

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, UCSF BENIOFF CHILDREN’S HOSPITAL
OAKLAND MASTER FACILITIES PLAN PHASE 2 INCLUDING NEW HOSPITAL
PAVILION, SAN FRANCISCO CAMPUS**

EXECUTIVE SUMMARY

UCSF proposes the UCSF Benioff Children’s Hospital Oakland Master Facilities Plan Phase 2 Including New Hospital Pavilion program to ensure compliance with regulatory requirements, modernize its facilities, and substantially improve the level of services to patients and their families.

UCSF Benioff Children’s Hospital (BCH) Oakland maintains the highest level, Level I, Pediatric Trauma Center designation from the American College of Surgeons and also operates a Federally Qualified Health Center, a community-based health care provider that receives funds to provide primary care services to underserved patients – including in particular patients experiencing homelessness.

To continue its long tradition of service to patients in the East Bay and elsewhere with access to state-of-the-art facilities, BCH Oakland developed a two-phase Master Facilities Plan to ensure compliance with regulatory requirements, modernize its facilities, and substantially improve the level of services provided to patients and their families. As part of Phase 1, a second outpatient center was completed in 2018 and retrofit of the existing Patient Tower to meet State seismic regulations is underway.

The proposed New Hospital Pavilion program would continue to address seismic compliance and modernize facilities. Construction of the New Hospital Pavilion would include demolition of buildings that do not meet State seismic law and provide new pediatric inpatient single-occupancy rooms at the BCH Oakland campus, which are critical to providing behavioral and mental health services, continuing conversion of open wards to single-occupancy rooms, and expanding existing critical services (e.g., surgery).

UCSF presented the proposed Benioff Children’s Hospital Master Facilities Plan Phase 2 Including New Hospital Pavilion program to the Health Services Committee at its June 2021 meeting and to the Finance and Capital Strategies Committee in July 2021. The Regents are

being asked to approve preliminary plans funding in the amount of \$90 million to be funded with hospital reserves. The proposed funding would allow BCH Oakland to engage with an executive architect and construction professionals to refine program and scope, complete environmental analysis, and advance the proposed program through design development. Approval of full budget and external financing is planned to be requested in 2023; however, projects that could be implemented on an earlier schedule may be brought forward for approval before then. The City of Oakland will be responsible for approving design, entitling, and permitting new construction and renovation components of the Master Facilities Plan Phase 2 program following action pursuant to the California Environmental Quality Act, with the Office of Statewide Healthcare Planning and Development responsible for issuing the building permit for the new acute care facilities.

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:

San Francisco: UCSF Benioff Children’s Hospital Oakland Master Facilities Plan Phase 2 Including New Hospital Pavilion – preliminary plans – \$90 million funded from hospital reserves.

BACKGROUND

In January 2013, the Regents approved the affiliation of Children’s Hospital and Research Center at Oakland with UCSF Health. In January 2014, the Regents became the sole member of the Benioff Children’s Hospital (BCH) Oakland, a non-profit public benefit corporation. BCH San Francisco and BCH Oakland have together created Northern California’s largest network of pediatric providers and are the only hospitals in San Francisco and the East Bay dedicated solely to children.

BCH Oakland maintains the highest level, Level I, Pediatric Trauma Center designation from the American College of Surgeons and operates a Federally Qualified Health Center, a community-based health care provider that receives funds to provide primary care services to underserved patients—including patients experiencing homelessness. BCH Oakland provides pediatric specialty and subspecialty services to infants, children, teens, and young adults at the hospital and at pediatric ambulatory clinics. BCH Oakland also offers a family house to meet the needs of families with long stays in the East Bay.

BCH Oakland is also a nationally recognized teaching hospital providing accredited residency education in general pediatrics and fellowship education to pediatricians seeking subspecialty training. The focus is on healthcare disparities and service to the underserved, with faculty and

residents choosing BCH Oakland for the opportunity to provide health care to every child, regardless of their family's ability to pay.

Jointly committed to children's health, BCH San Francisco and BCH Oakland remain separately licensed, and BCH Oakland continues to retain its identity and status as a private, not-for-profit public benefit corporation that is exempt from federal taxation under Section 501(c)(3) of the Internal Revenue Code. At the time of the affiliation and ever since, alignment and integration of administrative functions have been goals to increase the efficiency of operations. BCH Oakland maintains its own medical staff. Many UCSF physician-faculty who provide pediatric services have become members of the medical staff, along with integration of the wet laboratory research program into the UCSF School of Medicine. In addition, UCSF provides management of the BCH Oakland facilities through a Management Services Agreement.

UCSF BCH OAKLAND'S MASTER FACILITIES PLAN

To continue its long tradition of service to patients with access to state-of-the-art facilities, BCH Oakland developed a Master Facilities Plan to address seismic compliance, renovate existing structures to ensure continued services, construct new and replacement hospital facilities and associated infrastructure, and improve campus access points. Implementation of these improvements is planned for two phases, to minimize disruption to hospital services, meet seismic requirements for acute inpatient care, provide space for sequential moving out of buildings to be demolished, and fit within logistical and financial constraints.

Four inpatient facilities at the BCH Oakland campus range in age from about 40 years old to over 90 years old and include the AB Building (completed in 1928), the BC Building (1946), the Diagnostic and Treatment Building (1961 and expanded in 1974) and the Patient Tower (1982). State law Senate Bill (SB) 1953 requires that these buildings be decommissioned for inpatient care or retrofitted by 2030 to conform to seismic code requirements. BCH Oakland is addressing this seismic compliance with a combination of retrofit, new construction, and demolition projects.

The aging facilities also present challenges to staff in providing care and meeting patient and family expectations as to care delivery. For example, the Neonatal Intensive Care Unit (NICU) is currently located in four large open wards, instead of single-occupancy rooms which are the standard in most competitors' facilities. Newer technological systems and equipment also are needed, often requiring reconfiguration of space and building infrastructure improvements.

The current lack of space also prevents BCH Oakland from expanding patient care services into new and much-needed disciplines, such as inpatient behavioral health. Meanwhile, services such as surgical and interventional services need to be improved and expanded to meet demand. With new acute care facilities, there is the potential to improve outcomes through volume consolidation of high-risk procedures and to leverage highly specialized physicians and staff. Current facilities ultimately hinder the ability of BCH Oakland to compete with other private institutions in the area.

These challenges also affect the ability to grow and attract faculty, residents, students, and staff. With a national focus on healthcare disparities, these individuals are looking for opportunities to serve those who have been overlooked and disadvantaged by today's health care system. Limited by its aging facilities, BCH Oakland cannot continue to meet its mission of caring, healing, teaching, and discovering.

Phase 1 of improvements (total cost of approximately \$315 million) is underway and planned for completion in 2024. This initial phase included construction of a second outpatient center (OPC2), with a total budget of \$89 million, and was occupied in 2018. OPC2 provided relocation space for select programs displaced by renovations of the Diagnostic and Treatment building and demolition of smaller obsolete facilities. Inpatient services are being removed from the AB and BC buildings by June 2022; the Patient Tower is being retrofitted to meet State seismic regulations by January 2030 and renovated to convert several multi-patient care areas into single-occupancy rooms and to improve medical workflow and technology. Other early-phase improvements included expansion of the Central Plant and replacement/upgrades of its equipment and improvements to select clinical departments and utility infrastructure.

The proposed Phase 2 including New Hospital Pavilion program would continue to address seismic compliance, modernize facilities, and substantially improve the level of services provided to patients and their families. Construction of the New Hospital Pavilion would include demolition of the AB and BC buildings and provide new pediatric inpatient single-occupancy rooms at the BCH Oakland campus, which are critical to providing behavioral and mental health services, continuing conversion of open wards to single-occupancy rooms, and expanding existing services (e.g., new operating rooms). BCH Oakland currently has about 126 pediatric beds at its Oakland campus, which does not allow for expansion of existing services or the addition of new services; with completion of the proposed New Hospital Pavilion, it is expected that approximately 172 pediatric beds would be available (including beds dedicated to behavioral and mental health services) on the Oakland campus. Additional SB 1953 requirements would be addressed through non-structural improvements required for onsite storage of domestic water, waste water, fire water, and fuel that support acute care and relocation of services and demolition of non-compliant buildings located on the site of the proposed New Hospital Pavilion.

NEW HOSPITAL PAVILION PROGRAM DESCRIPTION

The program elements described below would be sequenced in a manner that would allow BCH Oakland to continue to provide critical care to the children of Oakland and surrounding areas, with scope and timeline to be further refined during pre-design studies and design.

New Hospital Pavilion (approximately 200,000 to 220,000 gross square feet (GSF)) – The New Hospital Pavilion would be designed in compliance with the Office of Statewide Health Planning and Development (OSHPD) requirements. This new inpatient building would provide six state-of-the-art operating rooms, single-occupancy rooms for NICU babies, additional acute care single-occupancy patient rooms, a new medical/psychiatric unit, a new front door entry lobby that would allow the existing emergency department to expand into the old front entry, and a

new helipad. As a Level 1 Pediatric Trauma Center (the most acute level), the project would be implemented around an existing helipad structure that must remain functioning until the new helipad opens on the top of the new Pavilion in 2030. After the new helipad opens, the existing helipad structure would be demolished, and the land improved as part of the onsite surface parking lot (approximately 200 spaces).

New Clinical Support Office Building (approximately 15,000 to 30,000 GSF) – The new Clinical Support Building would provide relocation space for some occupants from buildings to be demolished and whose functions are required to be on site. Other occupants of buildings to be demolished would be relocated to other owned or leased buildings. Other workplace changes are also being evaluated, such as opportunities for remote work. Construction of the Clinical Support Building would require several residential/office structures owned by BCH Oakland to be relocated and/or demolished to clear the site.

New Material Management and Loading Dock Building (approximately 5,000 GSF) – The Material Management and Loading Dock Building would provide replacement dock and receiving functions that are currently part of the BC Building planned for demolition.

Site Work and Moving Out and Demolition of Select Buildings – The Program would require relocation of approximately 350 physicians, faculty, and staff to other facilities and demolition of several existing buildings and trailers totaling approximately 100,000 GSF. The connected AB and BC buildings both have Seismic Performance Ratings of VI and are among the buildings to be demolished.

Significant site make-ready work is necessary to maximize usable area on the site, provide construction trailers and parking, and make utility relocations more feasible. These components include relocating an existing Pacific Gas & Electric (PG&E) line that serves neighborhoods to the west and installing of a retaining wall along a California Department of Transportation (CalTrans) onramp to Highway 24. (The site work, moving out, and demolition of select buildings – along with construction of the new material management and loading dock building – are considered “enabling projects” for the New Hospital Pavilion program.)

Renovation of Select Space – After opening the New Hospital Pavilion, limited select interior renovation within the existing remaining hospital to improve the emergency department and existing surgery department would take place.

Sustainability Goals

The new buildings would be designed and constructed with a goal of Leadership in Energy and Environmental Design Gold rating. The New Hospital Pavilion projects will align 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 projects. Services to the new buildings will be evaluated

to maximize the value of existing infrastructure (e.g., Central Utility Plant) and identify opportunities for building-specific equipment.

This project has been analyzed by the UC Operational Carbon and Energy Assessment for New Construction Tool (OCEAN) Tool and results are provided in Attachment 2. The OCEAN 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.

Location and Site Conditions

The approximately 11-acre BCH Oakland campus site is located at 747 52nd Street, in the northern portion of Oakland, in Alameda County. The campus site is generally bounded by 53rd Street to the north, State Route 24 to the east, Martin Luther King Jr. Way and the elevated BART tracks to the south and west. (See Attachment 3 – Project Location Maps and Attachment 4 – Site Map.)

Existing site constraints include a PG&E line, helideck, a significantly sloped area of land adjacent to the freeway, and the existing antiquated AB and BC buildings. To provide the required program within a design that supports operations of the clinical facilities, the PG&E line would need to be relocated, the helideck would be replaced with a new helideck on the roof of the new hospital, and a retaining wall would be constructed on the east side of the property along the onramp to Highway 24.

Project Delivery

BCH Oakland intends to complete the new hospital building using an Integrated Project Delivery (IPD) model. Smaller projects within this program might use a different contracting method. The specific details of the IPD implementation will be developed as the New Hospital Pavilion components progress. The design and construction planning would be performed with an integrated team that includes UCSF, BCH Oakland, the architect, general contractor, and key trades working collaboratively in a “big room” setting to optimize program quality within a cost target set by BCH Oakland. The IPD process optimizes the use of Lean tools and processes. In addition to minimizing risk, the IPD method provides the greatest control over design quality and the management of patient, staff, visitor, and community requests.

UCSF BCH Oakland will establish clear and measurable objectives, including targeted outreach to underrepresented businesses to ensure significant project participation within the local community, providing a positive economic impact.

City of Oakland Entitlement Process

In 2015, BCH Oakland received City of Oakland land development entitlements for a two-phase Master Facility Plan. Phase 1, which is still in progress, received full entitlements and included a new Outpatient building, major upgrades to the Central Utility Plant, and numerous hospital renovations/relocations intended to not only upgrade select patient care areas but also to move acute care services from the two oldest buildings as part of the seismic compliance plan. Phase 2 (including the New Hospital Pavilion program) received preliminary approval of its entitlements for which many of the components remain part of the plan; however, final development entitlements and action pursuant to CEQA are still required from the City of Oakland as the entitling body.

Financial Feasibility

The preliminary plans budget is \$90 million to be funded with hospital reserves.

As of June 30, 2020, UCSF Health has a 6.1 percent operating margin, 9.1x debt service coverage, and 119 days' cash on hand, which meet the requirements of the University's Debt Policy. These numbers exclude non-cash pension and retiree health benefit expenses, which is allowed by the Debt Policy. Over a ten-year projection period, minimum operating margin is projected to be greater than or equal to zero (0) percent, debt service coverage is projected to be greater than or equal to 3x, and days' cash on hand is projected to be greater than or equal to 60 days, as required by the University's Debt Policy.

Approval Request and Project Schedule

The project was included on the July 2021 agenda as a discussion item for the Finance and Capital Strategies Committee. Preliminary plans funding of \$90 million would enable BCH Oakland to refine and confirm the scope of work, refine the budget, complete the environmental analyses, and advance the project through design development. Approval of full budget and external financing is planned to be requested in 2023; however, projects that could be implemented on an earlier schedule may be brought forward for approval before then. The City of Oakland will be responsible for approving design, entitling, and permitting new construction and renovation components of the Master Facilities Plan Phase 2 program following action pursuant to the California Environmental Quality Act, with the Office of Statewide Healthcare Planning and Development responsible for issuing the building permit for the new acute care facilities.

BCH Oakland is currently in the programming phase for the New Hospital Pavilion and new support buildings. City entitlements are targeted for completion in 2023-24, triggering the start of the PG&E line relocation, CalTrans retaining wall construction, construction of the two new support buildings (clinical support office building and loading dock), followed by the demolition of buildings on the campus to clear the site of the new hospital building. Construction of the New Hospital Pavilion is planned to begin in 2026 with the opening scheduled in 2030. After opening the new hospital building, limited select interior renovation within the existing Patient Tower to

improve the emergency department and existing surgery department would take place with planned completion in 2032.

KEY TO ACRONYMS

BCH	UCSF Benioff Children’s Hospital
BCH Oakland	Children’s Hospital and Research Center at Oakland
CAB	Community Advisory Board
CalTrans	California Department of Transportation
CEQA	California Environmental Quality Act
GSF	Gross-Square-Foot
IPD	Integrated Project Delivery
New Hospital Pavilion	Master Facilities Plan Phase 2 including New Hospital Pavilion
NICU	Neonatal Intensive Care Nursery
OSHPD	Office of Statewide Healthcare Planning and Development
PG&E	Pacific Gas & Electric

ATTACHMENTS

Attachment 1:	Preliminary Plans Budget
Attachment 2:	Results of UC Operational Carbon & Energy Assessment for New Construction Tool
Attachment 3	Project Location Maps
Attachment 4:	BCH Oakland Site Map

**UCSF BENIOFF CHILDREN’S HOSPITAL OAKLAND MASTER FACILITIES PLAN
PHASE 2 INCLUDING NEW HOSPITAL PAVILION
PRELIMINARY PLANS BUDGET**

Category	Enabling Projects ^a	New Hospital Pavilion	Clinical Support Building	Renovations	Total	% of Total
Building ¹	\$9,500,000	\$35,300,000	\$1,600,000	\$1,600,000	\$48,000,000	53.3%
A/E Fees ²	\$3,100,000	\$19,600,000	\$700,000	\$800,000	\$24,200,000	26.9%
Campus Administration ³	\$1,100,000	\$4,900,000	\$200,000	\$200,000	\$6,400,000	7.1%
Surveys, Tests, Plans ⁴	\$500,000	\$1,600,000	\$200,000	\$100,000	\$2,400,000	2.7%
Special Items ⁵	\$500,000	\$8,000,000	\$200,000	\$300,000	\$9,000,000	10.0%
Total	\$14,700,000	\$69,400,000	\$2,900,000	\$3,000,000	\$90,000,000	100.0%

^a Enabling Projects include site work, decant, and demolition of select buildings – along with construction of the new material management and loading dock building.

The preliminary plans budget reflects the collaborative work of the UCSF Benioff Children’s Hospital Oakland staff, design consultants, general contractor, and major subcontractors to ensure that all parties have the opportunity to influence the coordination and planning of the New Hospital Pavilion program to increase project outcome certainty and lower project risk. This team will design to a cost target established during this early phase to reduce cost overruns and schedule delays during construction. Activities in the preliminary plans phase would include:

- City of Oakland entitlements including California Environmental Quality Act analysis
- Validation of detailed programming, development of design concept, and production of schematic design and design development documents for the New Hospital Pavilion and related campus and site improvements
- Completion of design-phase testing, including extensive site investigation, soils testing for naturally occurring hazardous materials, building hazardous material testing, and site borings for the new construction and site improvements. By completing this investigative and testing work during the design phase, potential risks will be identified, and implementation measures defined to control costs later in the construction phase.
- Complete site utility surveys for the site improvements. Determine the optimal construction sequence to mitigate risk, reduce cost, optimize schedule, and limit community and campus impact.

¹ Building construction includes design build team and trades pre-construction design assist services, Facilities Management consulting, Facilities Support, and Investigative Site Work.

² A/E Fees include the executive architect / engineer’s basic services contract fee.

³ Campus Administration includes: project management and contract administration.

⁴ Surveys, Tests, Plans include: site and topographical surveys, soils, hazardous materials site survey and testing.

⁵ Special Items include: EH&S, specialty consultants, structural peer review, environmental review, and CEQA approval

- Cost modeling developing Target Value Design estimates for the program
- Constructability analyses
- Refinement of project schedule and risk and value analysis
- Development of construction logistics plan