

Office of the President

TO MEMBERS OF THE FINANCE AND CAPITAL STRATEGIES COMMITTEE

ACTION ITEM - CONSENT

For Meeting of September 18, 2024

LA JOLLA OUTPATIENT PAVILION, SAN DIEGO CAMPUS: PRELIMINARY PLANS FUNDING

EXECUTIVE SUMMARY

The San Diego campus proposes to construct a new La Jolla Outpatient Pavilion to provide approximately 180,000 gross square feet for outpatient and clinic space to meet increasing demand for outpatient services. This project would complement existing ambulatory facilities provided at Koman Outpatient Pavilion, which opened in 2018, and alleviate current constraints to provide services within a reasonable time. The proposed facility would serve as a platform to improve outpatient care delivery, containing disease-specific centers; ancillary, professional, and support services needed to treat specified conditions; and hospital-licensed services and programs to support the UC San Diego Health system.

The project would be located on a 3.25-acre site that is currently a surface parking lot near other outpatient facilities, such as Shiley Eye Institute, Moores Cancer Center, and the Koman Outpatient Pavilion.

The Regents Health Services Committee endorsed the proposed project at the August 2024 meeting. The Regents are now being asked to approve preliminary plans funding of \$30 million, to be funded from hospital reserves. The campus plans to request approval of budget, external financing, and design following action pursuant to California Environmental Quality Act in November 2025. The campus anticipates delivery of the project in 2028.

RECOMMENDATION

The President of the University recommends that the Finance and Capital Strategies Committee recommend that the Regents:

- A. Amend the 2024-25 Budget for Capital Improvements and the Capital Improvement Program to include:

San Diego: La Jolla Outpatient Pavilion – preliminary plans – \$30 million, to be funded from hospital reserves.

BACKGROUND

UC San Diego Health supports a two-campus strategy at the La Jolla and Hillcrest campuses, integrating clinical care, research, and teaching. The La Jolla campus's inpatient footprint consists of three facilities: Thornton Pavilion (opened in 1993), Sulpizio Cardiovascular Center (opened in 2011), and Jacobs Medical Center (opened in 2016) (collectively, herein, referred to as "La Jolla Medical Center"). These inpatient facilities are complemented by ambulatory care sites on the hospital campus, including Koman Outpatient Pavilion, Perlman Medical Offices, and specialty centers at Moores Cancer Center and Shiley Eye Institute.

La Jolla Medical Center is renowned for its specialized tertiary and quaternary care, which attracts patients nationally and internationally. Patient demand for inpatient and outpatient services on the La Jolla campus has been increasing, and many clinical areas are at or near capacity with limited ability to accommodate additional volume. UC San Diego Health is contemplating a new tower project to add inpatient beds to resolve its current bed deficit, address its undersized emergency department, and enable growth in its destination programs. With this, incremental ambulatory assets on the La Jolla campus are needed to support the anticipated increase in patient volume.

Specialty care clinic visits on the La Jolla campus exceed 500,000 annually. Wait times for appointments are higher than targeted benchmarks for existing patients, and accommodating new patient volume is challenging. Cancer services, a cornerstone of UC San Diego Health, are operating at over 100 percent utilization in infusion therapy and radiation therapy, even with extended hours and days of operation. With thousands of cancer patients entering or looking to enter the system every year, capacity issues are hampering potential growth. Imaging services are also strained, with select outpatient modalities in Koman Outpatient Pavilion running a round-the-clock operation to keep up with demand. While effective in the short-term for accommodating patient volume, this operating model is not sustainable in the long term.

La Jolla Outpatient Pavilion

UC San Diego Health proposes a project to construct a new outpatient pavilion on the La Jolla campus to complement existing ambulatory facilities, and to alleviate current constraints and better position the health system for future growth. While inpatient services remain crucial for acute and complex medical conditions, the shift towards outpatient services requires a commensurate, if not greater focus on adding outpatient capacity as inpatient volume grows. With the proposed outpatient pavilion, UC San Diego Health is looking to focus the facility on select destination programs and develop an outpatient center that would provide a one-stop location for patients to access most services needed or related to their health condition.

Aggregating these services in a single facility will encourage cross-disciplinary collaboration and innovation. The space made free in current La Jolla ambulatory facilities will allow for the expansion of other critical services that are expected to be financially accretive to the health system. Accommodation of these services will require alteration and upgrading of the current facilities. This process will be a separate construction project.

Project Goals

In 2023, a master planning process was initiated to develop the clinical program for UC San Diego Health's La Jolla campus outpatient pavilion. As part of this process, guiding principles for the clinical program planning and site selection were developed and include:

- Position the outpatient pavilion as the “home” for one or two destination service lines, with flexibility to bring in additional specialties to ensure the facility is full.
- Build a portfolio of services that alleviates current capacity constraints, enables future growth, and that maximizes return on investment for the system.
- Optimize the utilization of existing ambulatory assets/modalities on-campus before committing to adding new units to the outpatient pavilion.
- Select the site of the new ambulatory building in a manner that minimizes capital cost and disruption to existing services.

In the future architectural phase, additional guiding principles will be developed related to the design and construction of the outpatient facility.

PROJECT DESCRIPTION

The proposed project would construct a new Outpatient Pavilion of approximately 180,000 gross square feet to accommodate hospital-licensed services and programs to support the La Jolla campus's existing and anticipated expanded inpatient hospital. The preliminary program for the new outpatient pavilion is described below. Final composition of services in the proposed facility will be defined during the development of a detailed project program.

Preliminary Program

- Musculoskeletal, Spine, and Neurosciences Institute: centralized location for all required outpatient services related to orthopedic, spine, and neurological conditions to streamline the patient experience and better support the team-based care model. Includes consultation and treatment, rehabilitation services, diagnostics, and possibly targeted research space and conference/education/office space.
- Perioperative platform: at least six outpatient operating and procedural rooms, pre-operative and post-anesthesia care units, and central sterile processing.
- Infusion: non-oncology infusion to support growing need and use of infusion therapies for neurological and other conditions.
- Radiology: outpatient imaging including general radiology (x-ray), ultrasound, magnetic resonance imaging, computerized tomography, and positron emission tomography.

- Building support: materials management, storage, receiving, and housekeeping.

Secondary Space Effects

With the opening of the proposed outpatient pavilion, approximately 35,000 gross square feet of clinical services and programs in the Koman Outpatient Pavilion would relocate to the new facility. The vacated space in the Koman Outpatient Pavilion would be repurposed under a separate project, including the conversion of existing spaces and the building of additional oncology infusion treatment bays/rooms. As noted, La Jolla campus-based infusion services are currently operating at over 100 percent utilization, and more chairs are required to support current and future patient demand. Expanded oncology infusion will also complement the existing breast health/breast cancer infusion program within the Koman Outpatient Pavilion.

Project Site

The proposed new Outpatient Pavilion would be located on surface parking lot P760, currently containing approximately 170 parking spaces. The site is east of Campus Point Drive, north of Medical Center Drive and the Shiley Eye Institute, and west of the East Campus Central Plant (see Attachment 3, La Jolla Project Site Map). The approximately 3.25-acre site gradually slopes down from the north to the south.

Access to the site would be from Medical Center Drive, utilizing a future planned signalized intersection that is part of the separate East Campus Loop Road circulation improvements (currently in construction) that extend from Regents Road to Jacobs Medical Center.

The UC San Diego Health La Jolla Trolley Station will be a five-minute walk to the proposed Outpatient Pavilion. Parking would be accommodated by the adjacent surface parking lot and nearby parking structures, including Campus Point Parking Structures and Athena Parking Structure. In addition, the campus is evaluating the need for a new parking structure to address the ongoing displacement of surface parking lots to accommodate projects and to address additional parking demand resulting from the proposed project and planned future UCSD Health projects in the La Jolla Medical Campus. Specific parking distribution in the area will be evaluated as part of the proposed project.

Funding Plan

The preliminary plans funding of \$30 million, to be funded from hospital reserves, would support executive architect fees, scope refinement, preliminary design, site studies, California Environmental Quality Act (CEQA) analysis, and project cost estimating. See also Attachment 1, Preliminary Plans Budget.

As of June 30, 2023, UC San Diego Medical Center has a 7.1 percent operating margin, 4.5x debt service coverage, and 53 days' cash on hand, excluding the non-cash pension and other post-employment benefit (OPEB) items, which is allowed by the University's Debt Policy. Over a ten-

year projection period, minimum operating margin is projected to be 9.9 percent and debt service coverage is projected to be 6.0x, which meet the requirements of the University's Debt Policy. Days' cash on hand is projected to range from a low of 45 days to a high of 71 days, which does not meet the requirement of the University's Debt Policy, which ranges from 80 to 90 days during the projection period.

Project Delivery Model and Schedule

The campus intends to utilize the Integrated Construction Manager/General Contractor (iCM/GC) delivery method. The iCM/GC delivery 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 fine-tune subtrade construction costs to fit the overall project construction budget. Engaging a contractor early in the process will provide the necessary expertise to develop a solid management plan that will minimize disruptions and assure that the Medical Center patients and staff are fully informed and confident in the path forward.

The campus plans to request approval of budget, external financing, and design following action pursuant to the California Environmental Quality Act in November 2025. Anticipated delivery of the project would be in 2028.

Operational Carbon and Energy Assessment (OCEAN) Tool

This project has been analyzed by the UC Operational Carbon and Energy Assessment for New Construction (OCEAN) Tool and results are provided as Attachment 4. 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.

CONSISTENCY WITH SELECT UC POLICIES AND PRACTICE

See Attachment 5.

KEY TO ACRONYMS

CEQA	California Environmental Quality Act
DBE	Disadvantaged Business Enterprise
DVBE	Disabled Veteran Business Enterprise
iCM/GC	integrated Construction Manager/General Contractor
OCEAN	Operational Carbon and Energy Assessment for New Construction
SBE	Small Business Enterprise

ATTACHMENTS

Attachment 1:	Preliminary Plans Budget
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**FINANCE AND CAPITAL STRATEGIES -6-
COMMITTEE
September 18, 2024**

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Attachment 2:	Project Location Map
Attachment 3:	Project Site Map
Attachment 4:	OCEAN Tool Report
Attachment 5:	Statement of Consistency with Select UC Policies and Practice

PRELIMINARY PLANS BUDGET**LA JOLLA OUTPATIENT PAVILION**

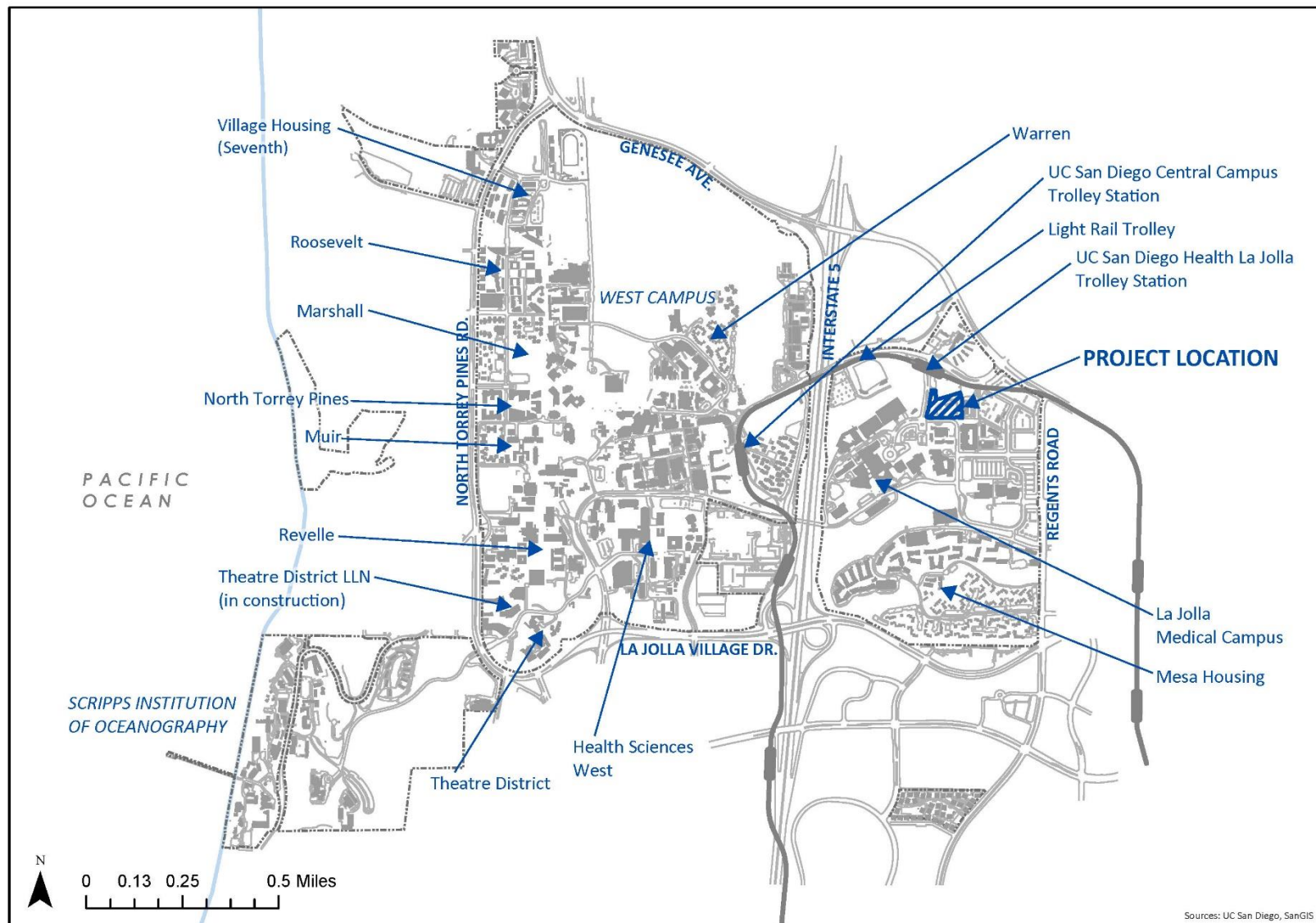
CATEGORY	AMOUNT	PERCENTAGE
Building ¹	\$8,100,000	27%
A & E Fees ²	\$15,000,000	50%
Campus Administration ³	\$3,000,000	10%
Surveys, Tests and Plans ⁴	\$2,400,000	8%
Special Items ⁵	\$1,500,000	5%
Total Preliminary Plans Budget	\$30,000,000	100%

Notes:

1. Construction team to provide pre-construction services, including estimating, constructability reviews, scheduling, site logistics, and coordination with adjacent major construction efforts by other teams. In addition, the contractor will also provide the procurement of design-assist and design build subcontractors to work and collaborate with the architect, engineers, and University throughout the design build process.
2. Includes fees, bonds, and insurance through the design development phase. The architecture and engineering team will provide full scope development for the project, site planning, schematic design, and design development documents.
3. Includes campus project management, campus planning, engineering, design review, code and fire life safety design reviews, contract administration, and general administration of the project.
4. Includes site surveying, geotechnical and soils testing, utility trenching as needed to complete due diligence, and any other necessary design phase testing.
5. Includes external consultants to support programming and early design milestones; as well as technical studies to support the preparation of the environmental document pursuant to the California Environmental Quality Act and peer reviews.

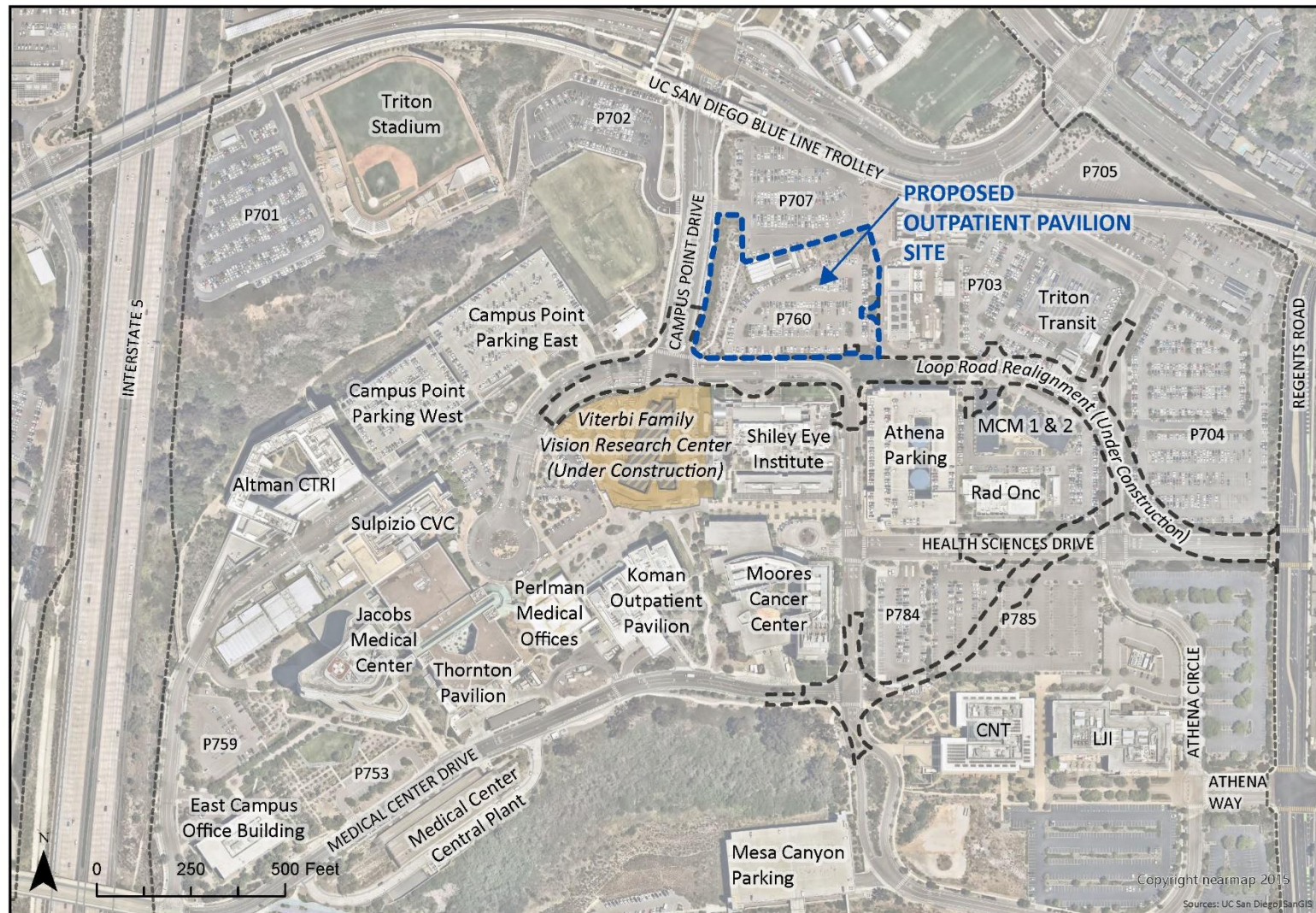
Activities in the preliminary plans phase would include the following:

1. Validation of detailed programming, development of design concept, massing and site studies, and schematic design and design development documents.
2. Selecting a general contractor team to provide pre-construction services, including estimating, constructability services, scheduling, and risk analysis. The contractor will also provide for the procurement of design-assist and design build subcontractors to work and collaborate with the architect and engineers throughout the design phases.
3. Completion of design-phase testing, including site investigation, soils testing for naturally occurring hazardous materials, and site borings for the building. By completing this investigative and testing work during the design phase, potential risks would be identified, and implementation measures would be defined to control costs later in the construction phase.



La Jolla Outpatient Pavilion
Project Location

Created 06/14/2024



La Jolla Outpatient Pavilion
Project Site

Created 06/27/2024

UC San Diego

STATEMENT OF CONSISTENCY WITH SELECT UC POLICIES AND PRACTICE

The project is consistent with selected UC Policies and Practice:

Sustainable Practices Policy

This project will comply with the University of California Sustainable Practices Policy. 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 is included in the budgeting, programming, and design effort for the project.

Small Business Enterprises (SBEs) and Disabled Veteran Business Enterprises (DVBES)

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.

Seismic Safety

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