


Capital Asset Realignment for Enhanced Services (CARES)

Livermore Division of the VA
Palo Alto Health Care System

Local Advisory Panel
Public Meeting Presentation

February 9, 2007





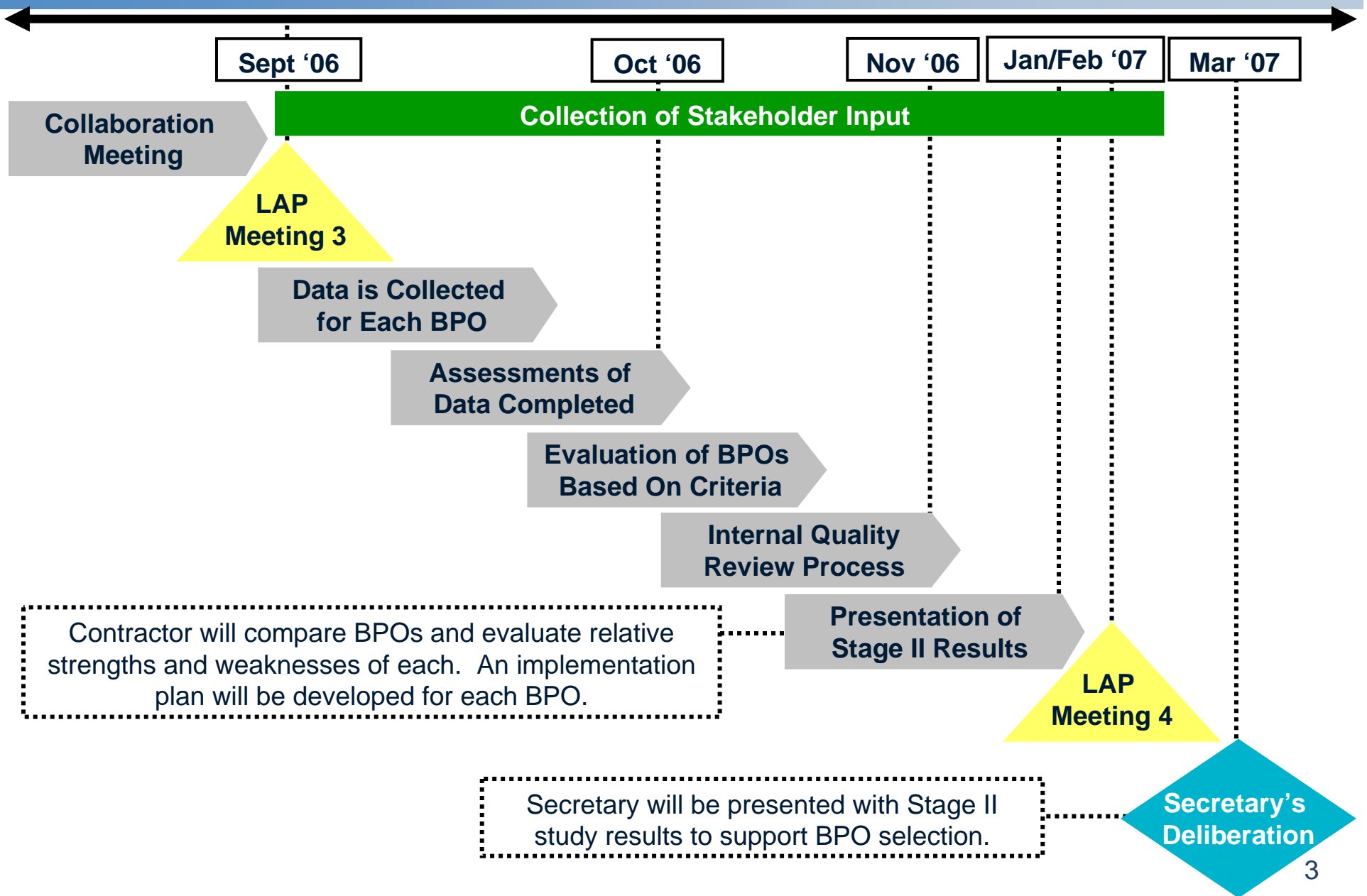
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Local Advisory Panel (LAP) Meeting 4 Objectives

- Communicate Contractor Stage II study results
- Present Contractor evaluation of strengths and weaknesses for each Business Plan Option (BPO)
- Obtain feedback from the LAP and stakeholders regarding the study findings

Stage II Study Process

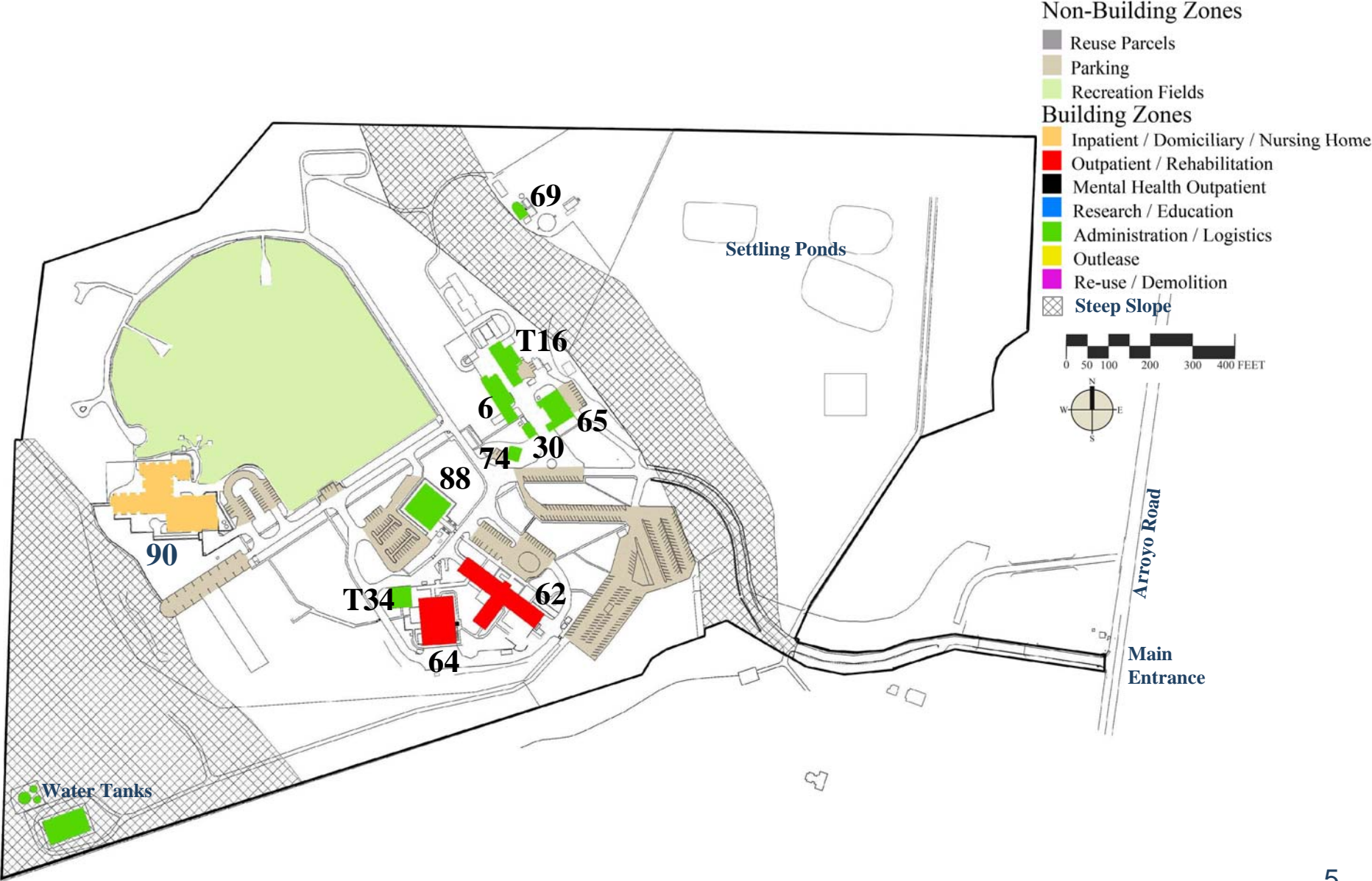


Facility Highlights

- Livermore Division (LVD) is located just south of the City of Livermore, California, within 45 miles of San Francisco and 30 miles of Oakland.
- LVD is an affiliate of the VA Palo Alto Health Care System (VAPAHCS) in VISN 21.
- The LVD campus sits on 112 acres and consists of 12 structures ranging in age from 15 - 81 years old.
- There are no officially listed historical buildings or parcels on the campus, yet some buildings are over 55 years old and are therefore historically eligible.
- The local Livermore economy is healthy, with low unemployment and steady population growth.



Current State Site Map

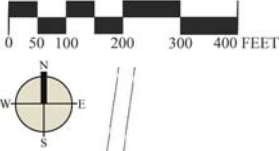


Non-Building Zones

- Reuse Parcels
- Parking
- Recreation Fields

Building Zones

- Inpatient / Domiciliary / Nursing Home
- Outpatient / Rehabilitation
- Mental Health Outpatient
- Research / Education
- Administration / Logistics
- Outlease
- Re-use / Demolition
- Steep Slope



Background - 2004 Secretary's Decision Document

- VA will realign the Livermore campus to improve access to and quality of patient care by moving services closer to where patients live and by co-locating care. The realignment will include transfer of outpatient care to an expanded Central Valley clinic and to a new East Bay clinic. The realignment also will move low-volume specialty services currently provided at Livermore to the Palo Alto VAMC where they will be co-located at a tertiary care facility.
- VA will maintain access to services locally by retaining a Nursing Home presence in Livermore through construction of a new facility.
- Execute a careful study of the appropriate size and location of the new nursing home to include a cost-effectiveness analysis to ensure maximum effective use of VA resources.

Key Drivers Considered in Developing and Assessing Each BPO

- VA decision to maintain the 120-bed Nursing Home Care Unit (NHCU) over the forecast period.
- Access to healthcare could potentially be improved by offering VA services closer to where veterans live.
- Significant vacant space will be created at the Livermore Division as a result of the Secretary's decision to relocate outpatient healthcare services.
- Indication of significant reuse potential for unused buildings and land that could be used to offset the cost of renovations or new construction.

BPOs Selected for Further Study by the Secretary for Stage II

BPO 1	Baseline
BPO 2	Build New Stand-Alone Nursing Home on Livermore Campus; Reuse of Selected Site Parcels
BPO 4	Build New Nursing Home in Central Valley Co-located with a CBOC; Reuse of Selected Site Parcels
BPO 8	Renovate and Expand the Current, Stand-Alone Nursing Home on Livermore Campus; Reuse of Selected Site Parcels

Stage II Evaluation Criteria

Evaluation Criteria	
Capital Planning <ul style="list-style-type: none">• Timeliness of completion• Timeliness of urgent corrections• Consolidation of underutilized space• Consolidation of vacant space	Use of VA Resources <ul style="list-style-type: none">• Total operating costs• Total capital investment costs• Net present cost• Total considerations• Total annual savings
Reuse <ul style="list-style-type: none">• Market potential for reuse• Financial• VA mission enhancement• Execution risk	Ease of Implementation <ul style="list-style-type: none">• Reuse considerations• Capital planning considerations
Quality <ul style="list-style-type: none">• Current quality levels maintained or enhanced across all BPOs	

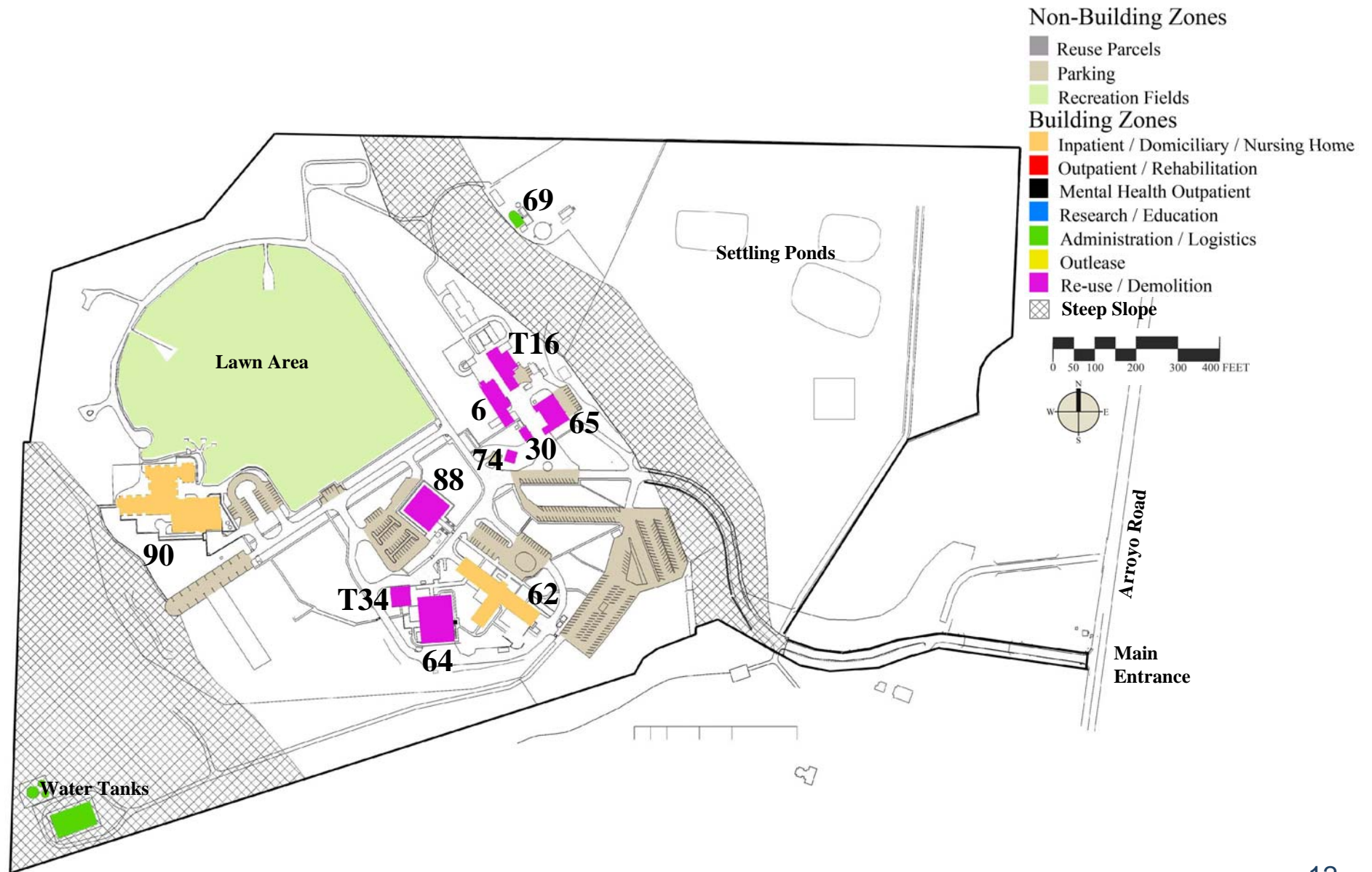
Analysis of BPOs



BPO 1: Baseline

- Current state without any changes to facilities or programs (except as indicated in the Secretary's Decision).
- Conduct maintenance and upgrades necessary to provide a modern, safe, and secure environment for healthcare that is consistent with current VA NHCU guidelines and applicable building and safety codes.
- Inpatient nursing home care will be located in Buildings 62 and 90, and support functions will be located in Building 62.
- While there may be reuse potential of underutilized land and vacant buildings, reuse was not studied under this Baseline BPO.

BPO 1: Baseline



BPO 1: Highlights

- Financial Analysis:

BPO 1 Costs:	2003 Net Present Dollars (\$000) (Reflects 30-year period 2003-2033)
Total Recurring Operating Costs	\$648,649
Non-Recurring Capital Investment*	\$64,347
Non-Recurring Periodic Maintenance	\$6,266
Total Net Present Costs**	\$719,262

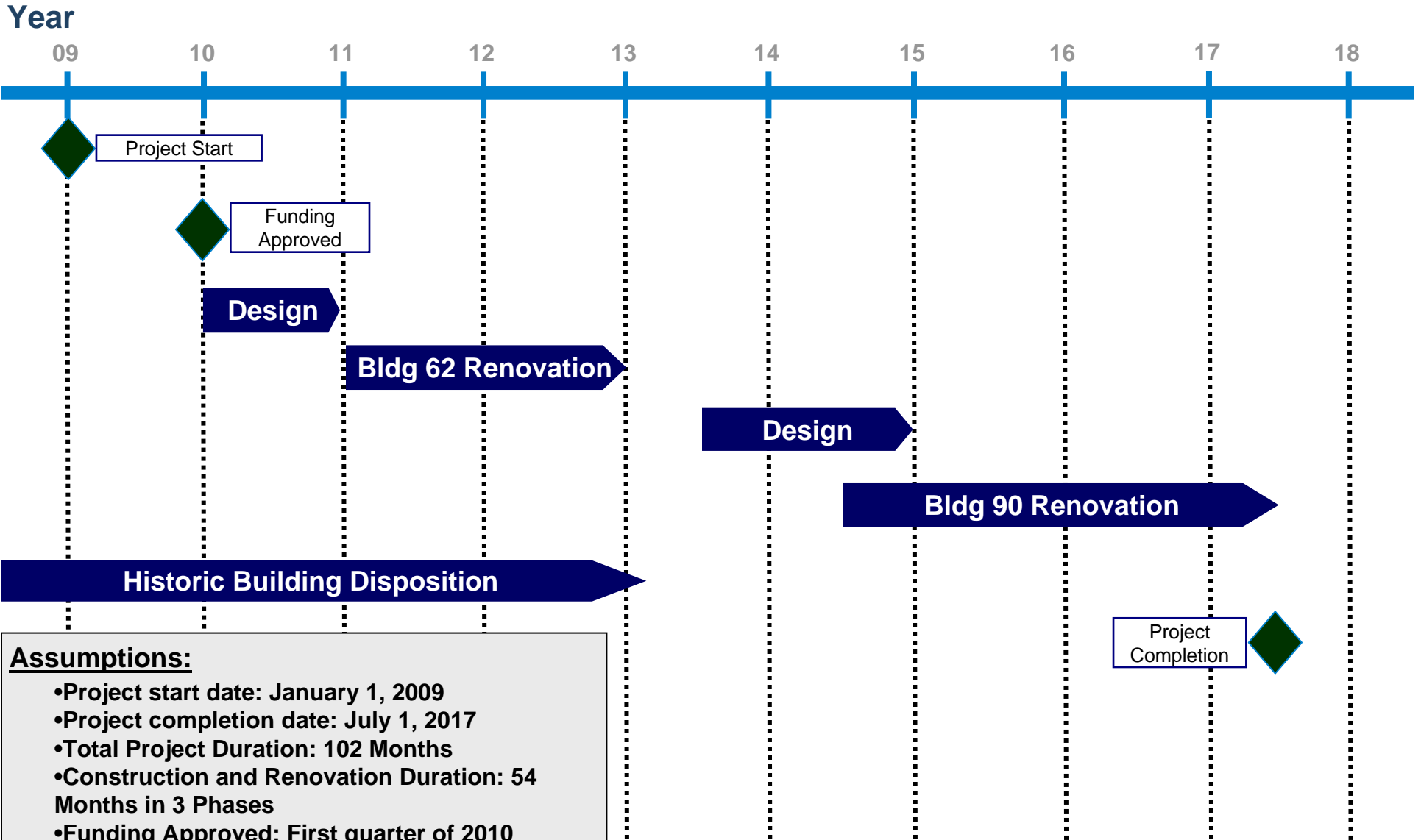
- Capital Analysis:

- Total campus building area -144,944 BGSF
- Total campus area - 112 Acres
- Projected vacant space - 37,919 BGSF
- Projected underutilized space - 7,273 BGSF

*The financial analysis makes the assumption that there is no reuse revenue in BPO 1.

****The Net Present Cost (NPC)** is the sum of the annual discounted expense for each BPO over the 30 year study period. Discounting allows the NPC for each BPO to be compared to the other BPOs for the study site. The NPC is the sum of the operating costs, the capital costs (both capital investments and periodic maintenance/replacement costs), and the considerations in discounted dollars.

BPO 1: Project Timeline



Assumptions:

- Project start date: January 1, 2009
- Project completion date: July 1, 2017
- Total Project Duration: 102 Months
- Construction and Renovation Duration: 54 Months in 3 Phases
- Funding Approved: First quarter of 2010
- Demo/renovation is conducted in phases
- Nursing Home contained within B62 and B90

BPO 1: Stakeholder and LAP Input

- **Stakeholder Input:**

- Many stakeholders support BPO 1, valuing the scenic quality of the current campus and desiring to maintain the current state.

- **Comment Forms Results:**

- **LAP 3:** The fewest stakeholders expressed concerns regarding BPO 1 (23 comment forms received)

- **LAP Input:**

- The LAP expressed concerns with BPO 1 regarding continuity of care and operating efficiency issues.

- Some members of the LAP voiced advantages of BPO 1.

- At LAP 2 the LAP voted (5-0) unanimously against BPO 1.

- **Implementation Considerations:**

- **For all BPOs:** Use of land and facilities should align as closely as possible with the VA mission.

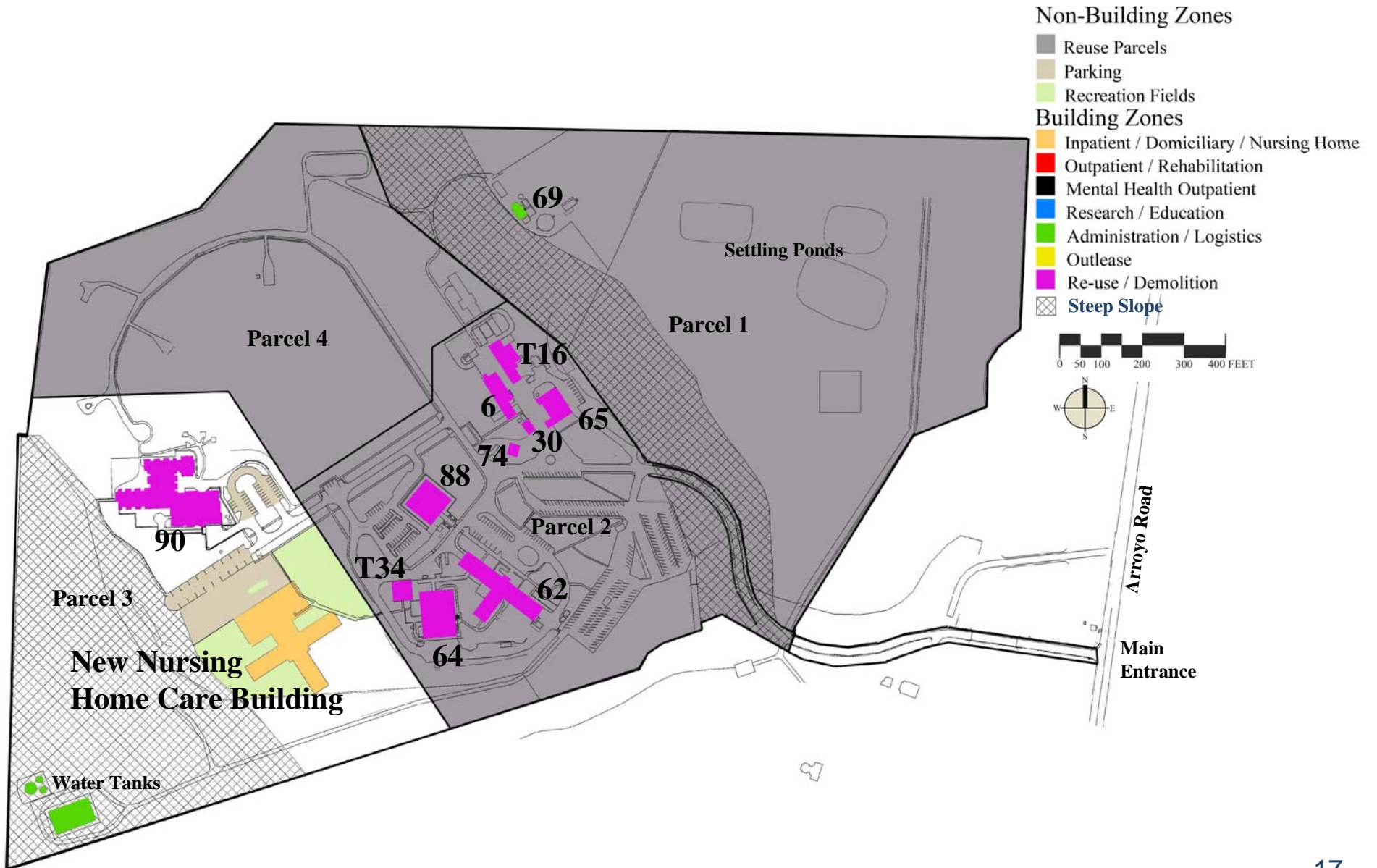
- Phased renovations could affect continuity of care.

- In BPO 1, the NHCU remains on the Livermore campus without benefit of co-location with VA outpatient services.

BPO 2: Build New Stand-Alone Nursing Home on Livermore Campus

- NHCU services will remain on the LVD campus in a new stand-alone NHCU building on the upper portion of the LVD campus on Parcel 3; ambulatory care and specialty care services are relocated off LVD campus to VAMC Palo Alto and regional CBOCs.
- New clinical care facilities will have several benefits for patients and staff: larger, more private patient rooms with own bathrooms; more and larger treatment, therapy and support spaces; improved patient entries, walkways, hallways, and parking; and clinical support functions located to patient care areas.
- All NHCU support functions will be integrated into the new NHCU structure.
- Parcels 1, 2 and 4 will be available for reuse/redevelopment.

BPO 2: Build New Stand-Alone Nursing Home on Livermore Campus



BPO 2: Highlights

- Financial Analysis:

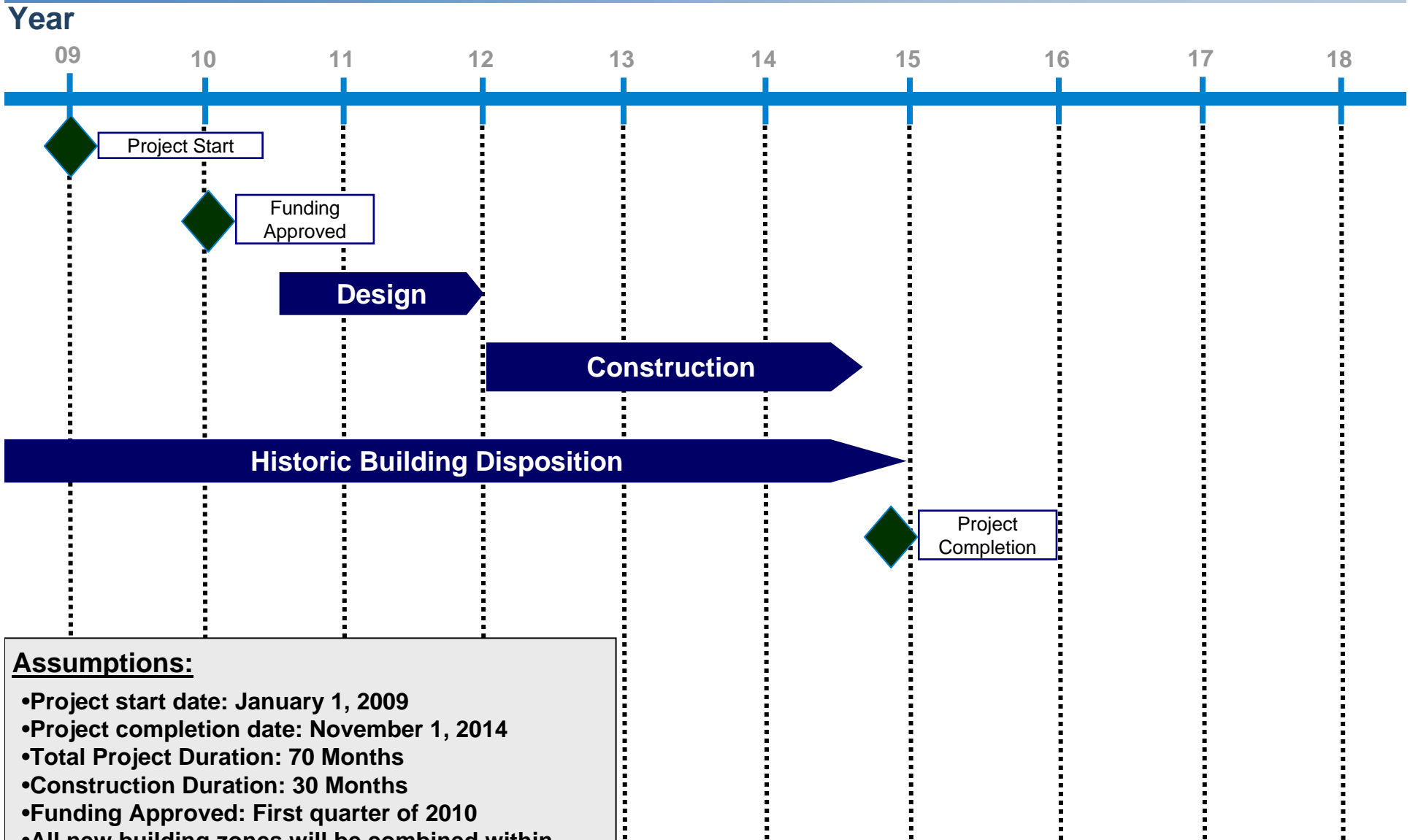
BPO 2 Costs:	2003 Net Present Dollars (\$000) (Reflects 30-year period 2003-2033)
Total Recurring Operating Costs	\$593,643
Non-Recurring Capital Investment Offset by Reuse	\$67,534
Non-Recurring Periodic Maintenance	\$2,060
Total Net Present Costs*	\$663,237
Operating Cost Efficiencies Compared to BPO 1	\$55,006

- Capital Analysis:

- Total campus building area need - 89,752 BGSF
- Total campus area - 30 Acres
- No projected vacant space
- No projected underutilized space

*The Net Present Cost (NPC) is the sum of the annual discounted expense for each BPO over the 30 year study period. Discounting allows the NPC for each BPO to be compared to the other BPOs for the study site. The NPC is the sum of the operating costs, the capital costs (both capital investments and periodic maintenance/replacement costs), and the considerations in discounted dollars.

BPO 2: Project Timeline



Assumptions:

- Project start date: January 1, 2009
- Project completion date: November 1, 2014
- Total Project Duration: 70 Months
- Construction Duration: 30 Months
- Funding Approved: First quarter of 2010
- All new building zones will be combined within one structure

BPO 2: Stakeholder and LAP Input

- **Stakeholder Input:**

- Many stakeholders support BPO 2, valuing the scenic quality of the current campus and desiring to keep the NHCU on-site.

- **Comment Forms Results:**

- **LAP 3:** The second highest number of stakeholders expressed concerns about BPO 2 (23 comment forms received).

- **LAP Input:**

- The LAP expressed concerns with BPO 2 regarding implications of a stand-alone NHCU.
- BPO 2 is preferred of all the BPOs that keep the NHCU on-site.
- At LAP 2 the LAP voted 4-1 against BPO 2.

- **Implementation Considerations:**

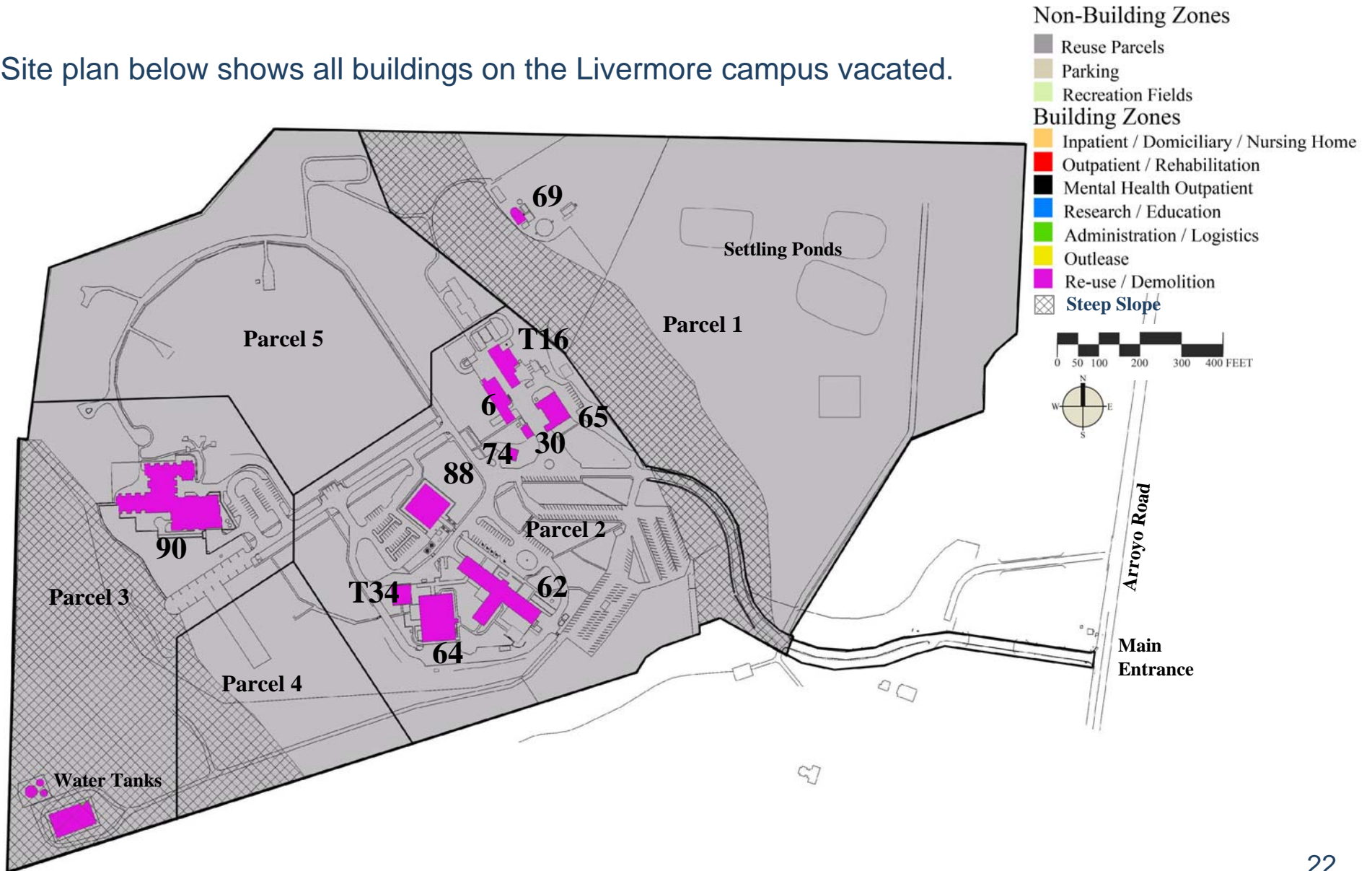
- In BPO 2, the NHCU remains on the Livermore campus without benefit of co-location with VA outpatient services.

BPO 4: Build New Nursing Home in Central Valley and Co-locate with a CBOC

- Relocates NHCU to a new site, co-located with ambulatory care services of expanded Central Valley CBOC.
- New clinical care facilities will have several benefits for patients and staff: larger, more private patient rooms with own bathrooms; more and larger treatment, therapy and support spaces; improved patient entries, walkways, hallways, and parking; and clinical support functions located to patient care areas.
- Additionally, co-location with a CBOC benefits patients through providing ambulatory services; specifically primary care and behavioral health.
- Parking will be available at the new site.
- Entire Livermore campus is available for reuse/redevelopment.

BPO 4: Build New Nursing Home in Central Valley and Co-locate with a CBOC

Site plan below shows all buildings on the Livermore campus vacated.



BPO 4: Highlights

- Financial Analysis:

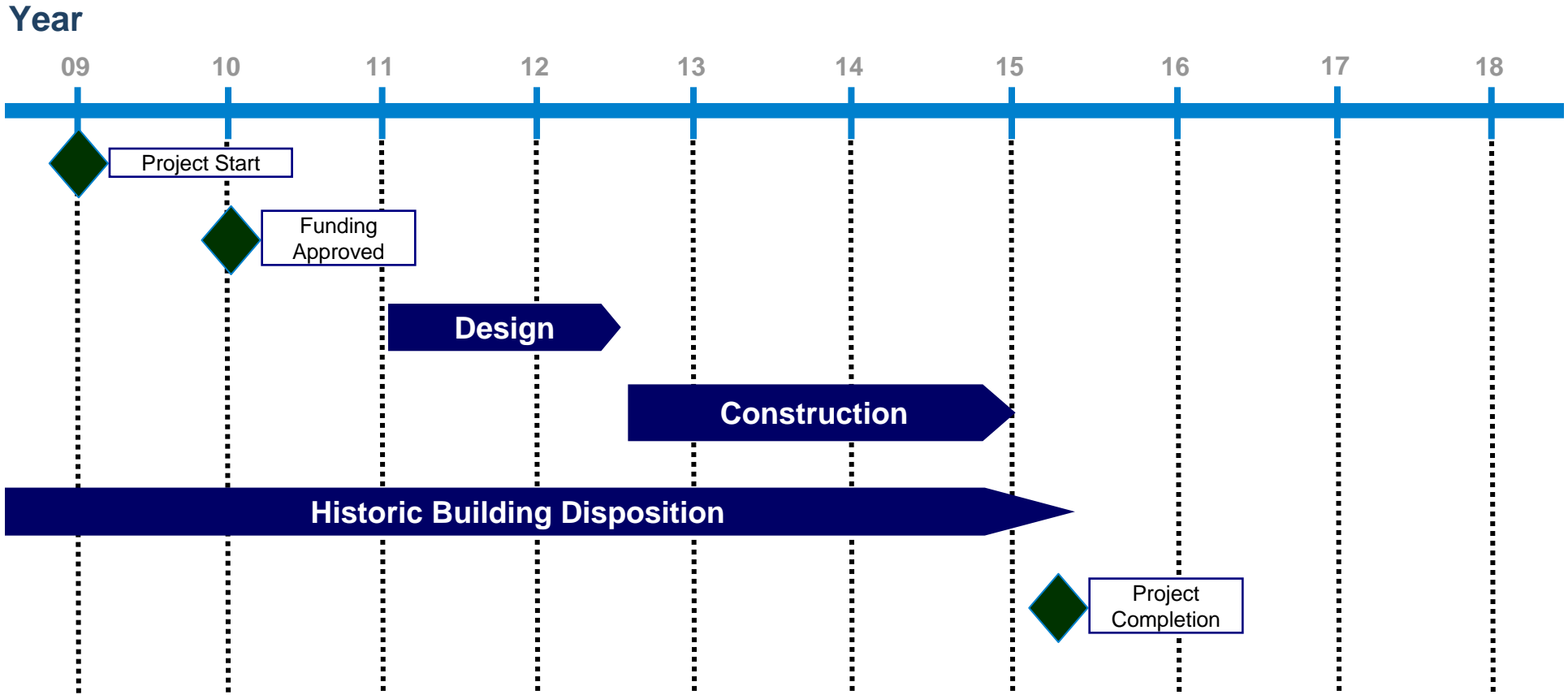
BPO 4 Costs:	2003 Net Present Dollars (\$000) (Reflects 30-year period 2003-2033)
Total Recurring Operating Costs	\$591,443
Non-Recurring Capital Investment Offset by Reuse	\$64,143
Non-Recurring Periodic Maintenance	\$2,060
Total Net Present Costs*	\$657,646
Operating Cost Efficiencies Compared to BPO 1	\$57,206

- Capital Analysis:

- Total campus building area need - 89,752 BGSF
- Total campus area - 3.5 Acres
- No projected vacant space
- No projected underutilized space

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BPO 4: Project Timeline



Assumptions:

- Project start date: January 1, 2009
- Project completion date: May 1, 2015
- Total Project Duration: 76 Months
- Construction Duration: 30 Months
- Land Acquisition: 12 Months
- Funding Approved: First quarter of 2010
- All new building zones will be combined within one structure

BPO 4: Stakeholder and LAP Input

- **Stakeholder Input:**

- Many stakeholders support BPO 4 as it relocates the NHCU to the Central Valley. Overall, stakeholders providing testimony at both meetings gave mixed responses regarding BPO 4.

- **Comment Forms Results:**

- **LAP 3:** The highest number of stakeholders expressed concerns about BPO 4 (23 comment forms received).

- **LAP Input:**

- The LAP discussed positive attributes of BPO 4 including the opportunity to co-locate the NHCU with outpatient services.

- At LAP 2 the LAP voted unanimously to support BPO 4.

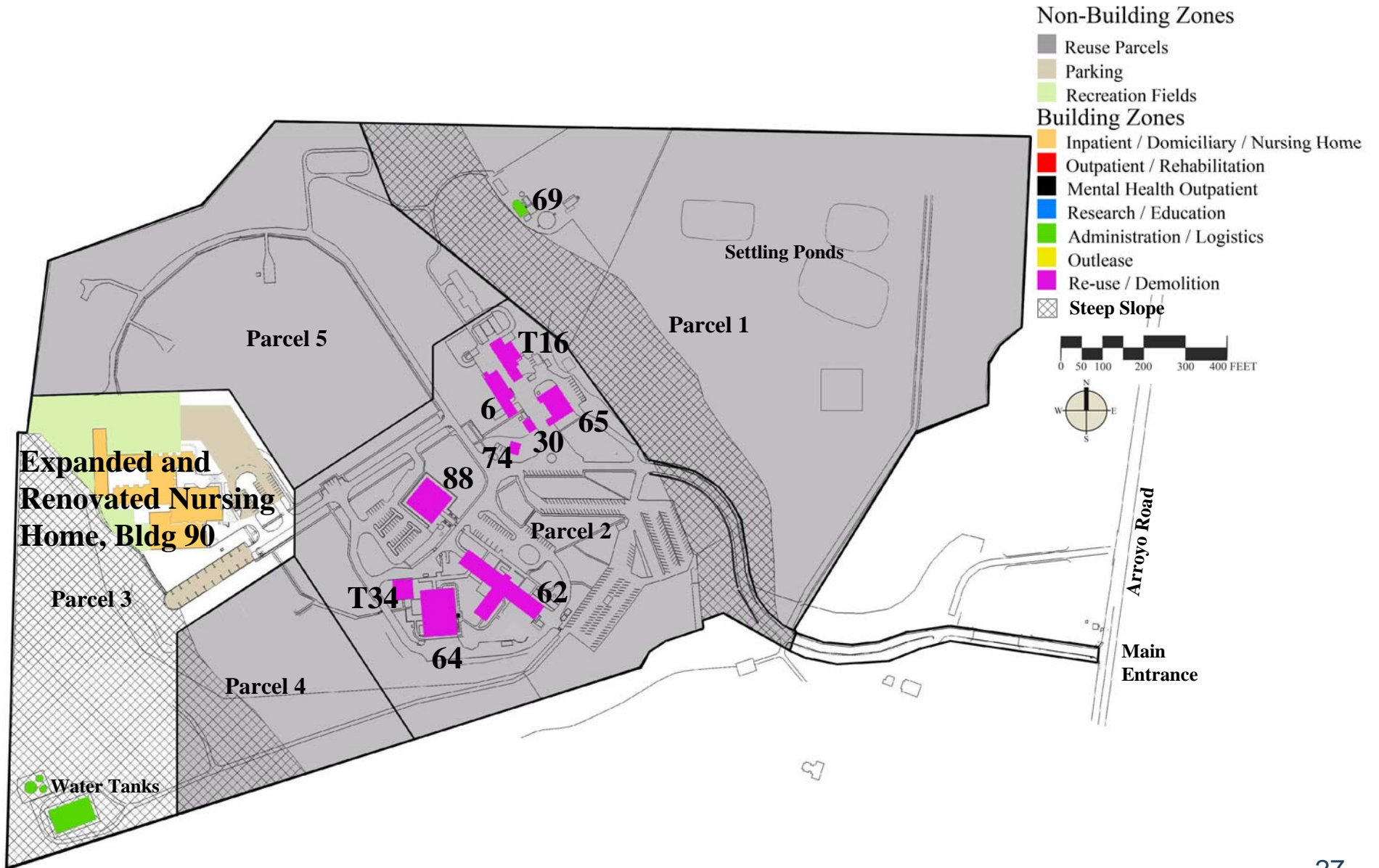
- **Implementation Considerations:**

- In BPO 4, travel time could be affected for veterans residing in the East Bay and Livermore; conversely, access by high-density veteran population centers in Central Valley is enhanced.

BPO 8: Renovate and Expand the Current Stand-Alone Nursing Home on Livermore Campus

- Renovate and expand the existing NHCU on Parcel 3; ambulatory and specialty care relocates to VAMC Palo Alto and regional CBOCs.
- New clinical care facilities will have several benefits for patients and staff: larger, more private patient rooms with own bathrooms; more and larger treatment, therapy and support spaces; improved patient entries, walkways, hallways, and parking; and clinical support functions located to patient care areas.
- All NHCU support functions will be integrated into the NHCU structure.
- Parcels 1, 2, 4 and 5 will be available for reuse/ redevelopment.

BPO 8: Renovate and Expand the Current Stand-Alone Nursing Home on Livermore Campus



BPO 8: Highlights

- Financial Analysis:

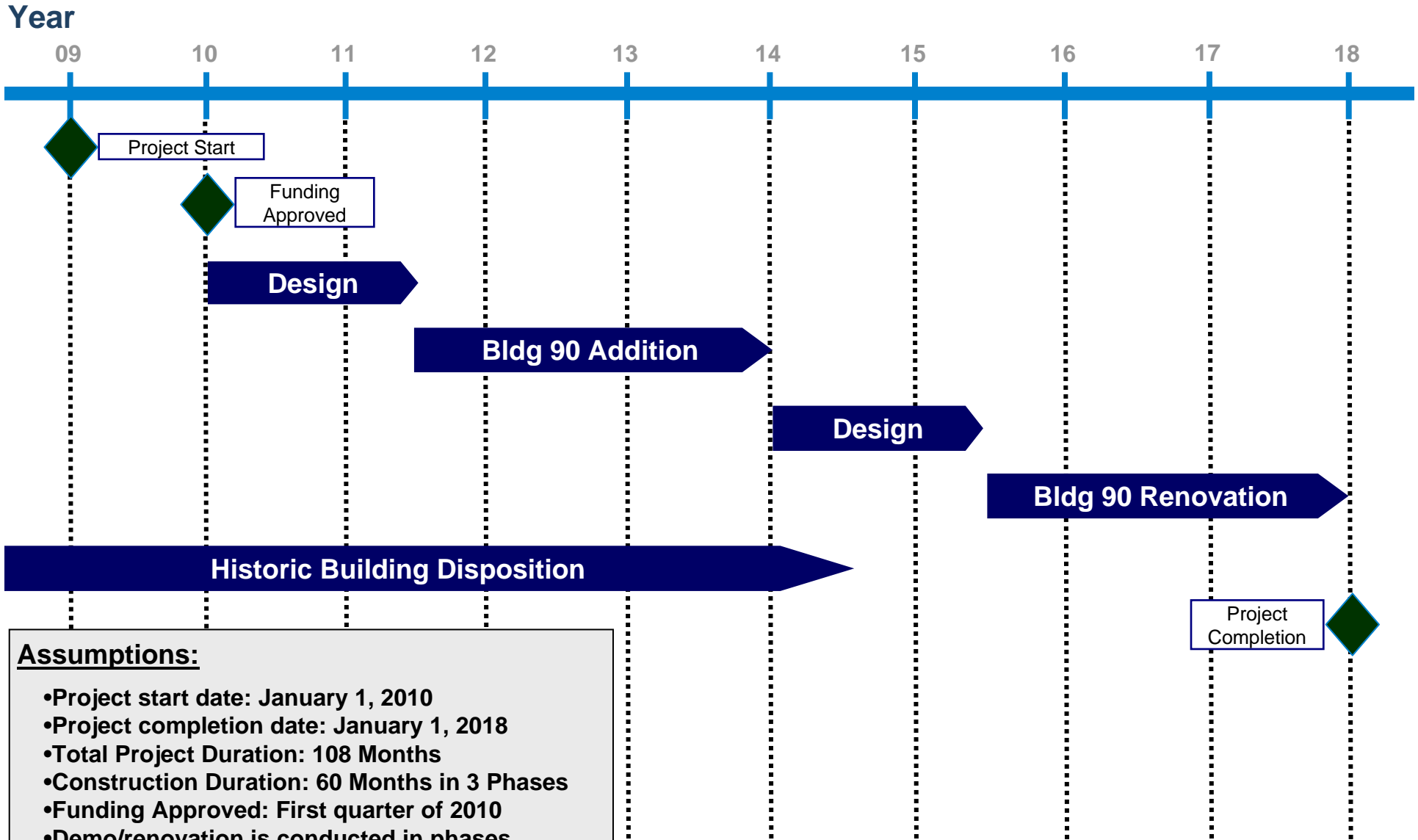
BPO 8 Costs:	2003 Net Present Dollars (\$000) (Reflects 30-year period 2003-2033)
Total Recurring Operating Costs	\$622,296
Non-Recurring Capital Investment Offset by Reuse	\$61,678
Non-Recurring Periodic Maintenance	\$2,114
Total Net Present Costs*	\$686,088
Operating Cost Efficiencies Compared to BPO 1	\$26,353

- Capital Analysis:

- Total campus building area need - 92,674 BGSF
- Total campus area - 20 Acres
- No projected vacant space
- Projected underutilized space - 2,922 BGSF

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BPO 8: Project Timeline



Assumptions:

- Project start date: January 1, 2010
- Project completion date: January 1, 2018
- Total Project Duration: 108 Months
- Construction Duration: 60 Months in 3 Phases
- Funding Approved: First quarter of 2010
- Demo/renovation is conducted in phases
- Nursing Home will be combined within one structure

BPO 8: Stakeholder and LAP Input

- **Stakeholder Input:**

- Many stakeholders support this BPO, valuing the scenic quality of the current campus with enhancements to the facility's current state.

- **Comment Forms Results:**

- **LAP 3:** Other than BPO 1, the fewest stakeholders expressed concerns about BPO 8 (23 comment forms received).

- **LAP Input:**

- The LAP expressed concerns with BPO 8 regarding continuity of care and operating efficiency issues.

- **Implementation Considerations:**

- Phased renovations could affect continuity of care.

- In BPO 8, the NHCU remains on the Livermore campus without benefit of co-location with other VA services.

Capital Planning BPO Comparison Assessment

Evaluation Criteria	BPO 1: Baseline	BPO 2: Build New Stand-Alone Nursing Home on Livermore Campus	BPO 4: Build New Nursing Home in Central Valley and Co-locate with a CBOC	BPO 8: Renovate and Expand the Current Stand-Alone Nursing Home on Livermore Campus
Total Duration	102 months	70 months	76 months	108 months
Construction/ Renovation Duration	54 months	30 months	30 months	60 months
Underutilized space	33.5%	0%	0%	3.5%
Change in vacant space	560% increase	100% decrease	100% decrease	100% decrease

Financial Analysis BPO Comparison Assessment

BPO Comparison 2003 Net Present Dollars (\$000) Reflects 30 year period 2003- 2033				
	BPO 1 Baseline	BPO 2 Build New Nursing Home on Livermore Campus	BPO 4 Build New Stand-Alone Nursing Home in Central Valley and Co- locate with a CBOC	BPO 8 Renovate and Expand the Current Stand- Alone Nursing Home on Livermore Campus
Recurring Operating Cost	\$ 648,649	\$ 593,643	\$ 591,443	\$ 622,296
Non-recurring Capital Investment Offset by Reuse	\$ 64,347*	\$ 67,534	\$ 64,143	\$ 61,678
Non-recurring Periodic Maintenance	\$ 6,266	\$ 2,060	\$ 2,060	\$ 2,114
Total Net Present Cost**	\$ 719,262	\$ 663,237	\$ 657,646	\$ 686,088
Operating Cost Efficiencies Compared to BPO 1	N/A	\$ 55,006	\$ 57,206	\$ 26,353
Total NPC Savings As Compared to BPO 1	N/A	\$ 49,359	\$ 61,616	\$ 33,174

* The financial analysis makes the assumption that there is no reuse revenue in BPO 1.

** (see definition on previous slides.)

Discussion on Reuse



What is the Enhanced-Use Leasing Program?

EUL Program, more commonly called Reuse, refers to legislative authority that allows VA to:

- Lease underutilized land or buildings on VA medical campuses...
- To a preferred developer who has been selected in an open competition...
- Through a long-term lease...
- In exchange for cash, goods or in-kind services that support or benefit veterans.

Goals of the Enhanced-Use Leasing Program

EUL Program looks to ensure that the Master Planning of any site considers reuse plans that:

- Enhance the Department's mission
- Are compatible with the fabric of existing neighborhoods
- Maintain the historical, aesthetic and cultural values of the site
- Preserve a number of the existing buildings, wherever feasible

CARES and the Enhanced-Use Leasing Program

CARES studied the healthcare needs to configure an appropriately sized medical facility through renovation or new construction

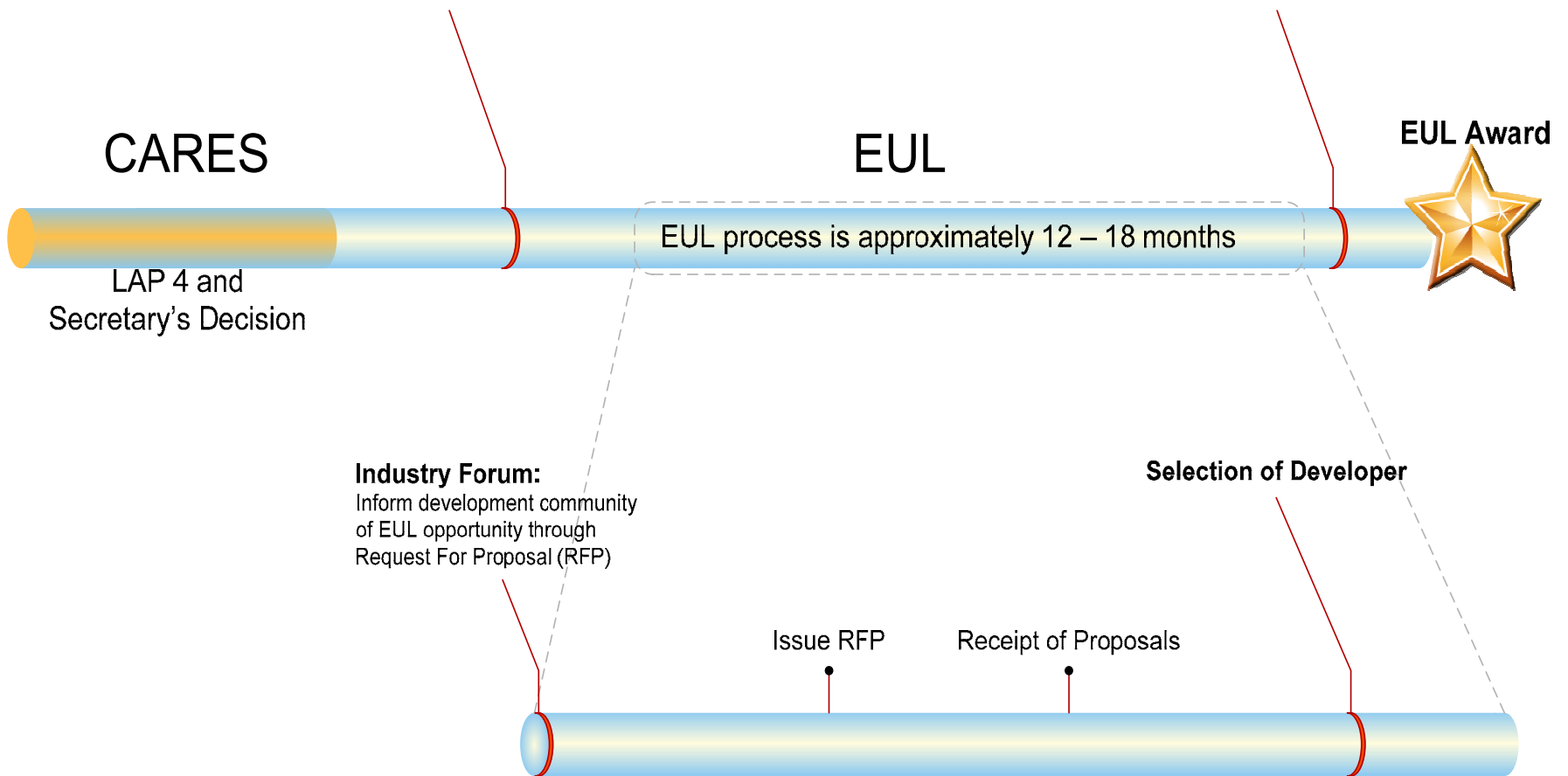
CARES results identified:

- anticipated capital requirements; and
- underutilized buildings or land potentially available for the Enhanced-Use Leasing Program

Overview: Enhanced-Use Leasing Program

EUL Public Hearing:
Notice to Veterans Service
Organizations and Community
of VA's intent to begin EUL process

EUL Announcement:
Notice to Congress and
Public Announcement of EUL



Veterans Benefits & the Enhanced-Use Leasing Program

Annual Revenues to VA for Ground Lease of Property

- EUL Revenues go towards offsetting capital needs for construction and delivery of veterans health care services

In-Kind Consideration

- Exchange of renovation or construction of the new medical facility or outpatient clinic
- Other complementary services including senior housing or retirement community, medical offices, imaging centers or other clinical services, day care, retail, parking restaurants or community activity center

CARES Reuse Reports for Enhanced-Use Leasing

During CARES studies, OAEM conducted an extensive real estate market assessment to understand the feasibility of potential reuse under each selected BPO

Reuse Reports completed in Phases studied:

- Real Property and Environmental Baseline
- Initial Feasibility for Reuse
- Detailed Reuse/Redevelopment Analysis

At the end of CARES study, and once the capital planning for new construction is complete, EUL process begins

Reuse/Redevelopment at Livermore Campus

Site Characteristics Affecting All BPOs:

- Highly restrictive zoning limits development to those uses that support local agriculture/viticulture industry.
- Existing wastewater treatment facility consumes significant portion of the site.
- Any extension of the municipal infrastructure network would require a majority vote of the public.
- Rural character of campus limits market of reuse of property to destination development.

Reuse/Redevelopment at Livermore Campus

Use Analysis: Senior Housing

- Continuing Care Retirement Community with independent living, assisted living, Alzheimer's, skilled nursing, hospice
 - Creates most financial value
 - Complements the site's existing use if VA maintains a presence
 - May include veteran preference, priority placement and/or discounted rents
 - Could receive favorable community support
 - Market demographics exhibit strength for this development type
 - Does not create a strain on public infrastructure or perception of "sprawl"
 - Does not generate significant traffic or noise

Reuse/Redevelopment at Livermore Campus

Use Analysis: Destination Hospitality

- Examples: Destination Resort Spa and/or Conference Facility, Restaurant or Culinary Institute, Winery
- Complements neighboring land uses (agriculture/viticulture & recreation/golf)
- Creates second most financial value under each BPO scenario
- Conforms with the South Livermore Valley Area Plan upon which current zoning is based

Reuse/Redevelopment BPO Comparison Highlights

<p>BPO 2: Build New Stand-Alone Nursing Home on Livermore Campus</p>	<ul style="list-style-type: none"> ▪ Similar amount of land and improvements to BPO 8 available for reuse ▪ Generates a similar amount of potential reuse proceeds as BPO 8 ▪ Moving the nursing home provides for a better campus master plan ▪ Greater likelihood for community support due to continued VA presence 	<p>47.4 Available Acres</p>
<p>BPO 4: Build New Nursing Home in Central Valley and Co-Locate with a CBOC</p>	<ul style="list-style-type: none"> ▪ Most land and improvements made available for reuse ▪ Generates highest amount of potential reuse proceeds. ▪ Reuse could be subject to significant community opposition due to VA vacating the site 	<p>59.1 Available Acres</p>
<p>BPO 8: Renovate and Expand the Current Stand-Alone Nursing Home on Livermore Campus</p>	<ul style="list-style-type: none"> ▪ Similar amount of land and improvements to BPO 2 available for reuse ▪ Generates a similar amount of potential reuse proceeds as BPO 8 ▪ Greater likelihood for community support due to continued VA presence 	<p>48.8 Available Acres</p>

Discussion on Tradeoffs



BPO 1: Baseline

STRENGTHS	WEAKNESSES
<ul style="list-style-type: none">▪ Lowest capital investment▪ Stakeholders support BPO 1<ul style="list-style-type: none">▪ Preserves scenic quality of campus▪ Maintains current facilities▪ Fewest stakeholder concerns	<ul style="list-style-type: none">▪ Longer duration than BPOs 2 & 4 (102 months)▪ Most underutilized space (30% more than other BPOs)▪ Only option that increases vacant space▪ Highest operating cost and net present cost▪ High level of patient disruption (in-building renovations)▪ Not supported by the LAP at the 3rd public meeting

BPO 2: Build New Stand-Alone Nursing Home on Livermore Campus

STRENGTHS	WEAKNESSES
<ul style="list-style-type: none">▪ Shortest duration (70 months)▪ Lowest underutilized (along with BPO 4) and eliminates vacant space▪ Better setback for reuse parcels than BPOs 1 & 8▪ Lower operating cost and net present cost than BPOs 1 & 8▪ Least patient disruption, least complex schedule & shortest duration (along with BPO 4)▪ LAP noted that BPO 2 is preferred of all the BPOs that keep the NHCU on the Livermore campus	<ul style="list-style-type: none">▪ Highest capital investment required net of reuse (at least \$3 million more than other BPOs)▪ The LAP raised concern regarding implications of a stand-alone NHCU▪ Generates only moderate potential reuse proceeds (3rd highest)

BPO 4: Build New Nursing Home in Central Valley and Co-locate with a CBOC

STRENGTHS	WEAKNESSES
<ul style="list-style-type: none">▪ Shorter duration than BPOs 1 & 8▪ Lowest underutilized and space (along with BPO 2) and eliminates vacant space▪ Lowest operating cost and net present cost▪ Least patient disruption and least complex schedule (along with BPO 2)▪ Improves proximity to primary care, specialty services and emergency care in an urban area▪ Supported by the LAP and certain members of the local community▪ Generates the highest amount of potential reuse proceeds	<ul style="list-style-type: none">▪ Stakeholders expressed the highest number of concerns about BPO 4

BPO 8: Renovate and Expand the Current Stand-Alone Nursing Home on Livermore Campus

STRENGTHS	WEAKNESSES
<ul style="list-style-type: none">▪ 30% less underutilized space than BPO 1▪ Greater likelihood for community support due to continued VA presence▪ Operating costs are \$26 million lower and net present costs are \$33 million lower than BPO 1▪ Generates the second highest amount of potential reuse proceeds	<ul style="list-style-type: none">▪ Has the longest total duration (108 months)▪ Higher operating costs than BPOs 2 & 4 (\$29-\$31 million, respectively)▪ High level of patient disruption (in-building renovations)▪ The LAP raised concerns regarding continuity of care and operating efficiency issues

Next Steps

- Stakeholder input about the BPOs will be collected for **14 days following the LAP meeting – through February 23**
- An implementation plan will be developed for each BPO and incorporated in the final report
- After the Secretary makes his decision, the Capital Investment Prioritization and Enhanced-Use Leasing processes will begin.

How Can You Provide Input?

Local Advisory Panel Meeting

- Provide testimony at the meeting
- Fill out a comment form at the meeting

CARES Project Website

www.va.gov/CARES

- An **electronic comments form** is available to share your views and opinions on the BPOs presented – specify ‘Livermore site’ as prompted
- Website provides public meeting information, agendas, meeting summaries, and links to background documents

CARES Central Mailstop

Livermore Study

VA CARES Studies

PO Box 1427

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