


Capital Asset Realignment for Enhanced Services (CARES)

Lexington Study Site

Local Advisory Panel
Public Meeting

February 1, 2007





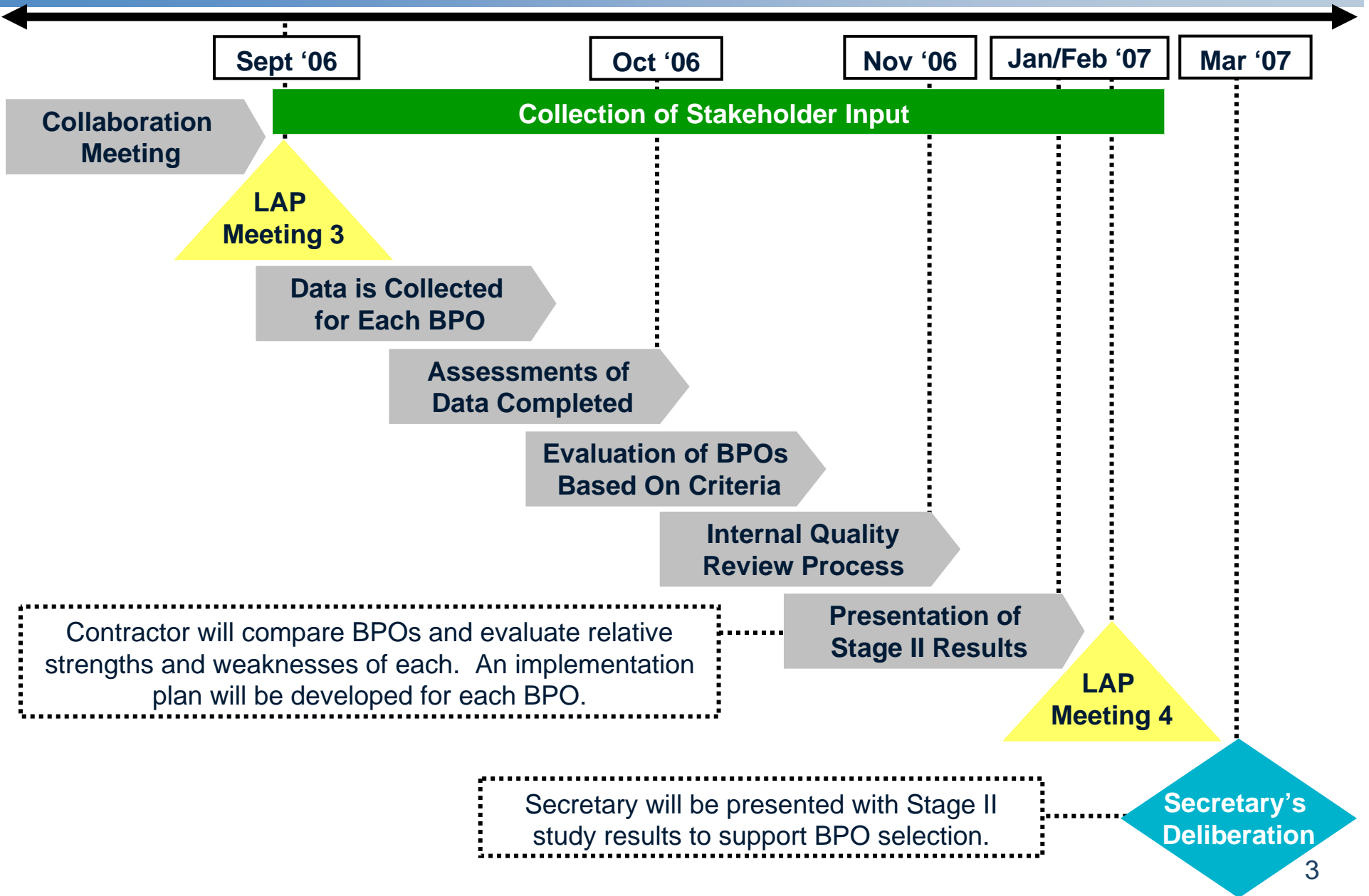
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Local Advisory Panel (LAP) Meeting 4 Objectives

- 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 results

Stage II Study Process

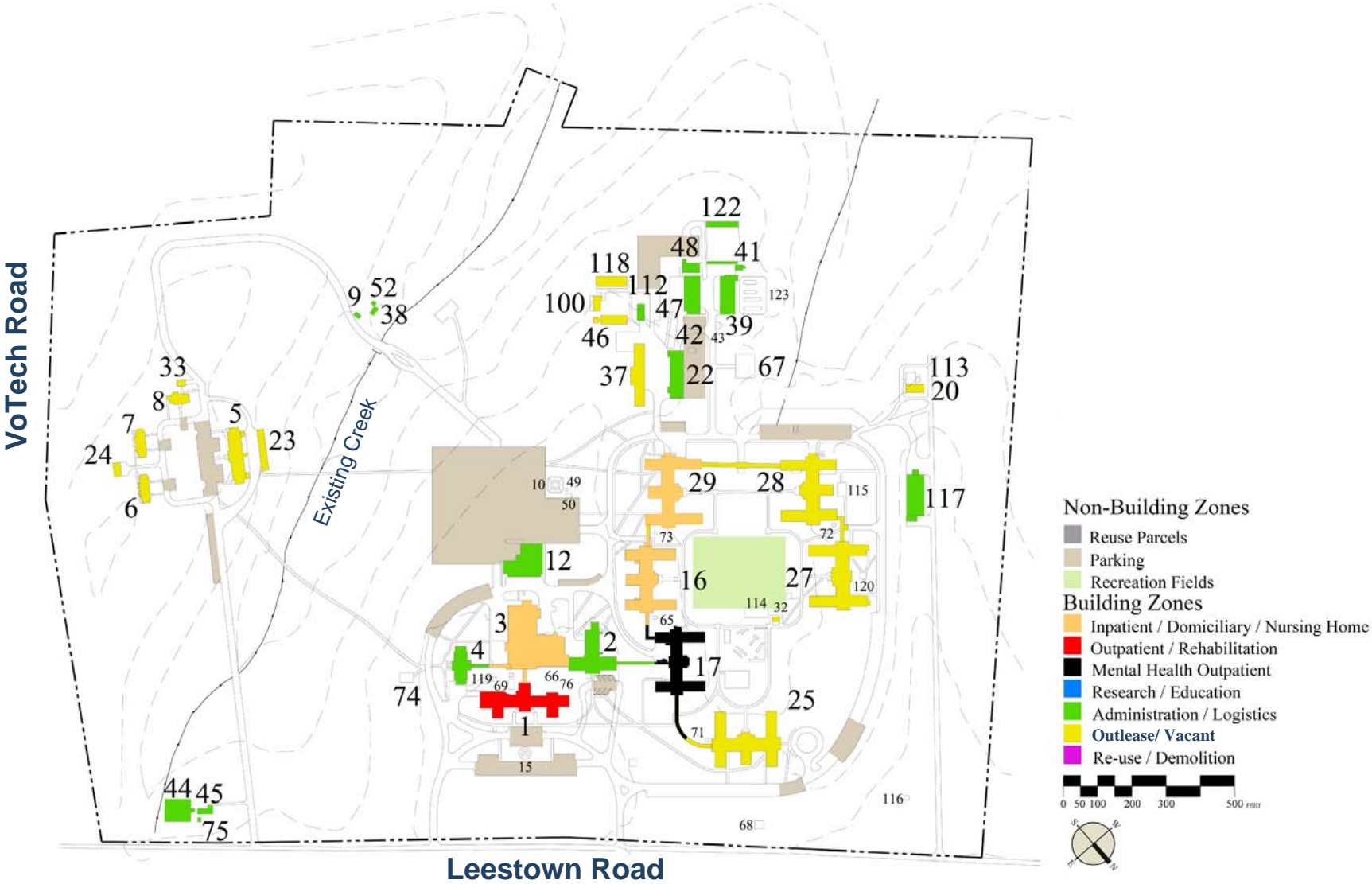


Facility Highlights

- The Lexington VAMC is in the Northern Market of VISN 9 and is composed of two divisions, Leestown Road and Cooper Drive.
- The Cooper Drive campus provides acute medical, neurological, surgical, psychiatry, and other inpatient and outpatient services in a 107-bed tertiary care medical center co-located with the University of Kentucky Medical Center.
- The Leestown Road campus is located five miles from the Cooper Drive campus and is situated on approximately 129-acres in the city of Lexington. It provides a 30-bed psychiatric residential rehabilitation treatment program (PR RTP), a 59-bed nursing home, and outpatient services including a women's health clinic. A 40-bed homeless transition facility operated by Volunteers of America exists.
- The Leestown Road campus contains 51 buildings totaling approximately 705,000 Building Gross Square Feet (BGSF), the majority which were constructed between 1930 and 1950.
- The Leestown Road campus is surrounded by light industrial/warehouse uses, several educational institutions, and an armed forces reserve compound with a new residential development and some retail and office development not far from the campus.



Current State Site Map



Key Drivers Considered in Developing and Assessing Each BPO

- Healthcare demand at the Leestown Road campus is increasing.
- Significant amounts of primary care outpatient visits are being transferred to Leestown Road as a result of capacity constraints at the Cooper Drive campus.
- There is substantial vacant and underused space which provides an opportunity to improve the use of VA resources.
- The level of capital expenditure required over the next 20 years to upgrade facilities to modern, safe, and secure standards is significant.
- Economic conditions and market demand for real estate are favorable.

BPOs Selected for Further Study by the Secretary for Stage II

BPO 1	Baseline
BPO 5	Build New Clinical and Administrative Facilities on Southeast Portion of Campus – With Reuse Parcel 2
BPO 6	Build New Clinical Care Facilities and Renovate Administrative Buildings on Central Portion of Campus – With Reuse Parcel 3

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 (return on assets)• VA mission enhancement• Execution risk	Ease of Implementation <ul style="list-style-type: none">• Capital planning considerations• Reuse considerations
Quality <ul style="list-style-type: none">• Current quality levels are maintained across all BPOs	Ability to Support VA Programs <ul style="list-style-type: none">• DoD Sharing• One VA Integration• Specialized VA programs• Enhancement of services to veterans

Analysis of BPOs

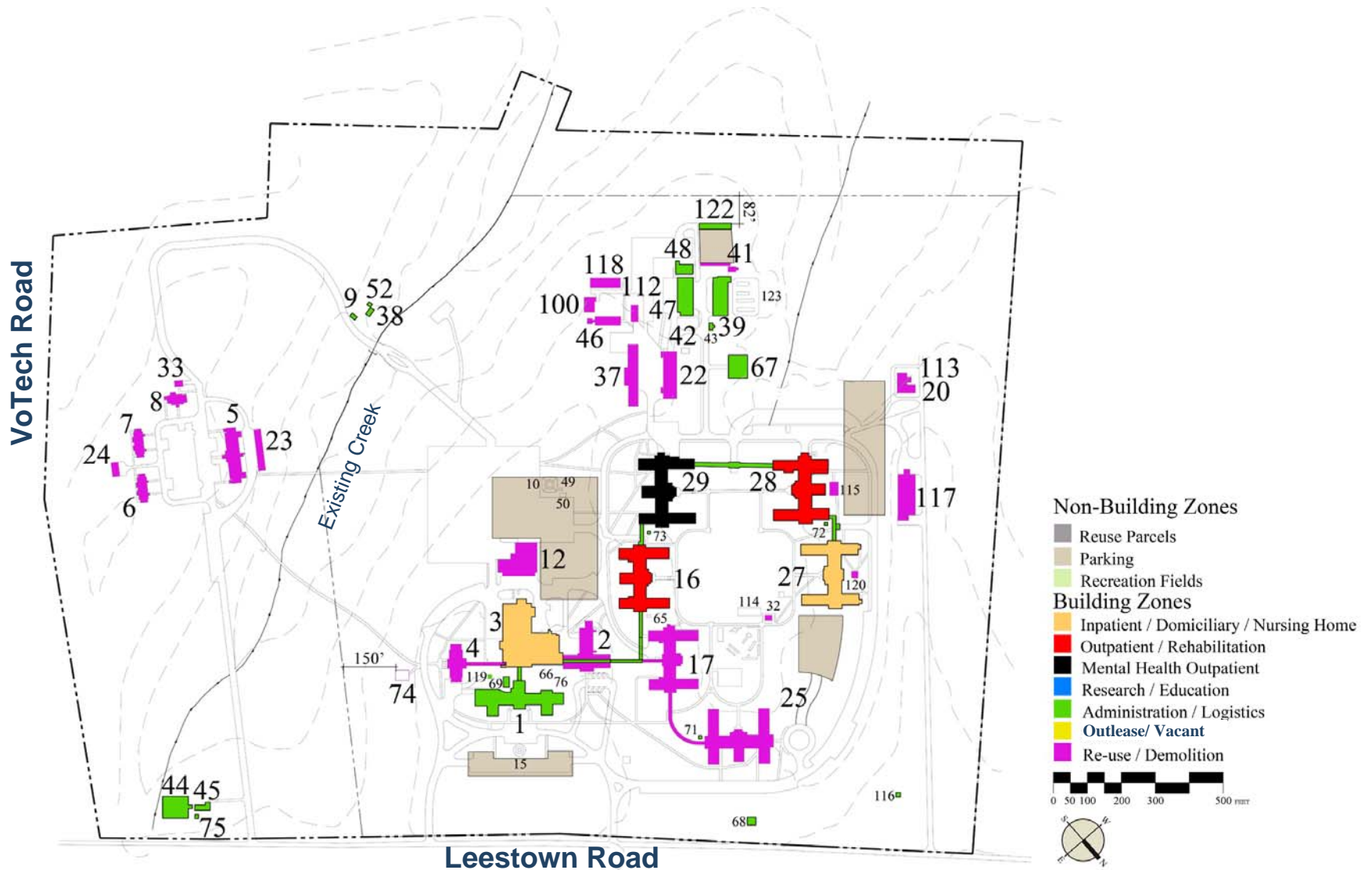


BPO 1: Baseline

BPO 1:

- Current state projected out to 2013 and 2023 without any changes to facilities or programs (except as indicated in the Secretary's Decision). Renovation and maintenance of existing buildings for a modern, safe, and secure healthcare environment, where conditions allow.
- Both nursing home (Building 27) and mental health residential facilities (Building 29) would be renovated.
- The nursing home would be relocated from Building 16 to Building 27 once it is renovated.
- Buildings 16 and 28 would be renovated to accommodate outpatient workload.
- Outpatient workload currently delivered in Building 1 would be relocated to Buildings 16 and 28.
- New surface parking around these buildings would be constructed to accommodate the increased number of patients.

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	\$ 852,005
Non-Recurring Capital Investment*	\$ 116,177
Non-Recurring Periodic Maintenance	\$ 6,141
Total Net Present Costs**	\$ 974,323

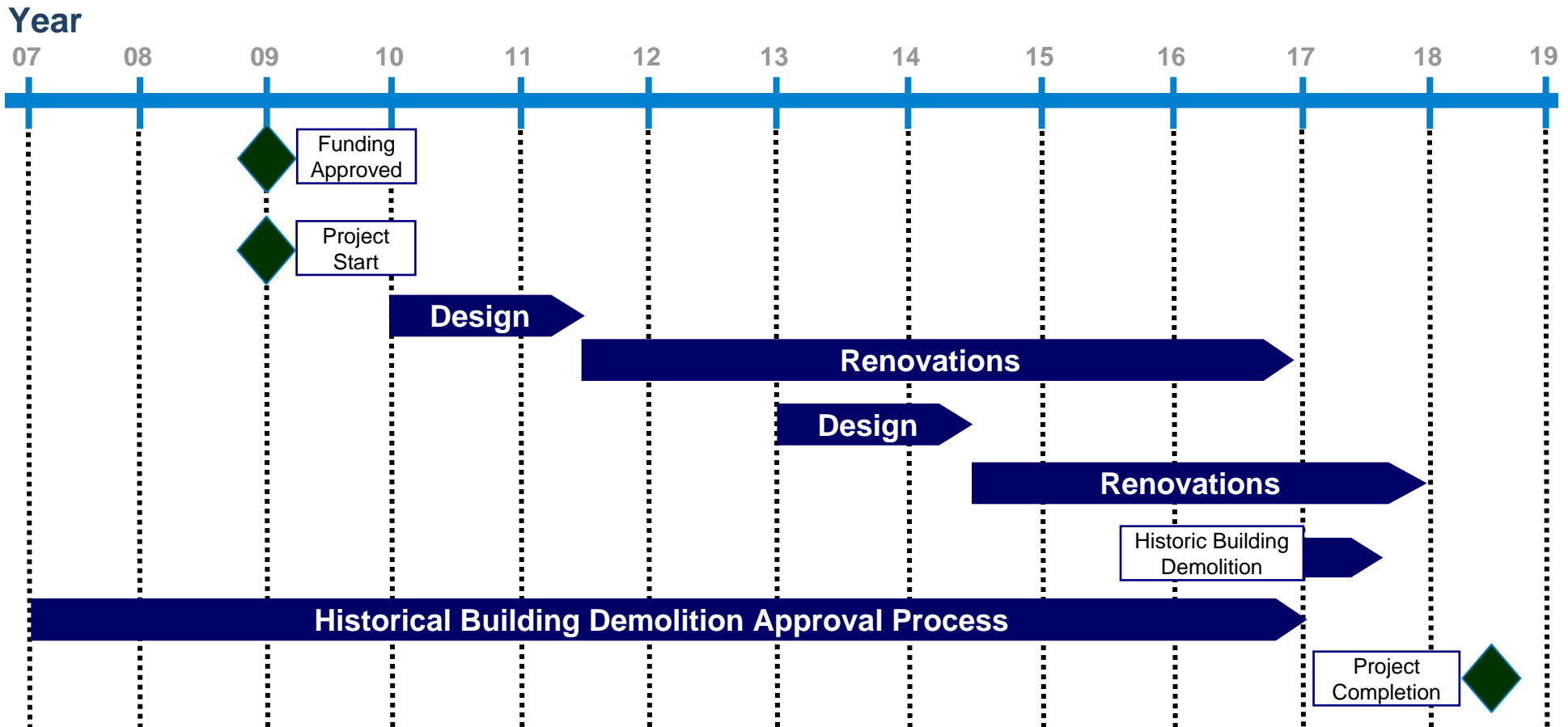
- Capital Analysis:

- Total campus building area - 431,525 BGSF
- Total campus area - 81 acres
- Projected vacant space - 95,562 BGSF
- Projected underutilized space - 181,764 BGSF

*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: 1/1/2009
- Project completion date: 7/1/2018
- Total Project Duration: 114 Months
- Construction/Renovation Duration: 78 Months
- Funding Approved: First quarter of 2009
- Demo/renovation is conducted in phases
- New construction is conducted in phases

BPO 1 Stakeholder and LAP Input From Previous Meetings

▪ Stakeholder Input:

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

▪ Comment Forms Results:

- **LAP 2:** Stakeholders express the most support for BPO 1.
- **LAP 3:** The fewest stakeholders expressed concerns regarding BPO 1.

▪ LAP Input from Previous Meetings:

- The LAP expressed support for BPO 1 and some members of the LAP commented on the advantages of BPO 1, such as the preservation of the scenic Leestown Road campus.
- At LAP 2 the LAP understood that BPO 1 would move forward into Stage II.

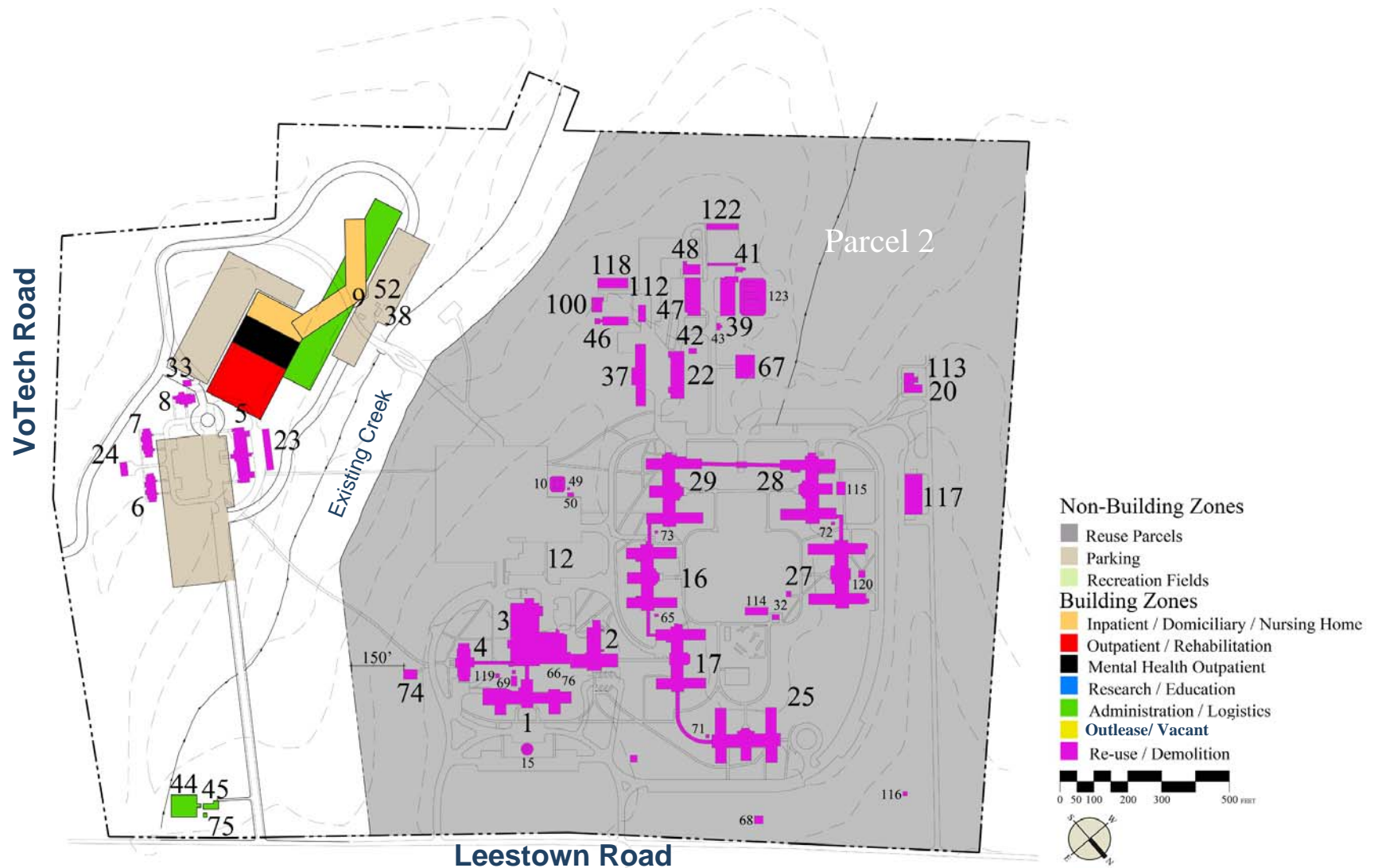
▪ Implementation Considerations for all BPOs:

- VA should ensure that enough land is retained or lease terms for reuse are short enough so that VA can expand facilities in the future, if necessary.
- Use of land and facilities should align as closely as possible with the VA mission.

BPO 5 - Build New Clinical and Administrative Facilities on Southeast Portion of Campus

- New clinical and administrative space designed for state-of-the-art healthcare delivery. New facilities will have several benefits for patients and staff: larger patient rooms, nursing home with private rooms, private bathrooms in all patient rooms, additional treatment and therapy spaces, larger support functions, wider hallways, improved patient entries and walkways, and support functions located in closer proximity to nursing space.
- Nine smaller vacated buildings, some of which were previously used as quarters for staff, will be demolished to accommodate the buildings and adjacent parking area
- The main part of the campus will be completely vacated and all buildings and land (Parcel 2) will be available for reuse

BPO 5 (with Reuse Parcel 2)



BPO 5 Highlights

- Financial Analysis:

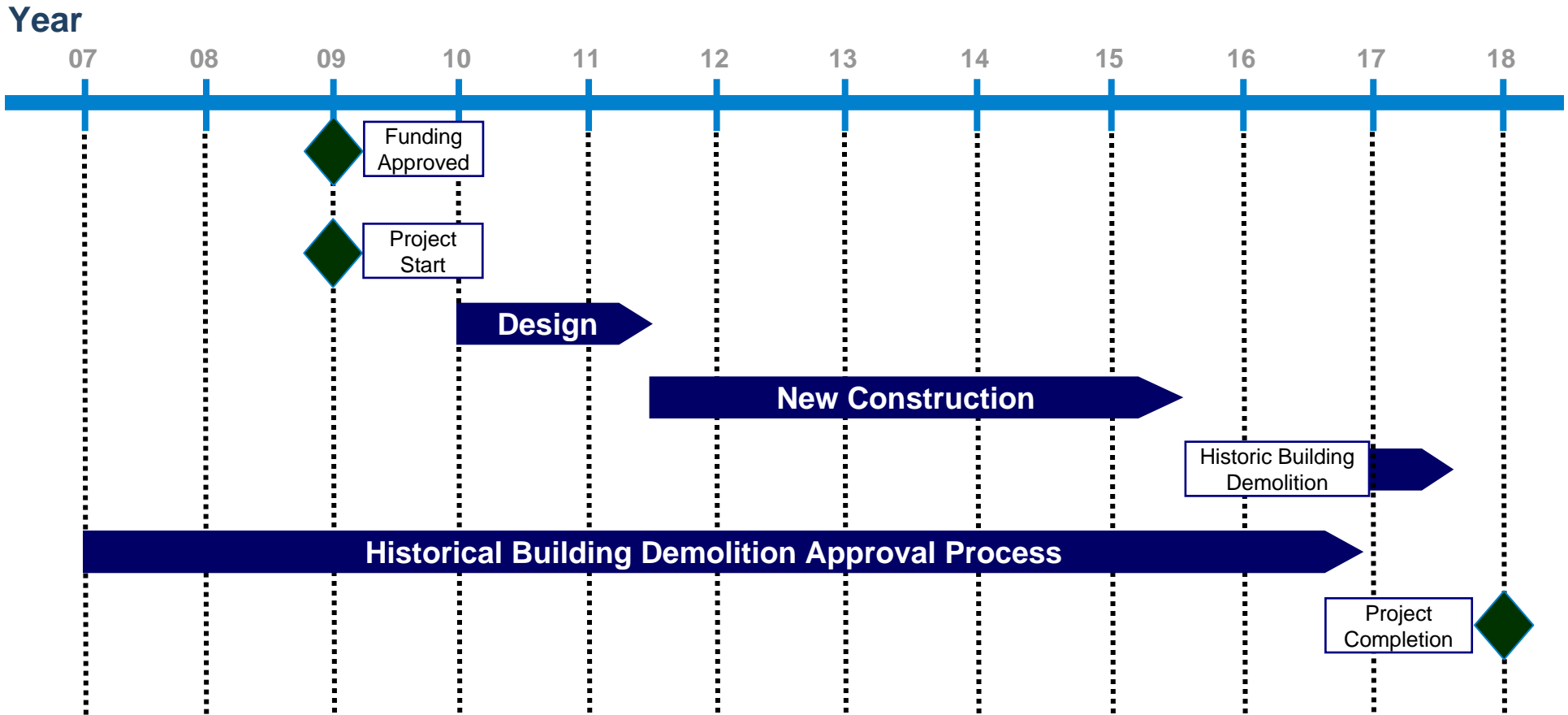
BPO 5 Costs:	2003 Net Present Dollars (\$000) (Reflects 30-year period 2003-2033)
Total Recurring Operating Costs	\$ 833,246
Non-Recurring Capital Investment Offset by Reuse	\$ 86,079
Non-Recurring Periodic Maintenance	\$ 3,695
Total Net Present Costs*	\$ 923,020
Operating Cost Efficiencies Compared to BPO 1	\$ 18,759

- Capital Analysis:

- Total campus building area - 250,911 BGSF
- Total campus area - 47 acres
- No projected vacant space
- Projected underutilized space - 1,150 BGSF

***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 5 Project Timeline



Assumptions:

- Project start date: 1/1/2009
- Project completion date: 1/1/2018
- Total Project Duration: 108 Months
- Construction Duration: 48 Months
- Funding Approved: First quarter of 2009
- Demo/renovation is conducted in phases
- New construction is conducted in phases

BPO 5 Stakeholder and LAP Input From Previous Meetings

▪ Stakeholder Input:

- Many stakeholders had concerns for BPO 5 and opposed BPOs that replace current facilities.

▪ Comment Forms Results:

- **LAP 2:** Stakeholders expressed the most concern over BPO 5.
- **LAP 3:** Stakeholders expressed the most concern over BPO 5.

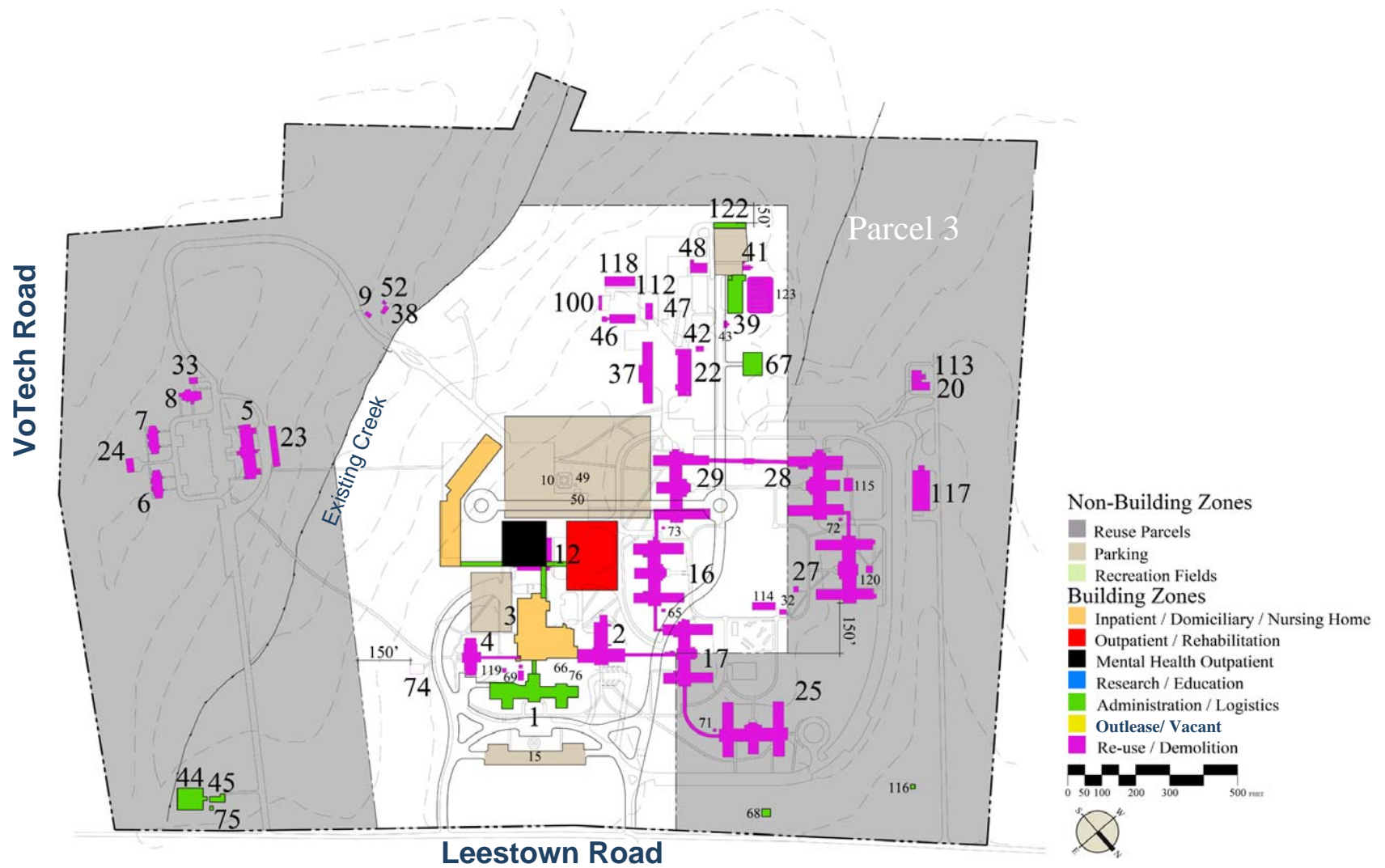
▪ LAP Input from Previous Meetings:

- Specific concerns expressed included vehicular access and parking, ensure continuity of care issues during transfer of services to the new facility, and ensuring that enough land is retained or lease terms are short enough so that VA can expand facilities in the future if necessary.
- At LAP 2, BPO 5 was not seconded by the LAP for voting.

BPO 6 - Build New Clinical Care Facilities and Renovate Administrative Buildings on Central Portion of Campus

- New construction in the central portion of the campus appropriately sized to accommodate increasing outpatient workload and consolidation of fragmented outpatient functions and to provide safe, modern, and secure facilities for behavioral health, residential care and nursing home workload.
- New clinical care facilities will have several benefits for patients and staff: larger patient rooms, more private rooms, private bathrooms in all patient rooms, additional treatment and therapy spaces, larger support functions, wider hallways, improved patient entries and walkways, and support functions located in closer proximity to nursing space.
- Administrative, logistics and support functions consolidated in remaining existing buildings.
- Buildings 12, 16, 17, and 29 would be demolished as well as potentially other structures to accommodate new construction and parking.
- Other outlying logistics buildings may also be demolished to the extent that remaining existing buildings can accommodate logistics and support functions near the core of the revised campus.
- Remaining buildings and land identified as Parcel 3 will be available for reuse.

BPO 6 (with Reuse Parcel 3)



BPO 6 Highlights

- Financial Analysis:

BPO 6 Costs:	2003 Net Present Dollars (\$000) (Reflects 30-year period 2003-2033)
Total Recurring Operating Costs	\$832,613
Non-Recurring Capital Investment Offset by Reuse	\$112,956
Non-Recurring Periodic Maintenance	\$4,166
Total Net Present Costs*	\$949,735
Operating Cost Efficiencies Compared to BPO 1	\$19,392

- Capital Analysis:

- Total campus building area - 290,420 BGSF
- Total campus area - 48 acres
- Projected vacant space - 8,094 BGSF
- Projected underutilized space - 40,659 BGSF

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BPO 6 Stakeholder and LAP Input From Previous Meetings

▪ Stakeholder Input:

- Many stakeholders expressed concern for BPO 6 and opposed BPOs that replace current facilities.

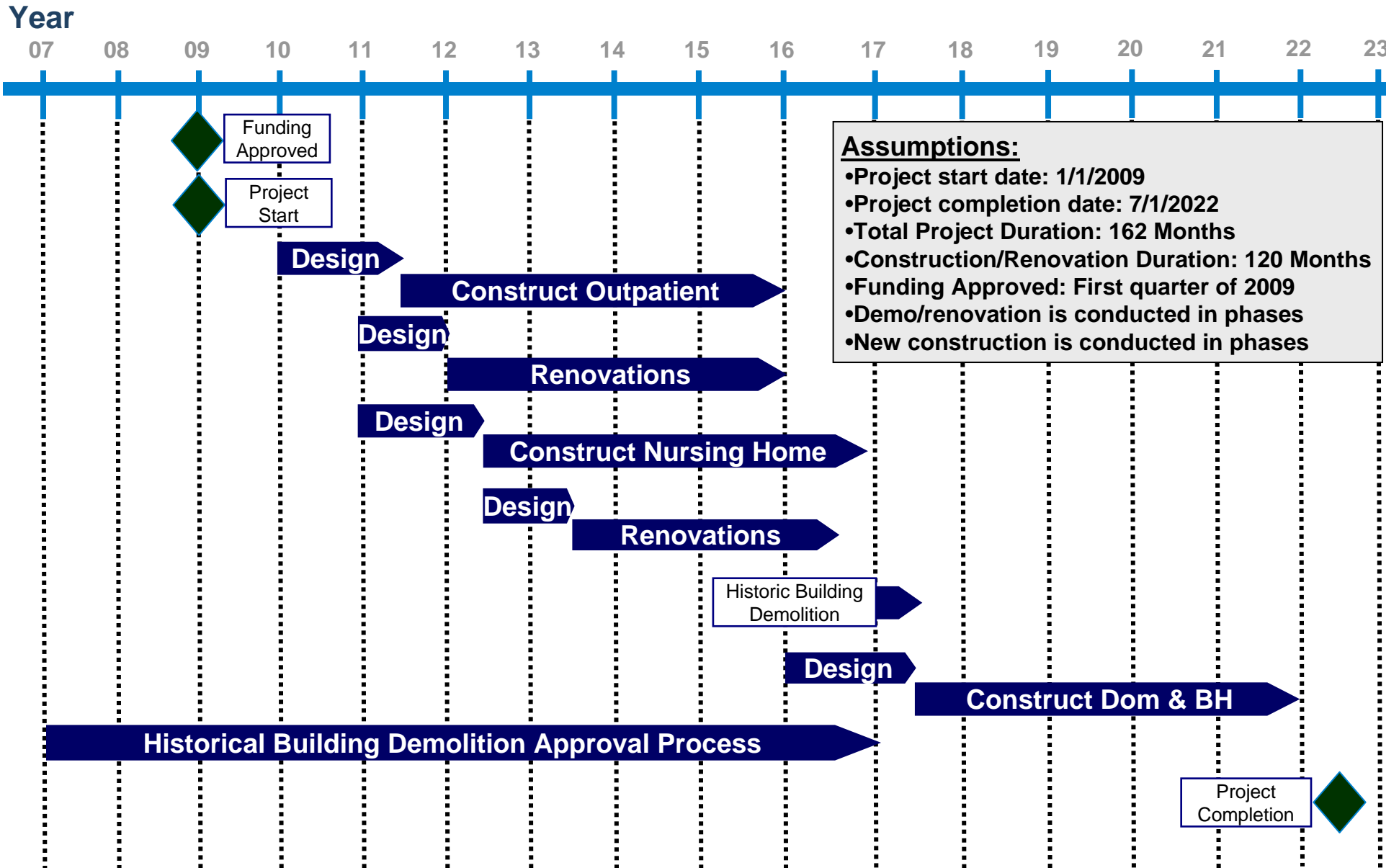
▪ Comment Forms Results:

- **LAP 2:** Stakeholders are not in favor of BPO 6.
- **LAP 3:** More stakeholders had concerns regarding BPO 6 than BPO 1, but less had concerns about BPO 6 than BPO 5.

▪ LAP Input from Previous Meetings:

- Specific concerns included vehicular access and parking, ensure continuity of care issues during transfer of services to the new facility, and ensuring that enough land is retained or lease terms are short enough so that VA can expand facilities in the future, if necessary.
- At LAP 2 the LAP members proposed this BPO to achieve a more centrally located outpatient clinic and voted 4-2 to recommend BPO 6 for further study in Stage II.
- Phased renovations could affect continuity of care.

BPO 6 Project Timeline



Capital Planning BPO Comparison Assessment

Evaluation Criteria	BPO 1: Baseline	BPO 5: Build New Clinical & Admin Facilities on Southeast Portion of Campus	BPO 6: Build New Clinical & Renovate Admin Facilities on Central Portion of Campus
Timeliness to Completion	114 months	108 months	162 months
Underutilized space	42%	0%	14%
Change in vacant space	69% decrease	100% decrease	97% decrease

Financial Analysis BPO Comparison Assessment

BPO Comparison 2003 Net Present Dollars (\$000) Reflects 30 year period 2003- 2033			
	BPO 1	BPO 5	BPO 6
Recurring Operating Cost	\$ 852,005	\$ 833,246	\$ 832,613
Non-recurring Capital Investment Offset by Reuse	\$ 116,177*	\$ 86,079	\$ 112,956
Non-recurring Periodic Maintenance	\$ 6,141	\$ 3,695	\$ 4,166
Total Net Present Cost**	\$ 974,323	\$ 923,020	\$ 949,735
Operating Cost Efficiencies Compared to BPO 1	N/A	\$ 18,759	\$ 19,392
Total NPC Savings As Compared to BPO 1	N/A	\$ 51,303	\$ 24,588

*There is no reuse revenue in BPO 1.

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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; and
- Create adaptive reuse of existing buildings, wherever feasible

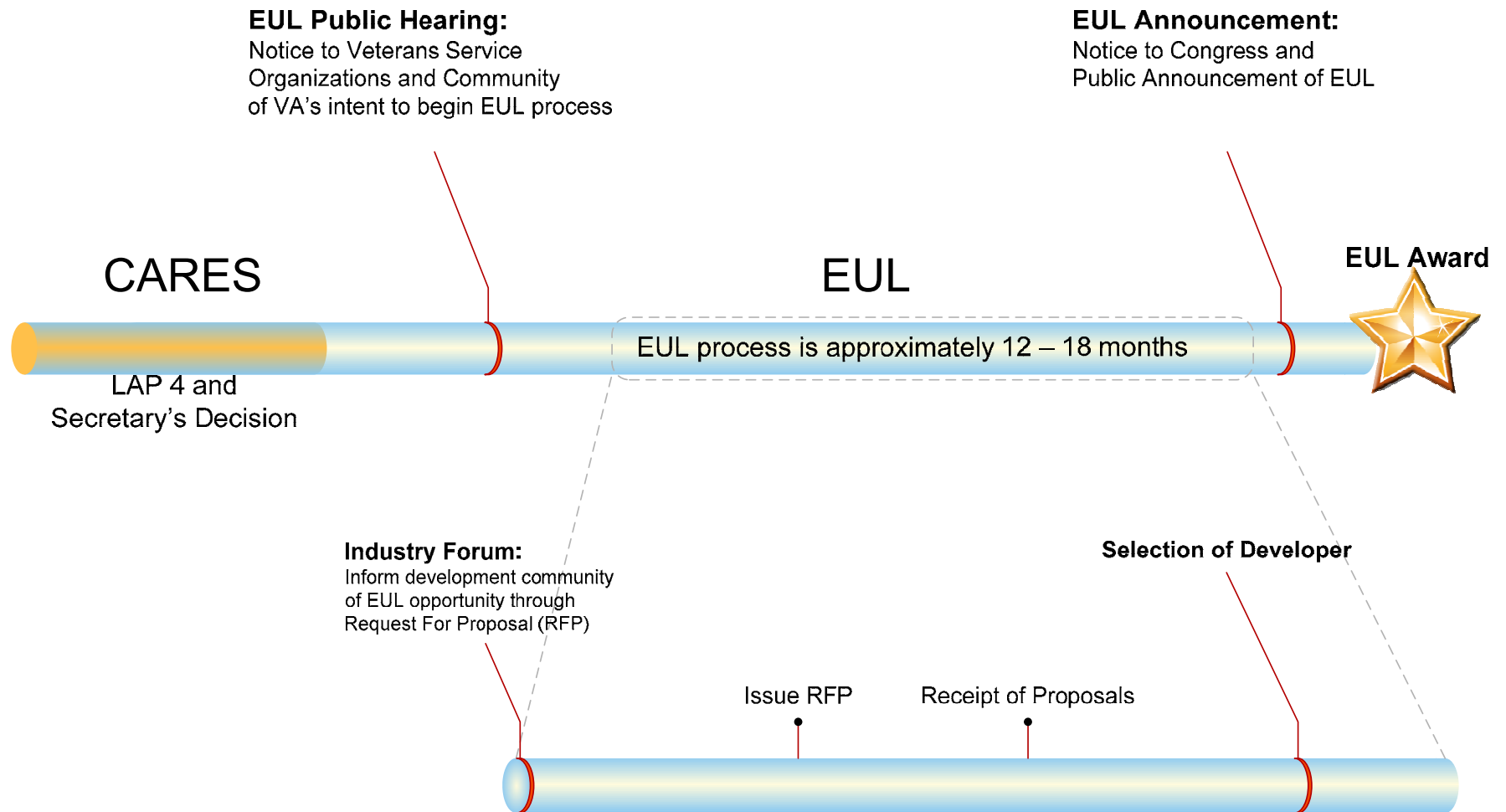
CARES and the Enhanced-Use Leasing Program

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



Veterans Benefits and the Enhanced-Use Leasing Program

Revenues

- 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
- 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 the CARES studies, OAEM conducted an extensive real estate market assessment to understand the feasibility of potential reuse on each of the sites under each of the selected BPOs

Reuse Reports done in 3 Phases included:

- Real Property and Environmental Baseline
- Initial Feasibility Reuse Assessment
- 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 Analysis: Overview

Issues affecting all BPOs

- Quality of access to Leestown Road
- Topography will likely have a minor influence
- Staging with the construction of health care facilities
- Expansion of Leestown Road

Potential Reuse at the Lexington Campus

Best Use Analysis: Continuing Care Retirement Community (CCRC) and Supporting Retail

- Residential Housing or Retirement Community might include active senior apartments, independent living, assisted living, Alzheimer's and skilled nursing units
 - ◆ Can include veteran preference or discounts
 - ◆ Complementary use
 - ◆ Local market strength
- Examples of other amenities & services might include community activity center, wellness center, medical office and clinic, day care center
- Retail / restaurant uses
 - ◆ Neighborhood retail
 - ◆ Frontage on Leestown Road

Reuse/Redevelopment Analysis Highlights

<p>BPO 5:</p> <p>Build New Clinical and Administrative Facilities on Southeast Portion of Campus</p>	<ul style="list-style-type: none"> ▪ Highest potential reuse proceeds ▪ Opportunity for buildings of the core campus to be reused ▪ More flexibility under this BPO as interaction with health care facilities are limited ▪ Redevelopment of main campus will not commence for many years until new health care facility is constructed 	<p>82 Acres Available</p>
<p>BPO 6:</p> <p>Build New Clinical Care Facilities and Renovate Admin Buildings on Central Portion of Campus</p>	<ul style="list-style-type: none"> ▪ Excellent potential reuse proceeds ▪ Provides most open land for development ▪ VA will retain core campus ▪ More disruption to the existing medical campus ▪ Has considerable appeal due to significant Leestown Road access ▪ Immediate reuse opportunities 	<p>81 Acres Available</p>

BPO 1: Baseline

STRENGTHS	WEAKNESSES
<ul style="list-style-type: none">▪ Most stakeholder support:<ul style="list-style-type: none">▪ Preserves scenic quality of the campus▪ Maintains current facilities▪ Fewest stakeholder concerns	<ul style="list-style-type: none">▪ Large amount of underutilized space (182,000 sq ft)▪ Multiple phases of construction▪ Significant complexity▪ Moderate risk of patient disruption (in-building renovations)▪ High capital investment cost to renovate, but without the benefits of a state-of-the-art modern healthcare facility

BPO 5: Build New Clinical and Administrative Facilities on Southeast Portion of Campus

STRENGTHS	WEAKNESSES
<ul style="list-style-type: none">▪ New state-of-the-art healthcare facility▪ Eliminates underutilized and vacant space▪ Reduced risk of patient disruption▪ Least complex construction phasing▪ Shortest duration (108 months)▪ Lowest net present cost▪ Highest potential reuse proceeds	<ul style="list-style-type: none">▪ Was not supported by LAP at 3rd Public Meeting because of loss of acreage▪ Stakeholders expressed concerns regarding loss of VA land

BPO 6: Build New Clinical Care Facilities and Renovate Admin Buildings on Central Portion of Campus

STRENGTHS	WEAKNESSES
<ul style="list-style-type: none">■ New state-of-the-art healthcare facility■ Majority LAP support (4-2 vote)■ Significantly reduced vacant and underutilized space■ More central and patient accessible outpatient clinic■ Excellent potential reuse proceeds	<ul style="list-style-type: none">■ Multi-phases of construction■ Significant complexity■ Greater implementation risk:<ul style="list-style-type: none">■ Longest total project duration (162 months)■ Highest risk of disruption to patients (in-building renovation)■ The LAP expressed concerns about loss of acreage

Next Steps

- Stakeholder input about the BPOs will be collected for **14 days** following the LAP meeting – through February 15
- 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 ‘Lexington site’ as prompted
- Website provides public meeting information, agendas, meeting summaries, and links to background documents

CARES Central Mailstop

Lexington Study

VA CARES Studies

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