchase price of up to \$130 million, to be funded with external financing from the Medical Center Pooled Revenue Bond 2020 Series N Bonds. Preliminary plans funding for the hospital renovation component is being put forward with the current item. The overall approach for developing the complex remains consistent with the discussion in the July 2020 and December 2020 items.

**PROJECT DRIVERS**

The proposed renovation is a key component of UCLA Health's plan to address a need for increased behavioral health access and an overall need for inpatient capacity. The plan would develop an integrated behavioral health campus and help address the growing behavioral health crisis in Los Angeles, while freeing up bed capacity for specialized tertiary and quaternary care at RRUMC.

UCLA Health has grown significantly over the past decade, and, with an average inpatient occupancy greater than 100 percent, it is unable to accommodate additional inpatient volume. In 2016, the Health Services Committee endorsed the proposed construction of a new 156-bed patient tower at RRUMC to address severe capacity constraints. According to current estimates, the 156-bed patient tower will cost in excess of \$1 billion to construct and take over 12 years to complete. These estimates are based on increasing construction costs and the requirement to build an additional cogeneration plant before expanding. Given the significant opportunity cost of continuing to operate with insufficient inpatient bed capacity during the expected construction phase, and the need to expand access to care, UCLA Health has been pursuing more immediate and cost-effective alternatives such as acquiring existing healthcare facilities to renovate for currently pressing needs.

The critical need to increase access to behavioral health services and inpatient psychiatric treatment might be understood with consideration of the following statistics from the National Institute of Mental Health:<sup>1</sup>

- One in every five adults in the U.S. experiences some form of a mental illness.
- Nearly one in 25 adults in the U.S. lives with a serious mental illness.
- Only 43 percent of adults with a mental illness received mental health services in the previous year. Unfortunately, the average delay between the onset of mental health symptoms and intervention is eight to ten years.

Moreover, in Los Angeles County:

- UCLA Health is one of the few remaining providers of inpatient behavioral health services in Los Angeles County, in part because UCLA recognizes that an unmet need exists.
- 2018 statistics show that mental health conditions are the most common illnesses faced by residents of California. When broken down by county and city, 2014 statistics demonstrate that 4.3 percent of the adult population in Los Angeles have been diagnosed with a serious mental illness.<sup>2</sup>
- On an average day in 2019, thousands of individuals with serious mental illness, often also with substance use disorder, were incarcerated in Los Angeles County justice systems. Many incarcerations can be prevented when patients receive needed treatment.<sup>3</sup>
- The COVID-19 pandemic has exacerbated what was already a growing mental health crisis in the region – three times as many adults reported distress in 2020 as did in 2018. An emerging trend indicated by an increase in a presentation at emergency rooms is that youth have also experienced a serious increase in levels of psychiatric distress as a result of the broad impacts of the pandemic.
- One of the biggest challenges is insufficient access to high-quality behavioral health care. Delays in access to emergent and acute psychiatric care are generally associated with higher acuity levels and longer inpatient stays; increased potential for self-harm, loss of life and/or incarceration; and more frequent recurrence of behavioral symptoms and related negative impacts for individuals, families, and the community.

Los Angeles has a severe shortage of patient beds for psychiatry care.<sup>4</sup> There are currently 13 psychiatric beds per 100,000 population – well under the public health standard of 50 psychiatric beds per 100,000 population. The 74-bed Stewart and Lynda Resnick Neuropsychiatric Hospital is currently a “hospital within a hospital” at RRUMC and consistently operates at capacity,

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<sup>1</sup> National Institute of Mental Health, Mental Health By The Numbers - Infographics, <https://nami.org/About-Mental-Illness/Mental-Health-by-the-Numbers/Infographics-Fact-Sheets>

<sup>2</sup> California Health Care Foundation: Health Care Almanac, March 2018. <https://www.chcf.org/wp-content/uploads/2018/03/MentalHealthCalifornia2018.pdf>

<sup>3</sup> County of Los Angeles Department of Mental Health: Addressing the Shortage of Mental Health Hospital Beds: Board of Supervisors Motion Response, January 2019. <http://file.lacounty.gov/SDSInter/bos/supdocs/142264.pdf>, page 6.

<sup>4</sup> Ibid.

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particularly for vulnerable children. It is one of a few psychiatric hospitals in the city of Los Angeles. By adding inpatient psychiatric bed capacity at the proposed Neuropsychiatric Hospital, the University would expand psychiatric inpatient capacity beyond the current 74 beds allocated at RRUMC and be a leader in helping address the region's access crisis.

The acquisition of the Olympia Medical Facility and associated structures presented a unique opportunity to acquire an existing hospital campus and increase the total number of available patient beds, preserve hundreds of millions of dollars in capital in the near term, preserve cash reserves by utilizing existing debt proceeds, and optimize the use of existing physical plant and infrastructure. The existing structures at 5900 West Olympic Boulevard were determined during a period of due diligence to qualify for use under the new Office of Statewide Health Planning and Development (OSHPD) code classification for acute inpatient psychiatric care, OSHPD-5. A conversion of the facility to OSHPD-5 use and subsequent repurposing of the existing psychiatric care beds in the RRUMC facility to general acute care is anticipated to be half as costly and twice as fast as the construction of a new general acute care bed tower. Therefore, this project will serve to not only expand acute inpatient psychiatric beds by up to 30 percent for UCLA Health, but also facilitate a significant increase in access to general acute inpatient services for the region.

As part of a new UCLA Health campus in the Mid-Wilshire area of Los Angeles, a free-standing neuropsychiatric hospital will allow for geographic expansion of services to support individuals, their families, and the broader community by significantly expanding access to a healing environment with a full continuum of behavioral health services.

For more than 60 years, UCLA Health has strived to provide the best in health care and the latest in medical technology to the people of Los Angeles. This project is an extension of that commitment to the Los Angeles community. A robust community outreach program will provide multiple opportunities for engagement with the Mid-Wilshire community, including the provision of regular updates and collection of feedback and questions. A team is in place and prepared to engage community members and leaders at appropriate points in the project's evolution. In order to provide an accessible overview of the project to community members and other external stakeholders, UCLA Health has also launched a project website (<https://midwilshire.uclahealth.org/>) that includes contact information, should members of the community seek to learn more.

## PROJECT DESCRIPTION

### *Project Overview*

The Olympia Medical Center, located at 5900 West Olympic Boulevard, Los Angeles, California, is an approximately 179,000-square-foot facility consisting of four interconnected buildings, constructed at separate times over approximately 25 years starting in 1951. The proposed project would alter and renovate the site and buildings, including interiors, systems, exterior envelope, and equipment to convert the existing facility into the Neuropsychiatric Replacement Hospital, an acute psychiatric care facility. Site alterations are expected to address Americans with Disabilities Act compliance, changes associated with building system upgrades

and operating efficiencies, sustainability, and Leadership in Energy and Environmental Design (LEED™) compliance (e.g., landscaping, electric fleet vehicle charging), safety, and security.

UCLA Health is targeting at least a 30 percent increase in inpatient capacity over the Resnick Neuropsychiatric Hospital at RRUMC. The facility at 5900 West Olympic Boulevard comprises four floors plus a lower basement level. The early conceptual program is organized by floor and would be further defined as design progresses. The upper three levels would be dedicated to patient care and beds, with appropriate separation of pediatric, adult, and geriatric patient populations. The goal is an anticipated range of 100 to 112 licensed beds. Final capacity will be dependent upon the configuration of the patient care areas, optimal use of double rooms, and approval of program flex by Authority(s) Having Jurisdiction. Program flex is the authority and established method for California regulators to grant flexibility as to how a hospital meets the intent of regulations. It is the established and normal process by which owners and regulators might agree on alternate means of compliance and/or an acceptable space or operational solution to address, for example, an existing building condition or feature or other project- or location-specific constraint or opportunity. Outdoor spaces for patients will be provided, potentially including terraces on patient floors and on the building roof. For additional information, refer to Table 1 below and Attachment 4, Conceptual Program Stacking Diagram.

**Table 1: Conceptual Program Stacking**

<b>Building Level</b>	<b>Program</b>
Lower Level / Basement	<ul style="list-style-type: none"> <li>• Imaging</li> <li>• Pharmacy</li> <li>• Lab</li> <li>• Storage</li> <li>• Support Spaces</li> </ul>
Level 1 / Ground Floor	<ul style="list-style-type: none"> <li>• Lobby</li> <li>• Admitting</li> <li>• Psychiatric Emergency/Crisis Services</li> <li>• Administrative</li> <li>• Food Service</li> <li>• Support Spaces</li> </ul>
Levels 2-4	<ul style="list-style-type: none"> <li>• Inpatient Beds</li> <li>• Patient Care Areas and Support Spaces</li> </ul>

***Sustainability***

UCLA Health is committed to minimizing its environmental footprint and understands the necessity of incorporating sustainable practices in its operations. The project will meet or exceed the University of California Policy on Sustainable Practices, which establishes goals for green building, clean energy, transportation, climate protection, facilities operations, zero waste, procurement, food service, and water systems. The green building target for the proposed project

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is to achieve LEED™ Gold certification, with a minimum of LEED™ Silver. A full range of sustainability practices for building design and operations are included in the budgeting, programming, and design effort for the project.

This project has been analyzed by the UC Operational Carbon and Energy Assessment for New Construction Tool (Estimation Tool), and results are provided as Attachment 5. The Estimation Tool identifies high-level estimates of target site energy use, utility costs, and operational greenhouse gas emissions for the proposed project. Building performance metrics are being compiled within UC's capital projects database and will be utilized to compare and assess future projects.

***Financial Feasibility***

As of June 30, 2020, UCLA Health has a 12.1 percent modified operating margin, 9.3x modified debt service coverage, and 238 modified days' cash on hand, which meet the requirements of the University's Debt Policy. These numbers exclude non-cash pension and retiree health benefits expenses, which is allowed by the Debt Policy. Over a five-year projection period, minimum days' cash on hand is projected to be greater than or equal to 60 days, as required by the University's Debt Policy.

***Project Funding Plan***

The anticipated financial investment to build out the Neuropsychiatric Replacement Hospital project and financing options are actively being evaluated and assessed. The project is included in the adopted 2020-26 Capital Financial Plan (under the project title "RRUMC Inpatient Bed Expansion - Renovations") and funding would likely be through a combination of hospital equity and external financing.

***Project Delivery***

UCLA is proposing to utilize the progressive design-build method of delivery for this project. Progressive Design-Build is one application of the design-build delivery method where the process is phased or stepped. Progressive Design-Build uses a qualification-based (or best value) selection, followed by a process whereby the owner then "progresses" towards a design and the guaranteed maximum price with the design-builder. There are three phases to Progressive Design-Build: (1) the preliminary phase, or pre-construction services, that includes early design and design development; (2) the construction documents phase, where the maximum agreeable price for the work is defined and locked in per contract; and (3) the construction phase.

There are several advantages to the progressive design-build delivery method. It will enable planning, design, and construction personnel to work collaboratively as a team, incorporating lean project delivery methods. The delivery method is of particular value in major renovation projects, such as this one, where speed of resolving unforeseen conditions is critical. This collaborative model delivery method will result in efficient control over design, quality, and cost, maintaining a fair and transparent process and getting the best value for dollars spent.

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The campus will endeavor to provide qualified small, minority, women-owned, and disabled veteran business enterprises (SBE/MBE/WBE/ DVBEs) with the maximum opportunity to participate on the project as subcontractors, vendors, and consultants. To support this commitment, the campus will encourage the selected design-build team to actively conduct outreach and seek participation from the SBE/MBE/WBE/DVBE community and will expect the design-build subcontractors to do the same.

In selection of the design-build team, consideration will be given to the firms' own policies and practices related to equity, diversity, and inclusion as defined by UCLA Health:<sup>5</sup>

- Equity is when everyone has fair and just opportunities to achieve equitable outcomes regardless of their race, ethnicity, gender identity, sexual orientation, socioeconomic status, culture, national origin, religious beliefs, age, disability status, or political perspective.
- Diversity is a variety of personal experiences, values and world views that arise from differences of culture and circumstance. Such differences include race, ethnicity, gender identity, sexual orientation, socioeconomic status, culture, national origin, religious beliefs, age, disability status, or political perspective. We value and respect our collective similarities and differences.
- Inclusion is when everyone feels welcomed, engaged, and valued.

Teams should provide information on their organizations' efforts to advance access and opportunity, including intended actions or initiatives specific to this project (e.g., organizational and worksite anti-racism and anti-bias education; employment practices; community engagement; selection of consultants, subcontractors, vendors, and suppliers; apprenticeship and internship programs, etc.)

***Regulatory Considerations***

The proposed project is not subject to the UCLA Long Range Development Plan as the project site is located off-campus. As an existing hospital facility, the proposed project is not expected to include direct siting, program, or neighborhood conflicts with surrounding uses. Environmental review of the proposed project will comply with the requirements of the California Environmental Quality Act (CEQA) and is anticipated to be complete by late 2022. Future improvements to the MOB and parking structure are possible but too speculative to be evaluated at this time and will be subject to separate approval and CEQA review.

The project would be subject to approvals by the University of California and other regulatory agencies, as needed. UCLA Health will obtain all necessary licenses and approvals required before offering services in the Neuropsychiatric Replacement Hospital, in accordance with the California Department of Public Health Licensing and Certification Division requirements, the California Health and Safety Code, and Title 22 of the California Code of Regulations.

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<sup>5</sup> UCLA Health, Health Equity, Diversity & Inclusion <https://www.uclahealth.org/why-choose-us/about/hedi>

***Project Schedule and Future Actions***

The schedule for the preliminary plans phase is estimated to be ten months. The overall duration of the project through construction is estimated at 40 months. UCLA Health plans to return to the Regents for approval of budget, scope, and design following action pursuant to CEQA in fall 2022.

**KEY TO ACRONYMS**

CEQA	California Environmental Quality Act
GSF	Gross Square Feet
LEED™	Leadership in Energy and Environmental Design™
MOB	Medical Office Building
OSHPD	Office of Statewide Health Planning and Development
RRUMC	Ronald Reagan UCLA Medical Center

**ATTACHMENTS**

Attachment 1:	Preliminary Plans Budget
Attachment 2:	Project Location Map
Attachment 3:	Street View of Olympia Medical Center, Medical Office Building, and Parking Garage
Attachment 4:	Conceptual Program Stacking Diagram
Attachment 5:	<a href="#">UC Carbon Estimation Tool Report</a>



**PRELIMINARY PLANS BUDGET**

**NEUROPSYCHIATRIC REPLACEMENT HOSPITAL, LOS ANGELES CAMPUS**

<b>CATEGORY</b>	<b>AMOUNT</b>	<b>PERCENTAGE</b>
A&E Fees <sup>(1)</sup>	\$15,700,000	69.8%
Campus Administration <sup>(2)</sup>	\$1,700,000	7.6%
Surveys, Test, and Plans <sup>(3)</sup>	\$1,200,000	5.3%
Special Items <sup>(4)</sup>	\$3,900,000	17.3%
<b>TOTAL PRELIMINARY PLANS BUDGET</b>	<b>\$22,500,000</b>	<b>100%</b>

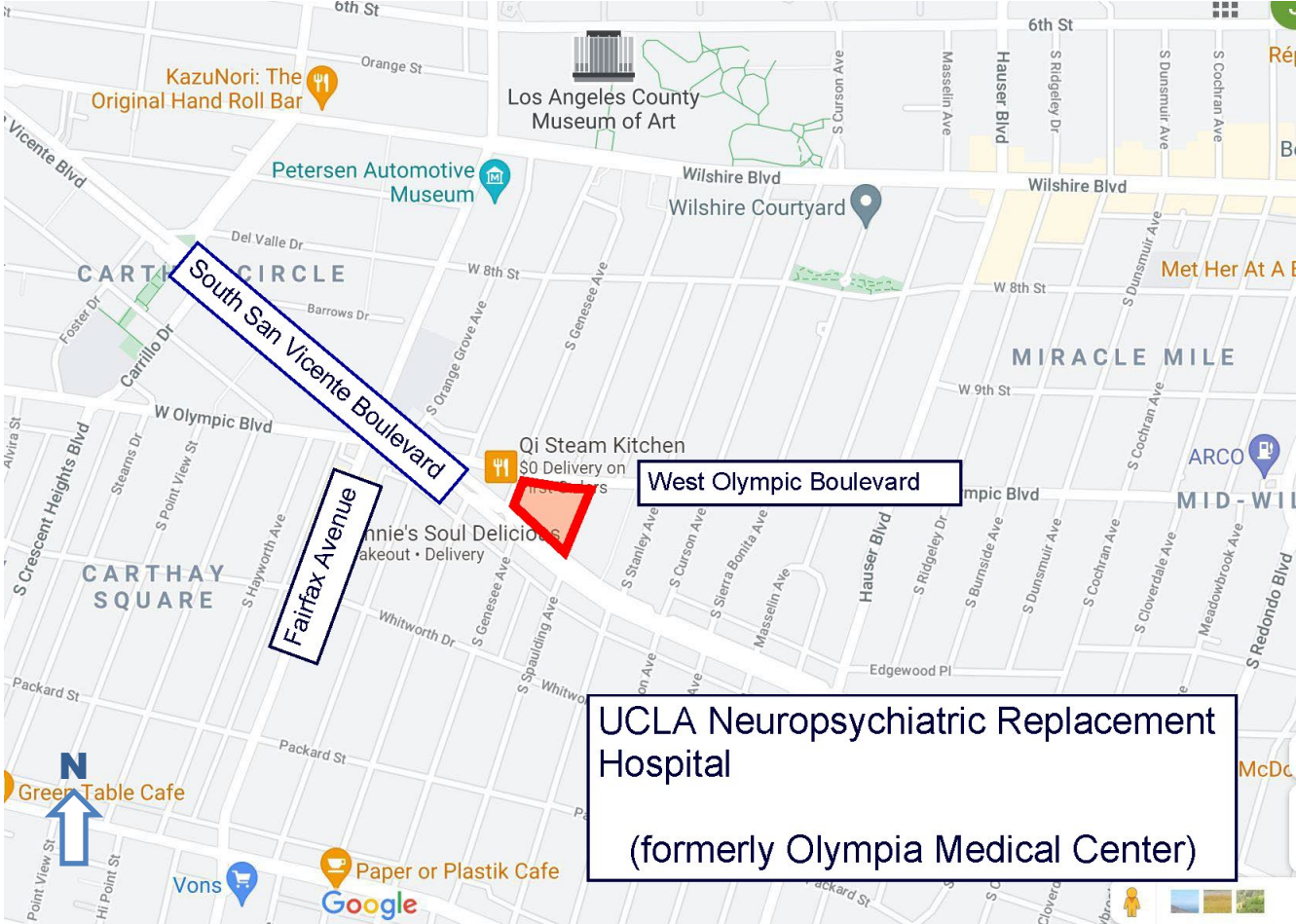
Anticipated preliminary plans phase activities include the following:

- The campus will select a progressive design-build team consisting of an architectural design firm paired with a general contractor, including engineering design consultants.
- The selected team will provide program validation, site master planning, and will complete schematic design and design development documents.
- The team will also provide pre-construction services such as cost estimating, scheduling, constructability, and risk analysis.
- The team will assist the campus in analyzing options for ‘make ready’ work, which may include but is not limited to site preparation, relocation of existing utilities, installation of new utilities and road improvements), including developing schematic and design development documentation on this work.
- Extensive reviews will be required, including peer reviews and collaborative design phase reviews, by the Office of Statewide Health Planning and Development and the Office of the State Fire Marshal.

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(1) A&E Fees include Architect and design professional consultants, external project/construction management, and preconstruction activities.  
(2) Campus Administration includes project management, planning, engineering, and design review through design development.  
(3) Surveys, Tests, and Plans include geotechnical soil borings, site surveying, and other design-phase testing as necessary.  
(4) Special Items include programming, CEQA documentation, peer reviews, specialty consultants, and agency fees.

PROJECT LOCATION MAP



ATTACHMENT 3

STREET VIEW OF OLYMPIA MEDICAL CENTER, MEDICAL OFFICE BUILDING,  
AND PARKING GARAGE



CONCEPTUAL PROGRAM STACKING DIAGRAM

PROPOSED PROGRAM STACKING

