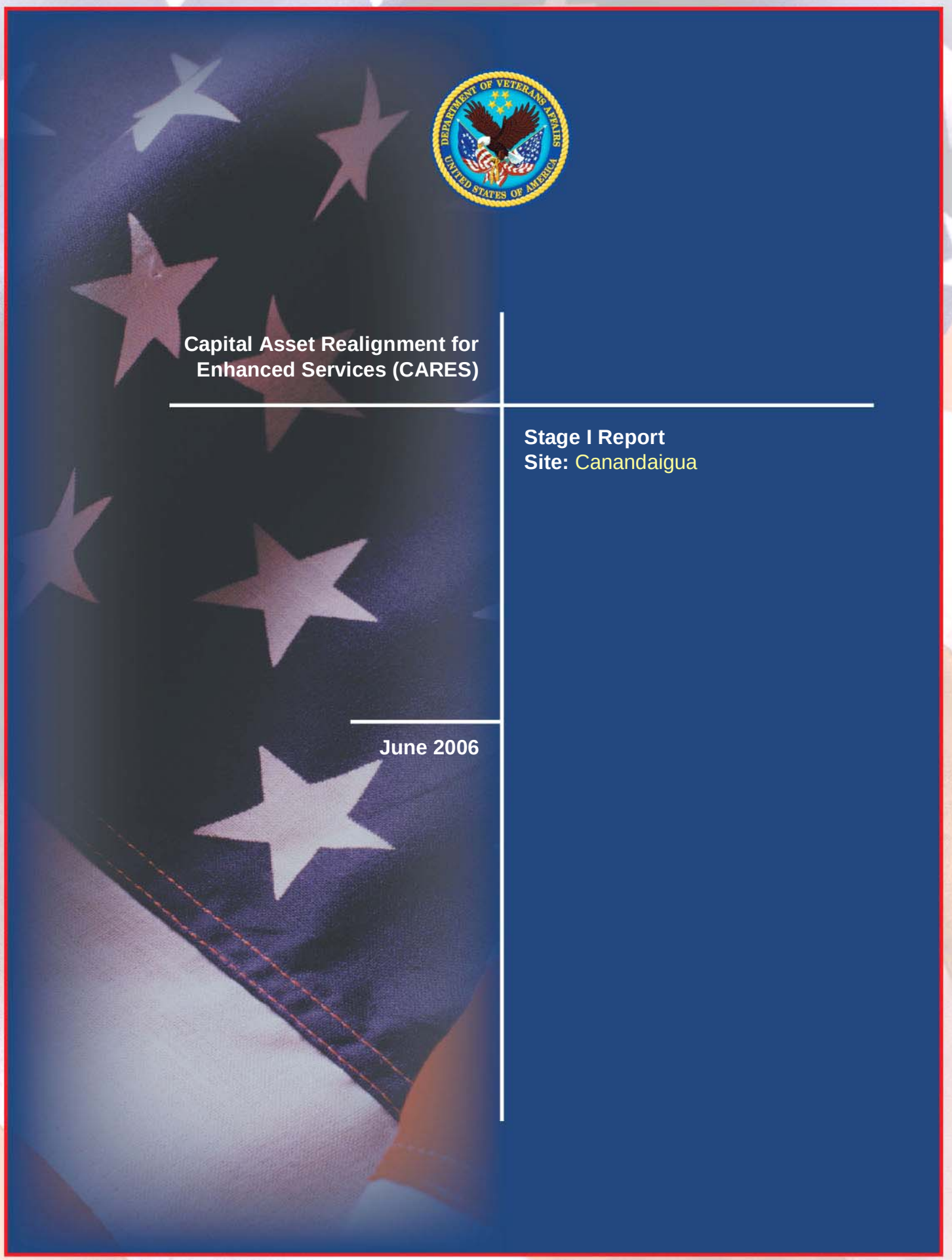

Capital Asset Realignment for Enhanced Services (CARES)

Stage I Report
Site: Canandaigua

June 2006

This report was produced under the scope of work and related terms and conditions set forth in Contract Number V776P-0515. PricewaterhouseCoopers' LLP work was performed in accordance with Standards for Consulting Services established by the American Institute of Certified Public Accountants (AICPA). Our work did not constitute an audit conducted in accordance with generally accepted auditing standards, an examination of internal controls, or other attestation service in accordance with standards established by the AICPA. Accordingly, we do not express an opinion or any other form of assurance on the financial statements of the Department of Veterans Affairs or any financial or other information or on internal controls of the Department of Veterans Affairs.

VA has also contracted with another government contractor, The Pruitt Group EUL, LP, to develop re-use options for inclusion in this study. The Pruitt Group EUL, LP issued its report, Enhanced Use Lease Property Re-use/Redevelopment Plan Phase One: Baseline Report, Veterans Affairs Medical Center, Canandaigua, New York, and as directed by VA, PricewaterhouseCoopers LLP has included information from its report in this document. PricewaterhouseCoopers LLP was not engaged to review and, therefore, makes no representation regarding the sufficiency of nor takes any responsibility for any of the information reported within this study by The Pruitt Group EUL, LP.

This report was written solely for the purpose set forth in Contract Number V776P-0515 and, therefore, should not be relied upon by any unintended party who may eventually receive this report.

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Executive Summary

Project Overview

CARES (Capital Asset Realignment for Enhanced Services) is the Department of Veterans Affairs (VA's) effort to produce a logical, national plan for modernizing healthcare facilities. The objective is to identify the optimal approach to provide current and projected veterans with healthcare equal to or better than is currently provided in terms of access, quality, and cost effectiveness, while maximizing any potential re-use of all or portions of the current real property inventory owned by VA. The Secretary's Decision Document of May 2004 called for additional studies in certain geographic locations to refine the analyses developed in the CARES planning and decision-making process. Team PricewaterhouseCoopers (Team PwC) is assisting VA in conducting the VA CARES Business Plan Studies at 18 sites around the United States, which include site-specific requirements for Healthcare Delivery Studies, Capital Plans, and Re-use Plans.

Canandaigua, New York is one of the CARES study sites and includes capital planning and re-use planning studies. The Secretary's Decision Document of May 2004 makes the following decisions for Canandaigua:

- The Master Plan will include construction of a new multi-specialty outpatient clinic and nursing home complex to replace the patient care facilities currently located on the Canandaigua campus.
- The new nursing home complex will accommodate nursing home, domiciliary and residential rehabilitation patients and will provide geropsychiatric services and hospice care.
- The plan also will include the transfer of acute inpatient psychiatric patients from Canandaigua to Buffalo and Syracuse
- All other patient care services currently in place at the Canandaigua VAMC will be accommodated in the new facilities with the potential for enhanced services to include new clinics as needed.

The CARES studies are being performed in three stages: an initial planning phase and two phases centered on option development and selection. This report presents the results of Stage I (option development). In Stage I, Team PwC develops and assesses a broad range of potentially viable Business Plan Options (BPOs) that meet the forecast healthcare needs for the study sites. Based upon a broad analysis of these options, Team PwC recommends up to six options to be taken forward for further development and assessment in Stage II. VA decides which options should be studied further in Stage II. Stakeholder input from veterans, veterans advocates, and the community play an important role in option development and assessment. A Local Advisory Panel (LAP) has been established to ensure veterans' issues and concerns are heard throughout the study process. Veterans' and other stakeholder views can be presented at a series of public meetings and through written and electronic communication channels.

Canandaigua Overview

- In fiscal year 2003, the facility operated 245 beds (113 nursing home; 80 domiciliary/residential rehabilitation; 50 mental health/behavioral medicine; 2 hoptel)
- The campus contains 45 buildings on 171 acres of land
- 29 of the 45 buildings are in VA's database of historic facilities
- The buildings were constructed between 1932 and 1937
- Approximately 26% of the property is currently vacant
- The facility runs an average daily census of approximately 166
- Mechanical systems are in poor condition except where recently replaced
- All buildings have asbestos
- $13 million has been identified as being required for capital improvements

The Canandaigua Veterans Medical Center (VAMC) is part of Veterans Integrated Service Network (VISN) 2 which is composed of four markets; Central, Eastern, Finger Lakes/Southern Tier, and Western. The Finger Lakes/Southern Tier market contains approximately 44,000 enrolled veterans. The Canandaigua VAMC offers inpatient acute psychiatry, nursing home, domiciliary and residential rehabilitation services, as well as outpatient primary, mental health and specialty care.

Four major drivers were considered for the Canandaigua study site. These drivers represent factors particularly noticeable at the Canandaigua VAMC that must be balanced in the development and evaluation of business plan options. They are:

1). The historic Canandaigua VAMC is more than 70 years old and was built for more than six times as many beds as it currently operates; consequently, it has significant vacant and underutilized space which is expensive to maintain and operate.
2). The original design and layout of the Canandaigua facilities do not enable VA to provide healthcare services in an operationally efficient manner. Recurring maintenance costs for underutilized buildings place an additional burden on VA.
3). The Canandaigua VAMC requires significant capital expenditure over the next 20 years to upgrade facilities to modern, safe, and secure standards.
4). A majority of the campus land and buildings have re-use potential; however, the re-use proceeds will not likely provide a significant offset to the level of capital investment needed for the site.

These four drivers are described further below.

Current Status of the Canandaigua VAMC – A nominee to the National Register of Historic Places, Canandaigua VAMC was built in the 1930s and 1940s and sized for a much larger number of beds than it currently operates. Today, one quarter of the campus is vacant or underutilized. The medical center facilities are in good condition for their age, although these buildings have received ratings in the range of 2 and 3 on the Capital Asset Inventory (CAI), which is less than acceptable for nursing home beds. Mechanical systems are generally in poor condition. The site does contain asbestos which could require remediation.

Use of VA Resources – The physical layout and unit sizes of the original buildings increase the total number of staff, supplies, heating, and power, etc., needed to operate the campus. While renovation and consolidation of existing campus buildings would be expected to yield some operating efficiencies, VA would still not achieve the same operating efficiencies as more modern healthcare facilities.

Level of Capital Expenditure Anticipated – The Canandaigua VAMC requires significant capital expenditure to upgrade to modern, safe, and secure standards. $13 million in capital improvements have been identified by the facility as part of its five-year capital plan. This amount will not achieve all the changes needed to meet current healthcare codes. Additional significant investment beyond this amount would be needed to bring existing facilities to VA standards for a modern, safe, and secure facility.

Re-Use Potential – Re-use of underutilized buildings and land creates the potential for VA to enhance existing programs and services to veterans (obtaining facilities, space, services and/or money) in return for making property available to private or other public entities. The re-use potential for the Canandaigua VAMC is good from the standpoint of its physical attributes. However, in terms of the real estate market in Canandaigua, its re-use potential would be considered less than favorable. The proceeds from re-use are not expected to provide a complete or even significant offset to needed capital investments. Therefore, the value of re-use is of limited influence to the development and evaluation of the BPOs, making off-site facility placement more costly than using existing land.

Business Plan Options

Team PwC, in collaboration with Pruitt Group, LLC (independent contractor to VA on re-use) considered the major drivers for the Canandaigua VAMC, along with stakeholder input, when developing capital and re-use options. For the Canandaigua CARES Study Site, 120 stakeholder comments were received between April 20, 2005 and September 9, 2005. Stakeholders were most concerned with effects on access, as well as the importance of maintaining current services at the facility.

The option development process (see page 45) resulted in a multitude of discrete capital and re-use options, which were subsequently screened to determine whether a particular option had the potential to meet or exceed the CARES objectives (i.e., access, quality, and cost). Overall, there were eight comprehensive BPOs (comprising capital and re-use components) which passed initial screening and were developed for Stage I. Each BPO was assessed at a more detailed level according to a set of discriminating criteria (see page 51). A ninth BPO was proposed by the LAP at the second LAP Public Meeting. It also passed initial screening.

BPO Recommendations for Assessment in Stage II

Team PwC's recommendation of BPOs to be further assessed in Stage II was determined based on several factors. Team PwC consultants considered the pros and cons of each option, together with the results of assessments against discriminating criteria to determine the overall attractiveness of each BPO. Views and opinions of the LAP and oral and written testimony received from veterans and other interested groups were also considered. All of these inputs contributed to the selection of the BPOs to be recommended for further study in Stage II, which are summarized in Table 1.

The BPOs recommended for further study are similar in key areas. All of them would:

- Maintain continuity of inpatient and outpatient services on the Canandaigua VAMC;
- Right-size the campus for future demand;
- Achieve modern, safe and secure facilities through renovation, consolidation or new construction;
- Permit re-use and redevelopment of a majority of the campus; and
- Have the support of the LAP.

All of the alternatives to the baseline have higher capital costs, but only some of them are recommended for further study. The BPOs which Team PwC eliminated from further consideration involved moving all or a subset of services to new facilities off campus and redeveloping a majority of the campus. The LAP and veterans strongly opposed this approach.

Table 1: BPO Recommendations

BPO	Team PwC Recommendation	Rationale for Recommendation	LAP Support
BPO 1 Baseline (Maintain all approved services)	Further Study	• Inpatient and outpatient services consolidated into a smaller number of buildings and sized to match forecasted demand • Permits re-use/redevelopment of majority of campus • Requires no demolition • Renovated buildings, with original floor plans and unit sizes, will not have significantly improved operating efficiencies • Complex and lengthy phased renovations	Favor
BPO 2 "Golf Course East" Replace inpatient and outpatient services in new facilities on eastern portion of golf course	Further Study	• Permits re-use/redevelopment of majority of campus • Requires no demolition • Maintains continuity of inpatient and outpatient services • New facilities are more operationally efficient in addition to being modern, safe, and secure • Easy implementation • Avoids maintenance expense of current buildings	Favor

BPO	Team PwC Recommendation	Rationale for Recommendation	LAP Support
BPO 3 "Golf Course East Inpatient Only" Replace inpatient services in new facilities on eastern portion of golf course; replace outpatient services in a new off-campus building	No Further Study	• Higher capital cost than baseline • Split of inpatient and outpatient care will reduce potential gains in operating efficiency • Split of inpatient and outpatient care will affect continuity of care • There is a cost for land acquisition when plenty of land is available on the current campus	Oppose
BPO 4 "Canandaigua Academy Inpatient Only" Replace inpatient services in new facilities on land adjacent to Canandaigua Academy; replace outpatient services in a new off-campus building	No Further Study	• Higher capital cost than baseline • Split of inpatient and outpatient care will reduce potential gains in operating efficiency • Split of inpatient and outpatient care will affect continuity of care • There is a cost for land acquisition when plenty of land is available on the current campus	Oppose
BPO 5 "Courtyard 1 Inpatient Only" Replace inpatient services in new facilities on land in Courtyard 1; replace outpatient services in a new off-campus building	No Further Study	• Higher capital cost than baseline • Split of inpatient and outpatient care will reduce potential gains in operating efficiency • Split of inpatient and outpatient care will affect continuity of care • There is an increased cost of land acquisition when plenty of land is available on the current campus	Oppose
BPO 6 "Phased Replacement, Courtyard 1" Replace inpatient and outpatient services in new facilities in area of Courtyard 1	Further Study	• Creates more efficient inpatient facilities • Requires only modest demolition on campus • Continues to locate services in Courtyard 1, which is most treasured by stakeholders	Favor
BPO 7 "Northern Parcel" Replace inpatient and outpatient services in new facilities on northern parcel of land	Further Study	• Permits re-use/redevelopment of majority of campus • Requires no demolition • Maintains continuity of inpatient and outpatient services • New facilities are more operationally efficient in addition to being modern, safe, and secure • Easy implementation • Avoids maintenance expense for current buildings	Favor

BPO	Team PwC Recommendation	Rationale for Recommendation	LAP Support
BPO 8 "Off-Site Replacement: Full" Replace inpatient and outpatient services in new facilities on a new site in the Canandaigua area	No Further Study	• Higher capital cost than baseline • There is an increased cost of land acquisition when plenty of land is available on the current campus	Oppose
BPO 9 "Replacement/ Renovation, Courtyard 2/ Courtyard 1" Replace inpatient services in new facilities in area of Courtyard 2; relocate outpatient services to renovated buildings in Courtyard 1[1]	Further Study	• Permits re-use/redevelopment of majority of campus • Requires some demolition • Maintains continuity of inpatient and outpatient services • New inpatient facilities are more operationally efficient in addition to being modern, safe, and secure • Preserves continued use of most treasured Courtyard 1 buildings • Avoids portion of maintenance expense for current buildings	Favor

For those BPOs selected for further study by the Secretary, a more detailed assessment will be conducted in Stage II including a financial analysis with refined inputs and consideration of second-order impacts such as the implications on the local community. After Stage II, Team PwC will recommend a single BPO to the Secretary.

[1] Option added by the LAP.

Introduction

Team PwC has prepared the following report for the Department of Veterans Affairs (VA) as detailed in the Statement of Work (SOW) for the Capital Asset Realignment for Enhanced Services (CARES) initiative. This report is intended to serve as the Stage I Deliverable for the CARES study for review and acceptance by the Veterans Health Administration (VHA).

CARES Background

CARES is VA's effort to produce a logical, national plan for modernizing healthcare facilities. The Secretary's CARES Decision has been adopted as VA's roadmap for bringing VA's healthcare system facilities in line with the needs of 21st century veterans. The CARES analysis process focused on answering the following question: "What is the optimal approach to provide current and projected veterans with equal to or better healthcare than is currently provided in terms of access, quality, and cost effectiveness, while maximizing any potential re-use of all or portions of the current real property inventory?"

Statement of Work

The Secretary's CARES Decision, May 2004, calls for additional studies in certain geographic locations to refine the analyses developed in the CARES planning and decision-making process. The SOW addresses the site-specific requirements for Healthcare Delivery Studies, Capital Plans, and Re-use Plans. The planning horizon for implementation is 2013, but any business plan options (BPOs) must be projected as viable using demand data for 2023. Study results and plans will be integrated into a BPO format that provides VA decision makers and stakeholders (veterans, VAMC employees, the public, etc.) with clear options for the type, size and location, and re-use potential of VA healthcare resources under study. These BPOs will provide VA with an independent business analysis from which implementation decisions will be made. These decisions are sensitive to stakeholders within and outside of government.

Project Overview

Team PwC is assisting VA in conducting the VA CARES study at 18 sites around the United States as selected by the Secretary. The components of the studies include healthcare planning, capital planning, and re-use planning. Depending on each particular site's SOW, Secretary's Decision, and specific requirements, the studies at each site required one or more of these study components. Most sites designated as healthcare sites required all three study components, while the designated non-healthcare sites required only capital and re-use planning. Canandaigua VAMC is a non-healthcare site.

Project Organization

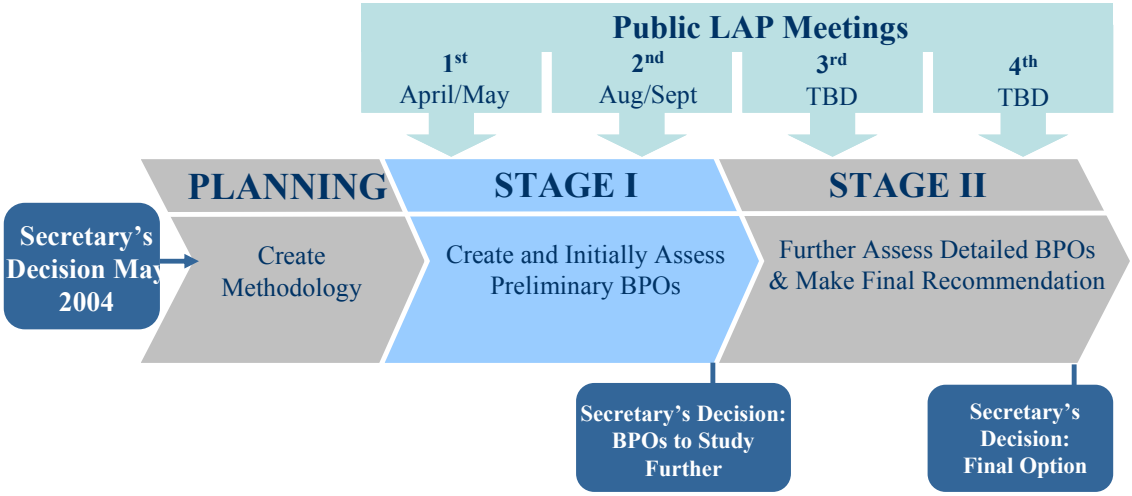
Overall, the studies were guided and supported by a national project leadership team, consisting of a national project manager, a quality assurance group, and functional leads for healthcare, capital planning, re-use, financial analysis, and stakeholder involvement. Site leaders led study

teams at each of the 18 sites and oversaw the activities at the individual study sites, including data gathering, analysis, BPO development and assessment, and coordination of on-the-ground activities including the LAP public meetings.

Project Timing and Purpose

The studies are being performed in three stages: an initial planning phase and two subsequent phases centered on BPO development and selection (see Figure 1 below). A total of four LAP meetings will be held for each site during the study, two of which have occurred in Stage I and two which are expected to occur in Stage II.

Figure 1: Project Overview



The purpose of Stage I is to provide suggestions to the Secretary as to which BPOs (up to six) should be taken forward into more detailed development and assessment in Stage II. To that end, Team PwC developed and assessed a broad range of potentially viable BPOs that met the forecasted needs for the study sites. For the Canandaigua study, Team PwC collaborated with Pruitt Group LLC on re-use options. Pruitt Group is an independent contractor to VA on re-use. These BPOs were presented at the second LAP meeting. Those BPOs along with the Team PwC recommendations for those to be further assessed in Stage II are included in this deliverable.

During Stage II, a more detailed assessment will be conducted including a financial analysis with refined inputs and consideration of second-order impacts such as the implications on the community. After Stage II, Team PwC will recommend a single BPO to the Secretary.

Summary of Stage I Methodology

Team PwC's study commenced with the creation of a baseline BPO, which is the BPO under which VA would not significantly change either the location or type of services provided in the study site, unless directed otherwise by the Secretary's May 2004 CARES Decision. All other BPOs are compared to this baseline BPO.

Team PwC then developed a range of credible BPOs that met the demand forecast provided by VA and were consistent with the decisions made by the Secretary in the Secretary's May 2004 CARES Decision Document. This work involved the input of the healthcare team, capital planning team, the re-use planning team for each study site, and inputs from stakeholders. These options involved the study of government furnished information (GFI) as well as information gathered during onsite tours and interviews. Additionally, Team PwC utilized independent data such as proprietary market data, including benchmark quality indicators and occupancy rates for local providers, and global best practices in the healthcare industry.

Initial screening criteria of access, quality, and cost effectiveness were defined and agreed with VA (see page 45). They were applied to each option to ensure they met the objectives of the CARES study. Specifically, options were screened to ensure that they would maintain or improve veterans' access to care, quality of care, and cost effectiveness of care delivery. Team PwC then utilized a series of detailed assessment criteria, called discriminating criteria, to discriminate among BPOs that passed the initial screening (see page 52). These criteria were defined and agreed with VA. They include the following:

- Healthcare Access
- Healthcare Quality
- Impact on VA and Local Community
- Making Best Use of VA Resources (Cost Effectiveness)
- Ease of Implementation
- Ability to Support Wider VA Programs Support

Each BPO being evaluated according to these criteria has a corresponding assessment table that provides the results of the evaluation. The assessment indicates how the BPO is better or worse than the baseline BPO with respect to each of the discriminating criteria.

A summary of these viable BPOs and the results of the Team PwC Stage I assessment were presented to the LAPs for discussion with stakeholders at the second LAP meeting. Issues and concerns raised by stakeholders at this meeting were analyzed by Team PwC and summarized for the public record. Also during the second LAP meeting, LAP members had an opportunity to create new BPOs for the Secretary to consider. The results of the BPO assessments as well as the summary of stakeholder feedback are included in this deliverable. Additionally, Team PwC provides its recommendation as to which BPOs should be further assessed in Stage II. These BPOs are those considered the more likely to achieve VA objectives for the study site.

Operational Costing

The objective of the cost analysis in Stage I is to support the comparison of the estimated cost effectiveness of the current state with each BPO. The total estimated costs include: operating costs, initial capital planning costs, reuse opportunities, and any cost avoidances. The operating costs for the baseline and each BPO are a key input to the financial analysis. Operating costs considered for the Stage I analysis include: direct medical care, administrative support, engineering and environmental management, and miscellaneous benefits and services.

The baseline operating costs were provided to Team PwC by VA. These costs were obtained from the FY2004 VA Decision Support System (DSS), VA's official cost accounting system. This information was selected for use because DSS is the cost accounting system for VA, DSS provides the best available data for identifying fixed direct, fixed indirect and variable costs, the data can be rolled up to the CARES Implementation Category (CIC) level, and the data is available nationally for all VAMCs and CBOCs. These costs are directly attributable costs and generally do not reflect the total costs of the operation.

The costs were obtained for each facility within the study scope and were aggregated into the CICs. The costs were categorized as total variable (per unit of care), total fixed direct, and total fixed indirect costs. The definition of each cost category is as follows:

- Total Variable (Direct) Cost: The costs of direct patient care that vary directly and proportionately with fluctuations in workload. Examples include salaries of providers and the cost of medical supplies. Variable direct cost = variable supply cost + variable labor cost. The cost of purchased care is considered variable direct costs.

- Total Fixed Direct Cost: The costs of direct patient care that do not vary in direct proportion to the volume of patient activity. The word "fixed" does not mean that the costs do not fluctuate, but rather that they do not fluctuate in direct response to workload changes. Examples include depreciation of medical equipment and salaries of administrative positions in clinical areas.

- Total Fixed Indirect Cost: The costs not directly related to patient care, and, therefore, not specifically identified with an individual patient or group of patients. These costs are an allocation of the total other costs (i.e. not direct costs) associated with the operation of the facility. These costs are allocated to individual medical departments through VA's existing indirect cost allocation process. Examples of indirect costs include utilities, maintenance, and administration costs.

FY2004 operating costs from the DSS were deflated to FY2003 dollars to create the costs for FY2003 which is the base date for current cost comparison. These costs were then inflated for each year of the study period. Variable costs were multiplied by the forecasted workload for each CIC and summed to estimated total variable costs. Variable costs were also provided by VA for non-VA care. These are based on VA's actual expenses and are used in BPOs where care is contracted out.

These costs are used together with initial capital investment estimates as the basis for both the baseline option and each BPO, with adjustments made to reflect the impact of implementation of the capital option being considered. Potential re-use proceeds are added to provide an overall indication of the cost of each BPO.

Organization of Stage I Report

Again, the purpose of this report is to provide VA with a range of credible BPOs that were presented to the LAP, as well as the subset of BPOs recommended to be studied further in Stage II. This report includes the following sections:

- Overview of the study site
- Description of the current status of the study site
- Overview of the development of BPOs
- Stakeholder input
- Assessment of each BPO
- Assessment summary
- Recommendation of BPOs to be studied further in Stage II

Overview

Secretary's CARES Decision for Canandaigua

The Secretary's CARES Decision for Canandaigua, NY includes the following directives:

- The Master Plan will include construction of a new multi-specialty outpatient clinic and nursing home complex to replace the patient care facilities currently located on the Canandaigua campus.
- The plan also will include the transfer of acute inpatient psychiatry patients from Canandaigua to Buffalo and Syracuse.
- The new nursing home complex will accommodate nursing home, domiciliary, and inpatient rehabilitation patients and will provide gero-psychiatry services and hospice care.
- All other patient care services currently in place at the Canandaigua VAMC will be accommodated in the new facilities with the potential for enhanced services to include new clinics as needed.

Statement of Work for Canandaigua

The Canandaigua capital and re-use plans are to determine whether the existing campus or another location in the Canandaigua area is the best location for the services currently offered on the Canandaigua campus. The services would include primary care, specialty care, nursing home, domiciliary care, residential rehabilitation treatment, gero-psychiatry, and hospice care. The comprehensive capital and re-use plans consider the partial use of the campus, movement of all services to another site(s), or a combination of these possibilities to maximize access by veterans and to determine the highest and best use of the Canandaigua campus. The comprehensive capital and re-use plans include the physical configuration of the infrastructure at all sites identified for the location of services as well as the comprehensive re-use plan for the Canandaigua campus.

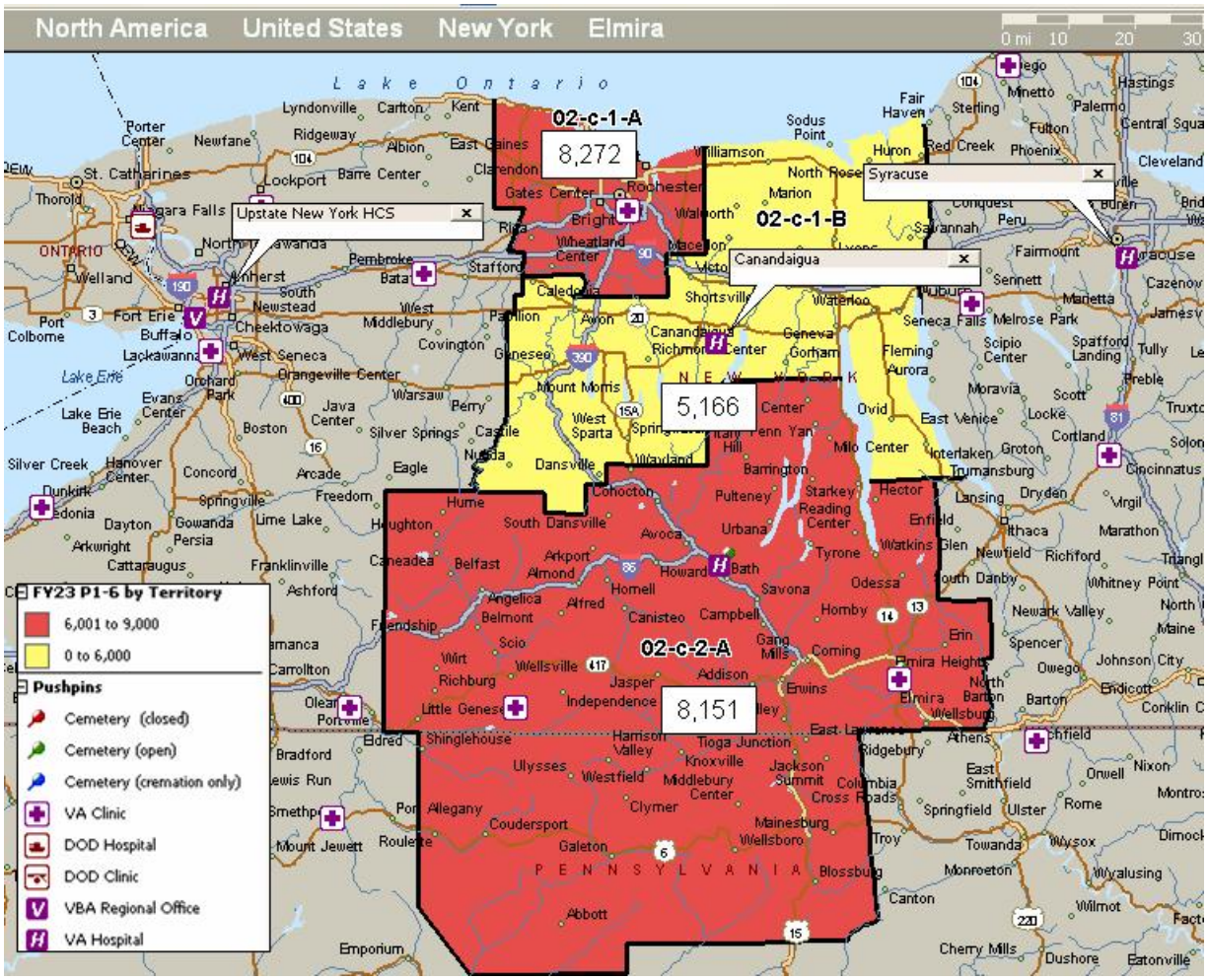
The Pruitt Group in coordination with Team PwC shall develop the re-use plan and, as a part of the site options presented, includes the most likely potential re-use for available property identified in the capital planning process. The contractors will coordinate their work and exchange information on the capital planning process and stakeholder communications.

Site Overview

The Canandaigua VAMC is located in VISN 2 of upstate New York. VISN 2 is composed of four markets: Central, Eastern, Finger Lakes/Southern Tier, and Western. Canandaigua is in the Finger Lakes/Southern Tier market. The Finger Lakes region is in the western portion of New York in rural Ontario (see Figure 2).

Built in 1932 and sized to care for a capacity of 1,700 patients, the Canandaigua VAMC was built in a different era for a different type of patient care. Today, the Canandaigua VAMC

Figure 2: Map of Finger Lakes Market and Veteran Enrollment for Priority Groups 1-6 (2023)



operates 245 inpatient beds at an average daily census of 166. Built for more than six times as many beds, the campus now has significant vacant and underused space. The campus sits on 171 acres of land and includes 45 buildings, most of which were built between 1932 and 1937. Approximately 26% of the campus is vacant or underused, and forecasts for the Finger Lakes market show decreasing veteran enrollment through 2023.

If VA makes no changes to the Canandaigua campus, it will continue to operate with substantial vacant and underused space that is costly to maintain and diverts patient care resources to building and grounds maintenance. VA can no longer afford to let dollars appropriated for medical care be ineffectively allocated to maintain idle property. Avoidable expenditures must be captured and reinvested in veterans' healthcare services in the Finger Lakes market.

The Canandaigua VAMC is surrounded by residential neighborhoods, the Sonnenburg Gardens Museum, and the Canandaigua Academy. The Canandaigua VAMC maintains its own fire department and sewage treatment facility, and a portion of the campus is occupied by a (currently unused) golf course. The average age of the three-story patient care buildings on the

campus is 70-plus years, with most having been constructed in the early to mid- 1930s and the remainder in the early 1940s. The majority of the patient care buildings were renovated in the 1980s or early 1990s. Many of the patient care buildings on campus have been determined eligible for inclusion on the National Register of Historic Places.

Projected Enrollment and Utilization Trends

Veteran enrollment and utilization for healthcare services was projected for 20 years, using 2003 data as supplied by VA as the base year and projecting through 2023.

Enrollment Trends

The Finger Lakes/Southern Tier market contains approximately 43,842 enrolled veterans. Over the next 20 years, the number of enrolled veterans in Priority Groups 1-6 is expected to decrease by 16%, from 25,700 to 21,590. Also, the number of enrolled veterans in every age category is expected to decrease, except for those 85 years and older.

The following figures and data tables illustrate enrollment projections for the market by priority and age group. Overall veteran enrollment for Finger Lakes/Southern Tier Market is expected to decline 39% by 2023. Enrollment of priority 1-6 veterans experiences a decline of 16% over the same period.

Figure 3: Projected Veteran Enrollment for the Finger Lakes/Southern Tier Market by Priority Group

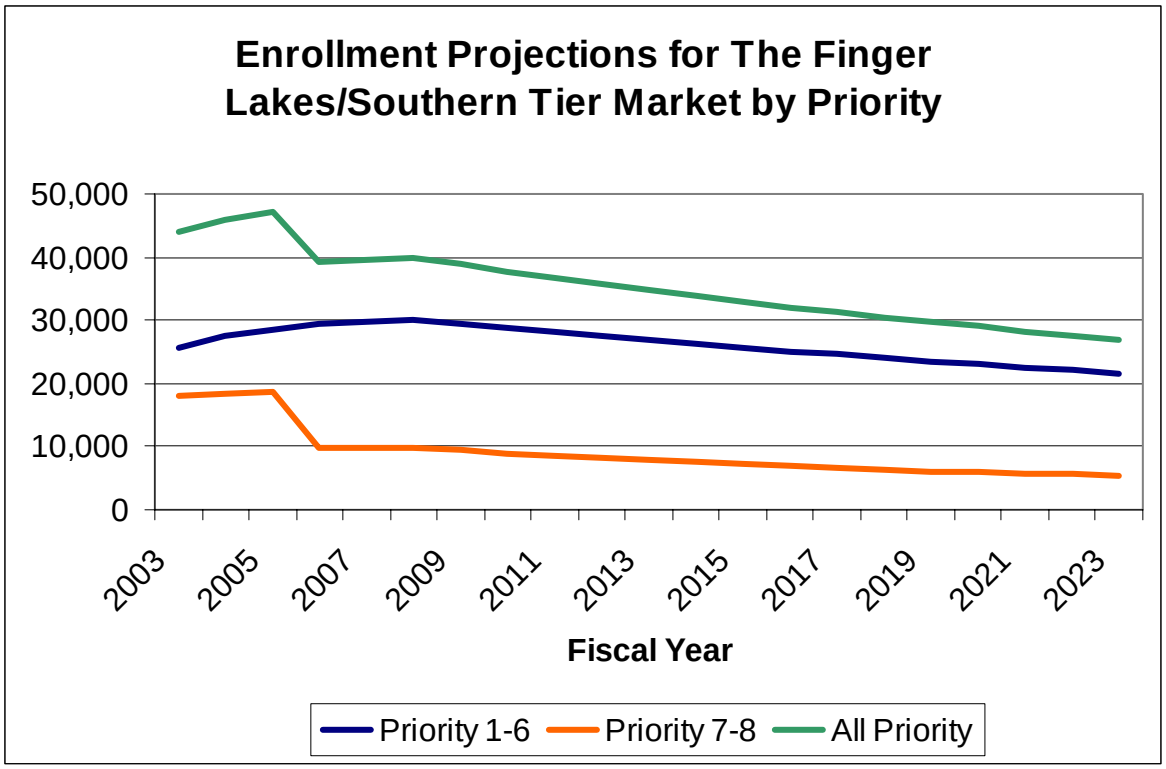


Table 2: Projected Veteran Enrollment for the Finger Lakes/Southern Tier Market by Priority Group

Fiscal Year	2003	2013	% Change (2003 to 2013)	2023	% Change (2003 to 2023)
Priority 1-6	25,700	26,933	5%	21,590	-16%
Priority 7-8	18,142	7,792	-57%	5,367	-70%
Total	**43,842**	**34,725**	**-21%**	**26,957**	**-39%**

The analysis of project environment by age group (see Figure 4 and Table 3) show the largest decline in the 45-64 year age group and a significant increase in projected enrollment for veterans age 85 and over.

Figure 4: Projected Veteran Enrollment for the Finger Lakes/Southern Tier Market by Age Group

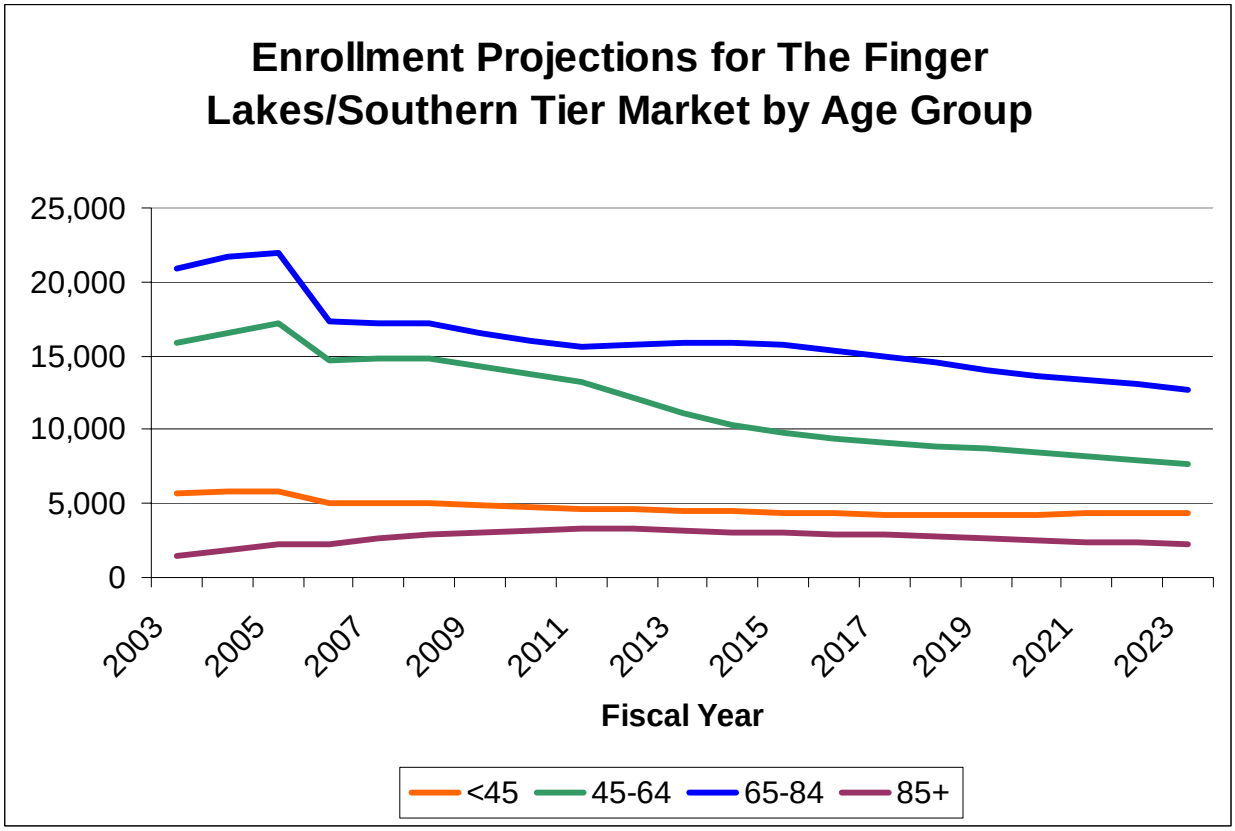


Table 3: Projected Veteran Enrollment for the Finger Lakes/Southern Tier Market by Age Group

Fiscal Year	2003	2013	% Change (2003 to 2013)	2023	% Change (2003 to 2023)
Age <45	5,624	4,549	-19%	4,339	-23%
Age 45-64	15,833	11,119	-30%	7,630	-52%
Age 65-84	20,963	15,839	-24%	12,751	-39%
Age 85+	1,422	3,217	126%	2,236	57%
Total	**43,842**	**34,724**	**-21%**	**26,956**	**-39%**

Utilization Trends

Utilization data is based upon market demand associated with the Canandaigua facility. A summary of utilization data is provided for each CIC in the following graphics. Utilization is only shown for those CICs for which a facility has projected demand. Inpatient utilization is measured in Number of Beds, while both Ambulatory and Outpatient Mental Health utilization is measured in Number of Clinic Stops. A clinic stop is a visit to a clinic or service rendered to a patient.

Overall, the demand for the inpatient services declines over the projected study period, except for nursing home care which remains constant.

The new multi-specialty outpatient clinic at Canandaigua will be beneficial due to the expected increase in ambulatory medical/surgical services. There are net increases indicated for the following services:

- Cardiology
- Eye clinic
- Non-surgical specialties
- Surgical and related specialties
- Urology

There are net decreases for primary care and related specialties, behavioral health, and orthopedics. The balance of these services is essentially unchanged in total utilization between 2003 and 2023.

The expected utilization of outpatient mental health services appears to decrease sharply in all CICs, except for a slight increase in services to the homeless. There are currently no methadone treatment services provided at Canandaigua as well as none projected in the future.

Table 4: Summary Utilization Table

Canandaigua	2003 Actual	2013 Projected	2023 Projected	% Change (2003 to 2013)	% Change (2013 to 2023)	% Change (2003 to 2023)
Total Inpatient Beds	187	185	167	-1%	-10%	-11%
Total Clinic Stops	136,657	142,371	122,716	4%	-14%	-10%

Inpatient Utilization Trends

Figure 5 and Table 5 describe projected utilization for categories of inpatient care at Canandaigua. All categories of care, with the exception of nursing home, are projected to decline throughout the forecast period. All psychiatry/substance abuse beds will be moved to the Syracuse and/or Buffalo VAMCs in 2007 as decided in the May 2004 Secretary's CARES Decision.

Figure 5: Projected Utilization for Inpatient CICs for Canandaigua

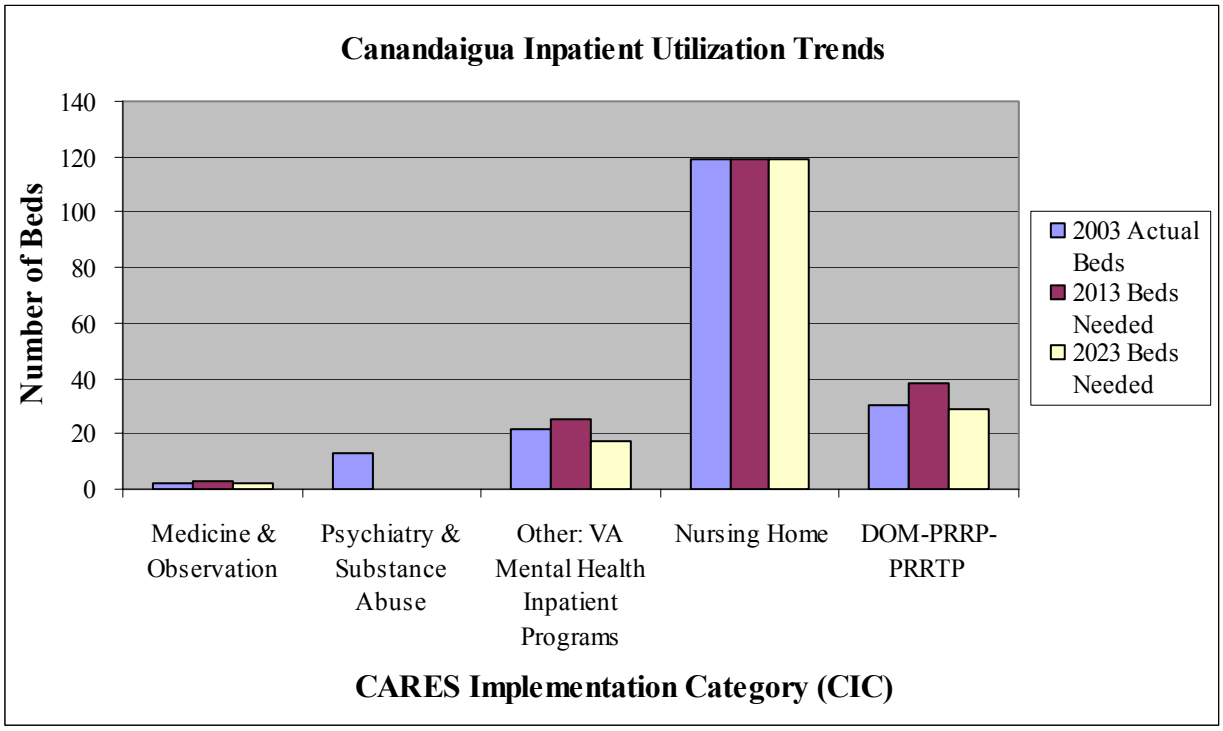


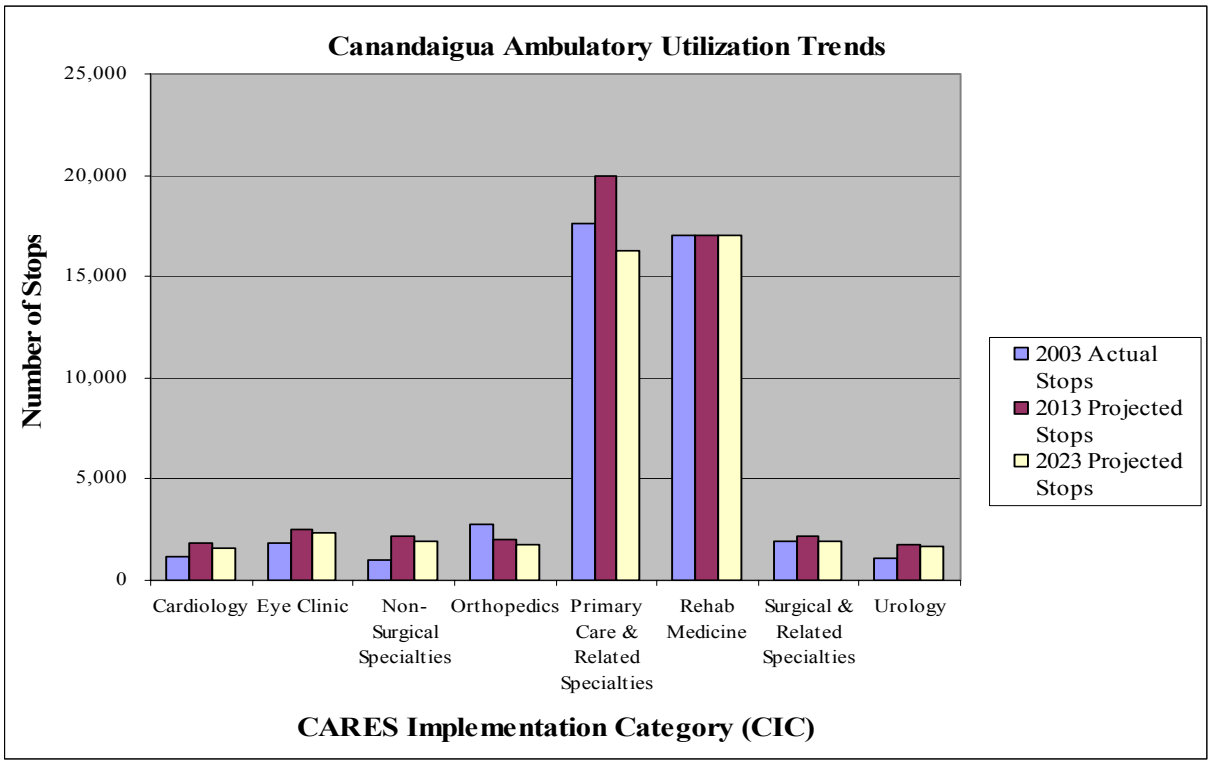
Table 5: Projected Utilization for Inpatient CICs for Canandaigua

CIC	2003 Actual Beds	2013 Beds Needed	2023 Beds Needed	% Change (2003 to 2013)	% Change (2013 to 2023)	% Change (2003 to 2023)
Medicine & Observation	2	3	2	50%	-33%	0%
Psychiatry & Substance Abuse	13	0	0	-100%	NA	-100%
Other: VA Mental Health Inpatient Programs	22	25	17	14%	-32%	-23%
Nursing Home	119	119	119	0%	0%	0%
DOM-PRRP-PRRTP[2]	30	38	29	27%	-24%	-3%
Total	**187**	**185**	**167**	**-1%**	**-10%**	**-11%**

Ambulatory Utilization Trends

Figure 6 and Table 6 describe projected utilization for categories of ambulatory care. Cardiology, eye clinic, non-surgical specialties, and urology show increases in utilization through the forecast period. Orthopedics and primary care and related specialties show declines.

Figure 6: Projected Utilization for Ambulatory CICs for Canandaigua



[2] DOM – Domiciliary; PRRP – Post Traumatic Stress Residential Rehabilitation Program; PRRTP – Post Traumatic Stress Residential Rehabilitation Treatment Program

Table 6: Projected Utilization for Ambulatory CICs for Canandaigua

CIC	2003 Actual Stops	2013 Projected Stops	2023 Projected Stops	% Change (2003 to 2013)	% Change (2013 to 2023)	% Change (2003 to 2023)
Cardiology	1,186	1,858	1,607	57%	-14%	35%
Eye Clinic	1,813	2,548	2,334	41%	-8%	29%
Non-Surgical Specialties	985	2,204	1,947	124%	-12%	98%
Orthopedics	2,802	2,028	1,794	-28%	-12%	-36%
Primary Care & Related Specialties	17,648	19,944	16,314	13%	-18%	-8%
Rehab Medicine	17,004	17,004	17,004	0%	0%	0%
Surgical & Related Specialties	1,900	2,216	1,918	17%	-13%	1%
Urology	1,055	1,780	1,674	69%	-6%	59%
Total	**44,393**	**49,582**	**44,592**	**12%**	**-10%**	**0%**

Outpatient Mental Health Utilization Trends

Figure 7 and Table 7 describe projected utilization for categories of outpatient mental health care. All categories of care with the exception of homeless services are projected to decline throughout the forecast period

Figure 7: Projected Utilization for Outpatient Mental Health CICs for Canandaigua

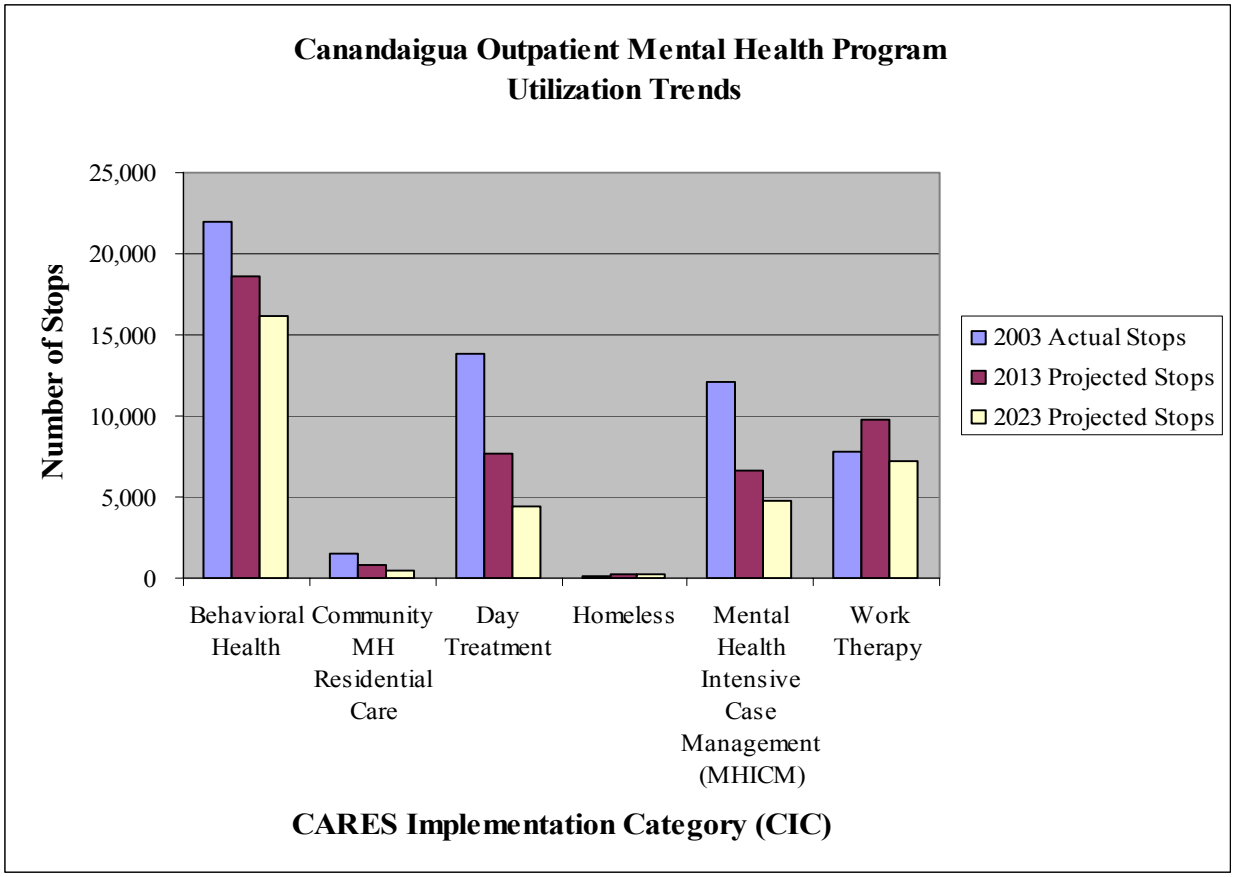


Table 7: Projected Utilization for Outpatient Mental Health CICs for Canandaigua

CIC	2003 Actual Stops	2013 Projected Stops	2023 Projected Stops	% Change (2003 to 2013)	% Change (2013 to 2023)	% Change (2003 to 2023)
Behavioral Health	22,034	18,551	16,141	-16%	-13%	-27%
Community MH Residential Care	1,464	831	503	-43%	-39%	-66%
Day Treatment	13,820	7,620	4,457	-45%	-42%	-68%
Homeless	161	238	185	48%	-22%	15%
Mental Health Intensive Case Management (MHICM)	12,102	6,621	4,718	-45%	-29%	-61%
Work Therapy	7,764	9,809	7,256	26%	-26%	-7%
Total	**57,345**	**43,670**	**33,260**	**-24%**	**-24%**	**-42%**

Pathology and Radiology Utilization Trends

Figure 8 and Table 8 describe projected utilization for pathology and radiology and related specialties. Pathology shows an increase in utilization through the forecasted period, while radiology and related specialties shows a minimal decline.

Figure 8: Projected Utilization for Pathology and Radiology CICs for Canandaigua

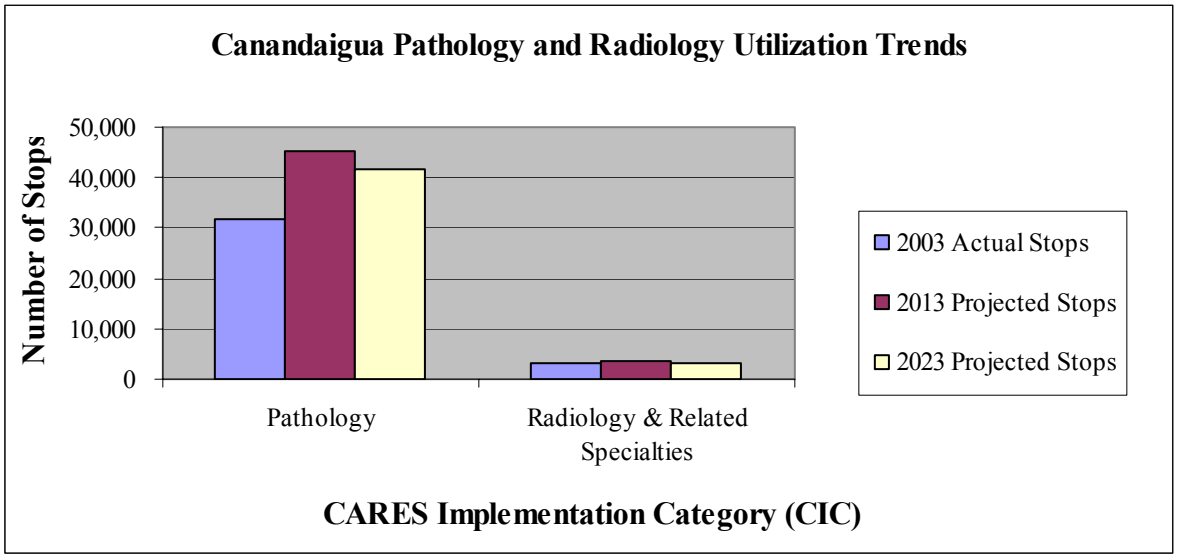


Table 8: Projected Utilization for Pathology and Radiology CICs for Canandaigua

CIC	2003 Actual Stops	2013 Projected Stops	2023 Projected Stops	% Change (2003 to 2013)	% Change (2013 to 2023)	% Change (2003 to 2023)
Pathology	31,700	45,416	41,537	43%	-9%	31%
Radiology & Related Specialties	3,219	3,703	3,327	15%	-10%	3%

Current Status Summary

The current state of Canandaigua VAMC was assessed through review of government furnished information (GFI), as well as onsite interviews and tours. The following sections summarize the current state with respect to property, facilities (capital planning), real estate market and demographics, environment, and re-use potential. It includes content developed by Team PwC and Pruitt Group LLC., an independent contractor to VA on re-use for the Canandaigua study.

Current Property Report[3]

Pruitt Group LLC has compiled the following information regarding the current property assessment for the Canandaigua campus.

Site Description

The Canandaigua VAMC, located at 400 Fort Hill Avenue in Canandaigua, New York, is within 50 miles of Rochester and 100 miles of Buffalo and Syracuse. The Medical Center is situated on a 163-acre parcel (total campus including Bushwood Lane parcel is 171 acres) that straddles the line of the Town of Canandaigua and the City of Canandaigua. Most of the site is located in the town, which is more rural in character than the city. Both of these jurisdictions, which comprise the Canandaigua area, are within Ontario County in the Finger Lakes region of upstate New York (see Figure 2 on page 18). The City of Canandaigua is located closest to Lake Canandaigua, while the Town of Canandaigua surrounds the city on its eastern, northern and western borders.

The Medical Center

Handsome three-story brick and stone buildings with slate roofs and sweeping green lawns are set off from the center of town in a reflective environment, reminiscent of a college campus. The well-maintained Canandaigua site is located in a pastoral and bucolic setting.

The medical center was constructed in several discrete phases; the initial construction occurred in 1931-1932 and the second phase in the 1940s. Prior to construction of the medical center, there were already six buildings on the site, constructed between 1890 and 1910. Today, there are 45 structures on the site, including medical and dental clinics, inpatient/nursing home facilities, and various other veteran-related service functions. Support facilities are included within the overall building count. Other structures on campus are support and infrastructure facilities, including central heating and cooling plants, a sewage treatment plant and warehouses.

Sewage disposal is handled by an on-site sewage treatment plant. The main campus has an eight-inch line running from north to south at the western edge of Courtyards 1 and 2. Buildings

[3] The Pruitt Group EUL, LP. Enhanced Use Lease Property Re-use/Redevelopment Plan Phase One: Baseline Report. Veterans Affairs Medical Center, Canandaigua, New York.

in the center and western portion of the campus tie into this sewer line. A second eight-inch line runs parallel to Ring Road on the eastern side of the campus and picks up buildings on the eastern edge of the campus. The two lines join in front of the laundry (Building 10) and run down Bushwood Lane to the sewage treatment plant.

Several nearby residences are also tied into the sewage treatment facility since there is no municipal treatment facility in the Town of Canandaigua. The City of Canandaigua does provide municipal sewer service, which is likely to be available only for the golf course site. Most of the site is located within the boundaries of the Town of Canandaigua, which does not have municipal sewer service, which could hinder development but for the existing VA plant. The capacity of this plant greatly exceeds the current use, and could be a valuable stand-alone asset. Storm water is not collected on the site, but discharged onto adjoining properties.

Parcelization

The site encompasses VA built environs (81 acres), which includes three sub-parcels: the main campus, which houses the medical-related facilities; the Chapel Street (extended) parcel, and the Bushwood Lane (extended) parcel. There are also two open and mostly vacant parcels: the golf course parcel (38 acres) and the Canandaigua Academy (outlease) parcel (44 acres). Each of the parcels and sub-parcels are depicted in Figure 9.

Main Campus Parcel

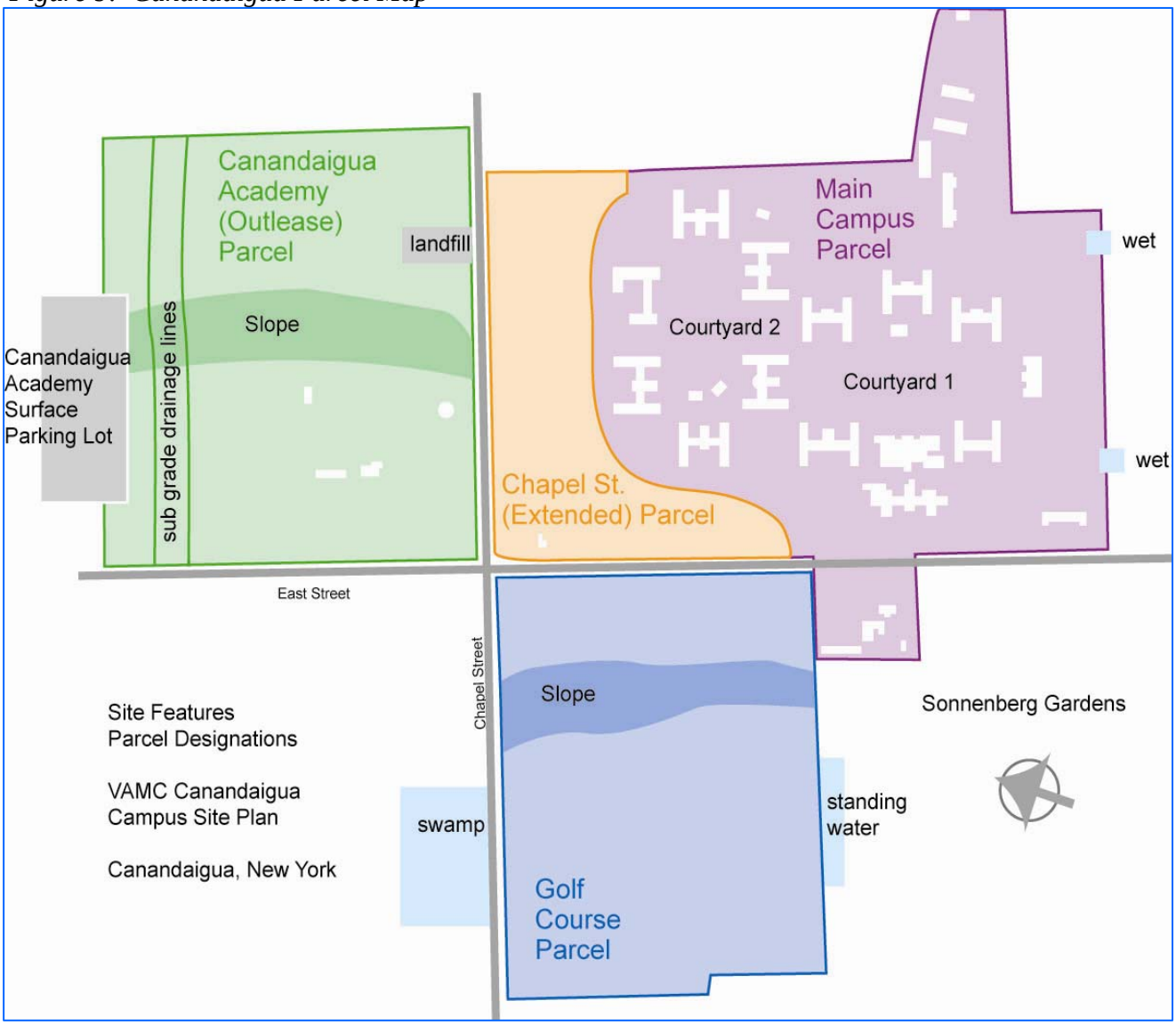
The main campus parcel is that portion of the site that houses the core VAMC facilities and a number of vacant buildings, as well as a gate house, police building, boiler plant, warehouse, and firehouse. Ring Road encloses most of the core buildings, and there is a wooded buffer along the southern boundary.

The main campus, which is relatively flat, is organized around two adjacent courtyards, each of which is enclosed by a series of medical, administrative, and inpatient buildings. Eight buildings enclose Courtyard 1. Those eight buildings, plus Building 1 (the primary medical center), represent most of the initial construction (1932 and 1937). Six buildings enclose Courtyard 2 and represent most of the second phase of construction. Courtyard 2 buildings include Building 9 (part of the initial construction) and five other buildings constructed in the mid 1940s or later. The two courtyards and their surrounding buildings comprise most of the core facilities at the Canandaigua site.

Surface parking occurs mostly outside of the Ring Road, along the perimeter, and appears adequate for current use. The grounds are well maintained and attractive.

Storm water collected on the site is discharged at two locations at the southern boundary. During the site visit, standing water was observed at the location of storm water discharge. Adjoining landowners have experienced problems with the discharge of storm water at these locations, and VA has worked with them to rectify the problems. This portion of the site is built up. Further significant development on the main campus would risk seriously detracting from the features

Figure 9: Canandaigua Parcel Map



that make the site so attractive. Some small infill development, especially if it were to replace existing, non-contributing buildings, may be possible.

Chapel Street (Extended) Parcel

As presently configured, Chapel Street terminates at a chain link fence enclosing VA property. An unimproved service road, referred to by VA staff on site as Cinder Road, is an extension of Chapel Street within VA property. The south side of Chapel Street (extended) is a wide swath of lawn, relatively free of improvements. This parcel is oblong, approximately 1,300 feet by 375 feet, with a section that extends towards the entry gate, creating an overall shape resembling a boot.

Within the medical center boundaries, access to this parcel is good from East Street and Ring Road. With the current security arrangement, access from beyond the site is not good. If Chapel Street is extended and East Street open to through traffic, access to this parcel would be improved.

Existing improvements on this parcel include an inpatient building (1890) that is eligible for listing on the National Register, a stone amphitheater, an outdoor fireplace, and parking lots. The slope on this parcel is gentle, rising 22 feet along East Street and dropping 32 feet along Chapel Street (extended).

Bushwood Lane (Extended) Parcel

A small, trapezoidal-shaped parcel that is non-contiguous to the remainder of the site, the Bushwood Lane (extended) parcel houses the sewage treatment for the medical center. This parcel is located across State Road 21. The parcel is at a low elevation and slopes from the state road to a level area where the digesters and other structures are located.

Golf Course Parcel

The golf course ceased operations on May 1, 2005, but still was well mown and attractive during the site visit. Although no longer in use as a golf course, the site is mostly sweeping lawn with scattered pine trees.

The golf course parcel is rectangular in shape and has two utilitarian buildings along the western boundary. It is approximately 1,120 feet by 1,532 feet and measures roughly 38 acres. The golf course parcel is located in the City of Canandaigua. As such, it has greater access to public sewer than does the remainder of the site. There is a 30-foot grade change between East Street, at the upper portion of the golf course parcel and the western-most edge of the site, adjacent to the Canandaigua Academy.

The lower portion of the site has seasonal standing water. During the spring rainy season, it tends to remain saturated. Towards the lower end of the parcel, there is swamp land across

Chapel Street. The inpatient properties that adjoin the southerly boundary had standing water during the site visit.

An easement area on the golf course parcel has drainage pipes crossing from north to south, which terminate into a lake on the Sonnenberg Gardens property, located on the south side of Fort Hill Avenue.

Canandaigua Academy (Outlease) Parcel

The Canandaigua Academy (outlease) parcel is nearly square. It measures approximately 1,330 feet by 1,438 feet and is nearly 40 acres. The Academy has constructed improvements on the parcel with the understanding that its improvements will be abandoned upon notification by VA. Improvements include paved parking, drainage pipes, and a fence. Other improvements on the site include the elevated water tower, two inpatient buildings, and a garage/storage shed. The Canandaigua Academy (outlease) parcel is partially fenced. This portion did not appear as well groomed as the remainder of the site. The athletic fields on the lower portion of this parcel are fully integrated in the Canandaigua Academy grounds and are well maintained.

A small portion of the upper site, east of the water tower, has been used as a land fill to dispose of construction debris, according to VA staff. Another area, close to the water tower, contains landscaping refuse (stumps, brush, etc). The southwest corner of the site, which contains the buildings, is fenced and wooded. The remainder of the site is open and used for athletic fields and parking. The site slopes from a high point along East Street to the eastern boundary so that there is an approximately 50-foot change in grade. There are below-grade drainage pipes that run east to west along the northern portion of the parcel.

The parcel fronts East Street on its western edge. Following the events of 9-11, VA closed East Street to through traffic across the campus. Reopening East Street would improve access to this parcel and enhance its development potential.

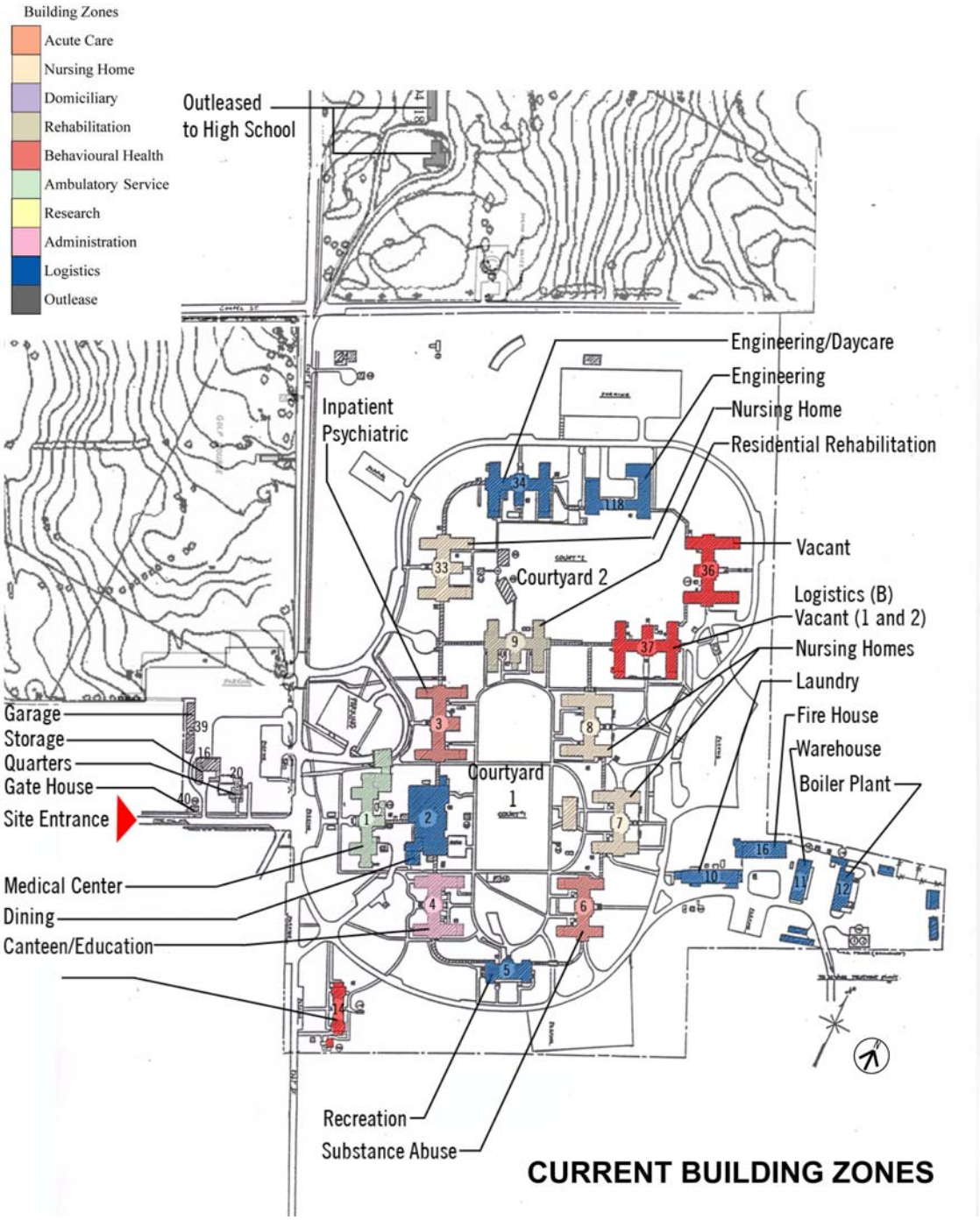
Capital Plan Baseline

The following section, prepared by Team PwC, describes the current condition of the Canandaigua VAMC facilities. The distribution of buildings and site zones at the Canandaigua campus is depicted in Figure 10.

Canandaigua Current Condition

- The Canandaigua VAMC is on 171 acres of land, which includes 45 buildings (945,000 square feet).
- The buildings are arranged around two courtyards. The first set of buildings around the first courtyard ("Courtyard 1") was built between 1932 and 1937. The second set of buildings around the second courtyard ("Courtyard 2") was built in the 1940s (see Figure 10).

Figure 10: Building Distribution and Site Zones[4]



[4] The "site zones" diagram is an illustration of the way the site is used, indicating for reference the main entry, circulation routes, and areas for parking, logistics, and recreation."

- The buildings are in a park-like setting and have well maintained stone and brick exterior walls with slate roofs. (Some roofs have been replaced with modern roofing shingles with the appearance of slate.)
- The patient care buildings on the campus are three stories and are connected with enclosed walkways and tunnels except for Building 1 which is six stories.
- These buildings have received ratings in the range of 2 and 3 based on the Capital Asset Inventory (CAI), which is less acceptable for the use of nursing home beds.
- Surface parking occurs outside of the courtyards.
- Storm water collected on the site is discharged at the southern end of the site.
- All buildings have asbestos.
- All buildings are reinforced concrete structures.
- 12'-0" is the average floor to floor height.
- Mechanical systems are generally in poor condition.
- All buildings are fully equipped with sprinklers. A new water tower was constructed to provide adequate pressure.
- Recent Renovations include:
    - 1990 - Upper two floors of Buildings 7 and 8 were renovated for nursing home care with four patient units and a full HVAC system
    - 2002 - First floor of Building 33 was renovated to occupy nursing units; no central air
- 2004 - Upper two floors of Buildings 3 and 9 were renovated with complete HVAC system

Historic Considerations:

- VAMC Canandaigua is a nominee to the National Register of Historic Places.
- On VA CAI database, all buildings built before 1950 are marked as historic. This includes 29 buildings at Canandaigua.
- The NY State Historical Preservation Office advised the medical center that the only portions they had interest in for historic preservation were the exterior façade of the designated buildings and each building's main lobby.

Vacant Buildings:

- Approximately 300,000 square feet (26%) of the campus is vacant or underused.
- There are pockets of vacant space in Buildings 1, 4, 6, 8, 33, 34 and 118.
- Building 14: completely vacant (prior use: day treatment).
- Building 36: all of first and second floors are vacant (prior use: inpatient wards).
- Building 37: all of first and second floors are vacant (prior use: inpatient wards).
- The medical center has the capacity for 245 beds; however, the average daily census (ADC) is 166. Over 80% of the census is nursing home or domiciliary care.
- There was a golf course (not operated by VA, but on VA owned land) on the south edge of the site. It is no longer in operation.

- There is a high school, the Canandaigua Academy, on the west edge of the site. Part of the Canandaigua Academy site is on VA land and the Canandaigua Academy uses Building 18 in a sharing agreement with VA.
- East Street, which is on the southern edge of the campus, on VA-owned land, was a main thoroughfare to the Canandaigua Academy. It is currently closed to non-VA traffic.

Existing Square Footage by Building

- Building 1- Main Medical Center- 5 Floors, 81,971 Building Gross Square Footage (BGSF)
- Building 2- Dietetic/Dining- 2 Floors, 41, 947 BGSF
- Building 3- Inpatient Psychiatry- 3 Floors, 70,582 BGSF
- Building 4- Canteen/Education- 3 Floors, 59,651 BGSF
- Building 5- Recreation Building- 3 Floors, 25,817 BGSF
- Building 6- Substance Abuse Clinic- 3 Floors, 60,595 BGSF
- Building 7- Nursing Home- 3 Floors, 60, 156 BGSF
- Building 8- Nursing Home- Floors, 64, 067BGSF
- Building 9- PRRTP Beds- 3 Floors, 69,244 BGSF
- Building 10- Laundry- 1 Floor, 12,665 BGSF
- Building 11- Warehouse- 1 Floor, 5,816 BGSF
- Building 12- Boiler Plant- 2 Floors, 8,844 BGSF
- Building 13- Boiler Plant Emergency Generator- 1 Floor, 1,282 BGSF
- Building 14- Day Treatment- 3 Floors, 22,545 BGSF
- Building 16- Fire House/Grounds/Transportation- 1 Floor, 4,872
- Building 18- Halfway House- 2 Floors, 7,190 BGSF
- Building 20- Single Quarters- 3 Floors, 4,784 BGSF
- Building 24- Housekeeping Quarters- 2 Floors, 3,099
- Building 33- Nursing Home- 3 Floors, 71,443 BGSF
- Building 34- SPD, AMMS, and Storage- 3 Floors, 71,660 BGSF
- Building 36- MHC/Vacant Ward-3 Floors, 72,552 BGSF
- Building 37- IRM/Vacant Wards- Floors, 72,553 BGSF
- Building 39- Garage/Storage- 1 Floor, 3,027 BGSF
- Building 40- Gate House- 1 Floor, 308 BGSF
- Building 41- Outdoor Fireplace- N/A
- Building 48- Garage/Storage- 1 Floor, 264 BGSF
- Building 70- Storage- 1 Floor, 300 BGSF
- Building 73- Single Quarters- 2 Floors, 1,541 BGSF
- Building 75- Oil House- 1 Floor, 224 BGSF
- Building 76- Storage- 1 Floor, 4,350 BGSF
- Building 77- Storage- 1 Floor, 3,151 BGSF
- Building 80- Sewage Control House- 1 Floor, 1,426 BGSF
- Building 94- Personal Garage- 1 Floor, 3,216 BGSF
- Building 111- Electrical Vault for Building- 1 Floor, 374 BGSF

- Building 115- Recreation Storage- 1 Floor, 231 BGSF
- Building 118- Engineering Building- 1 Floor, 16,172 BGSF
- Building 120- Pump House- 1 Floor, 585 BGSF
- Building 121- Switchgear Building- 1 Floor, 231 BGSF
- Building 130- Backflow Preventor Building- 1 Floor, 189 BGSF
- Building 131- Flammable Storage Building- 1 Floor, 246 BGSF
- Building 133- Engineering Storage Building- 1 Floor, 1,316 BGSF
- Building 134- VAVS Pavilion- 1 Floor, 2,066 BGSF
- Building 135 Regulated Medical Waste- 1 Floor, 282 BGSF
- Building 137- B7/8 Chiller Plant Building- 1 Floor, 1,173 BGSF
- Building 138- A&MM Network Storage- 1 Floor, 3,200 BGSF

Cost Considerations

- $13 million in capital improvements have been identified by the facility as part of its five-year capital plan. The upgrading includes replacement of roofs, brickwork, utility lines, and windows.
- Asbestos noted in the environmental report will require remediation.
- Mechanical systems will need upgrading.

Real Estate Market and Demographic Overview[5]

In this section, Pruitt Group LLC presents an overview of the real estate market and demographic conditions in the Canandaigua area. This section begins with a presentation of general conditions and, at the end of this section, presents an analysis of how these conditions affect potential uses for the Canandaigua VAMC.

Conditions in the Canandaigua Area

The Canandaigua area's population is about 19,000; the City of Canandaigua accounts for about 60% of this total, while the Town of Canandaigua comprises the other 40%. The population growth in the Canandaigua area since 1990 has outpaced Ontario County's. Between 1980 and 1990, the Canandaigua area grew by 8.5% as compared to a 7.0% population growth rate for Ontario County. This pattern continued in the 1990s, as the Canandaigua area's population increased by 6.6%, while Ontario County's population grew over that same period by 5.4%. The rate of growth in the City and Town of Canandaigua was nearly identical in the 1990s. This is a change from the previous two decades when the Town of Canandaigua's population grew at a substantially higher rate, albeit on a lower base than the City's population growth (see Table 9).

[5] Excerpted from The Pruitt Group EUL, LP. Enhanced Use Lease Property Re-use/Redevelopment Plan Phase One: Baseline Report. Veterans Affairs Medical Center, Canandaigua, New York.

Table 9: Summary of Population Trends in the Canandaigua Area

Population	**1960**	**1970**	**1980**	**1990**	**2000**
City of Canandaigua	9,370	10,488	10,419	10,725	11,418
Town of Canandaigua	4,894	5,419	6,060	7,160	7,649
Total Canandaigua Area	14,264	15,907	16,479	17,885	19,067
Ontario County	68,070	78,849	88,909	95,101	100,224
% Change in Population					
City of Canandaigua	n/a	11.9%	-0.7%	2.9%	6.5%
Town of Canandaigua	n/a	10.7%	11.8%	18.2%	6.8%
Total Canandaigua Area	n/a	11.5%	3.6%	8.5%	6.6%
Ontario County	n/a	15.8%	12.8%	7.0%	5.4%

Source: City of Canandaigua Comprehensive Plan, 2002 Amendment.

Table 10 presents details of the Canandaigua area's population. The table presents demographic characteristics for the City and Town of Canandaigua and also combines the demographic characteristics for the jurisdictions in order to show information for the Canandaigua area.

Table 10: Demographic Details for the Canandaigua Area

Demographic Characteristic	City of Canandaigua	Town of Canandaigua	Canandaigua Area	Ontario County	State of New York
Total Population (2000)	11,428	7,649	19,077	100,224	18,976,457
Land Area (square miles)	5.1	56.9	62	644	47214
Persons per square mile	2,238	132	308	156	402
Median Age [1]	39.3	39.6	39.4	37.9	35.9
< 5 years of Age (%)	5.8	5.6	5.7	6.0	6.5
< 18 years of Age (%)	23.3	25.4	24.1	25.4	24.7
> 65 years of Age	18.9	12.3	16.3	13.2	12.9
% White	96.0	97.1	96.4	95.0	67.9
% Male	47.9	49.5	48.5	48.9	48.2
Average Household Size	2.25	2.62	2.4	2.53	2.61
% Female Headed Households	12.2	7.6	10.4	9.9	14.7
% High School Graduation	85.1	92	87.9	87.4	79.1
% College Graduation	24.8	33.8	28.4	24.7	27.4
Median Household Income [1]	$37,197	$57,978	$45,529	$44,579	$44,393
% of Households Below Poverty	9.5	5.3	7.8	7.3	14.6

[1] The values for the Canandaigua area are the weighted average for the City and Town of Canandaigua.

Source: City of Canandaigua Comprehensive Plan, 2002 Amendment.

As indicated in Table 10, the Canandaigua area is relatively homogeneous with respect to race: nearly 97% of the total population in 2000 was non-Hispanic white. There is virtually no difference in the racial composition between the City (96.0%) and Town (97.1%). This is consistent with Ontario County as a whole, but stands in sharp contrast with New York State, where non-Hispanic whites account for about two-thirds of the total population.

The median ages for both the City (39.3 years) and Town (39.6 years) of Canandaigua are also nearly identical: 39.3 years. Yet, elderly residents comprise a larger share of the City of Canandaigua's population (18.9%) as compared to the Town (12.3%). In addition to having a lower share of elderly residents, the Town of Canandaigua has a relatively higher median household income ($57,978) than the City's median household income of $37,197. Moreover, the City of Canandaigua has a higher share of households below the poverty line, 9.5% as compared to the Town of Canandaigua (5.3%).

In addition to income, there are differences in the educational attainment between the residents of the City and Town of Canandaigua. About 92% of households in the Town of Canandaigua completed Canandaigua Academy, while about one-third graduated from college. These levels of educational attainment are higher than for the City of Canandaigua, where 85% and about 25% of residents graduated from Canandaigua Academy and college, respectively.

While the Canandaigua area's median income and levels of educational attainment are similar to those in Ontario County (and slightly higher than for New York State), there are somewhat sharper distinctions between the City and Town of Canandaigua. The City of Canandaigua's population is about 50% larger than the Town's, the City's population has, on average, lower incomes and educational attainment levels than those found in the Town of Canandaigua.
The Canandaigua area is in Ontario County. Table 11 reports how each industry in Ontario County changed between 1998 and 2002 (the most recent data available) according to the U.S. Census Bureau's County Business Pattern data.

Table 11: Ontario County Employment Change by Industry 2002-1998

	2002	1998		2002	1998	
Industry Code Description	Annual Employment	Annual Employment	% Change in Annual Employment	Total Establishments	Total Establishments	% Change in Total Establishments
Total	1,194,513	953,261	25%	2,713	2,518	8%
Forestry, fishing, hunting, and agriculture support	-	-	0%	4	-	0%
Mining	5,670	4,891	16%	9	9	0%
Utilities	-	-	0%	1	2	-50%
Construction	98,936	82,169	20%	323	287	13%
Manufacturing	313,136	263,545	19%	161	162	-1%
Wholesale trade	58,480	40,829	43%	155	148	5%
Retail trade	151,508	115,728	31%	548	530	3%
Transportation & warehousing	16,770	19,474	-14%	49	43	14%
Information	29,166	18,004	62%	54	48	13%
Finance & insurance	34,851	27,375	27%	109	101	8%
Real estate & rental & leasing	8,228	4,901	68%	81	66	23%
Professional, scientific & technical services	57,239	42,421	35%	224	190	18%
Management of companies & enterprises	44,646	-	N/A	11	5	120%
Admin, support, waste mgt, remediation services	34,774	31,189	11%	128	124	3%
Educational services	34,882	22,041	58%	20	20	0%
Health care and social assistance	187,326	164,099	14%	214	189	13%
Arts, entertainment & recreation	16,715	12,654	32%	66	71	-7%
Accommodation & food services	42,857	35,915	19%	285	262	9%
Other services (except public administration)	33,776	16,922	100%	260	239	9%
Auxiliaries (exc corporate, subsidiary & regional mgt)	23,527	17,058	38%	5	4	25%
Unclassified establishments	93	298	-69%	6	18	-67%
Source: U.S. Census Bureau						

Overall, annual employment in Ontario County grew by 25% between 1998 and 2002. In absolute numbers, manufacturing and retail trade added the largest number of jobs in Ontario

County. However, on a percentage basis, other services (100%), information (62%), and education services (58%) industries grew the fastest, albeit on a lower base than the manufacturing and retail trade industries.

Closer to the VAMC, the City of Canandaigua's economy is driven by the presence of large governmental, educational, and healthcare institutions. Indeed, as shown in Table 12, the three largest employers in the City are Thompson Health, VA Hospital, and the Canandaigua City Canandaigua School District. Only two private firms (Canandaigua Wine and Meridian Automotive) employ more than 250 full-time employees.

Table 12: Ten Largest Employers in the City of Canandaigua - 2001

Employer	Type of Business	# of Employees (Full/Part-time)
Thompson Health	Hospital/Nursing Home	960/400
Veterans Administration Hospital	Hospital	818/42
Canandaigua City School District	Public School	510/260
Wegmans/Chase Pitkin	Pharmacy/Grocery/Hardware	50/500
Ontario County	Government	390/0
Canandaigua Wine	Wine Producer	380/0
Meridian Automotive	Automotive parts manufacturing	260/0
City of Canandaigua	Local government	110/29
Steamboat Landing 30/100	Restaurant/Conference Center	30/100
Roseland Waterpark	Amusment Park	10/150

Source: City of Canandaigua Comprehensive Plan, 2002 Amendment.

Lake Canandaigua is a regional recreational and tourist attraction that creates a variety of tourism-related jobs.[6] In addition to the lake, local wineries draw tourists into the Canandaigua area. To leverage this resource, according to a key informant interviewed during the other VA contractor's site visit to Canandaigua, the Rochester Institute of Technology and local wineries formed a joint venture to establish a wine cultural center that will be opened in 2006.

The Route 332 corridor, which stretches from the Town's northern border with the Town of Farmington to the Town's southern border with the City of Canandaigua, is the Town of Canandaigua's primary commercial economic development zone.[7] The road has been recently upgraded from a two-lane to a four-land roadway with sidewalks and medians.[8] The Town's objective is to encourage development along the corridor, concentrating this growth in two nodes located at the north and south end of the 332 corridor.

There are several post-secondary institutions within and near the Canandaigua area. Finger Lakes Community College (FLCC) is located in the Canandaigua area and leased 17,000 square feet of space in Building 36 of the medical center. That lease expired July 31, 2005 and will not be renewed by choice of VA. In addition to FLCC, other nearby post-secondary Canandaigua

[6] City of Canandaigua Comprehensive Plan. 2002 Amendment Report: page 36.
[7] Town of Canandaigua Comprehensive Plan, April 23, 2003. Report: page IV-1.
[8] Ibid, page I.

academies are the Rochester Institute of Technology, the University of Rochester, Nazareth College, and Roberts Wesleyan College.

Information for Potential Uses

Re-use opportunities for the Canandaigua VAMC present some challenges that are described in Table 13. Overall, the area's population is relatively small, about 20,000 residents, and is projected to grow only by 2% by 2010 and 4% by 2020. Moreover, for potential VAMC users, there are large tracts of available developable land in the Canandaigua area, especially in the more rural Town of Canandaigua.

There has been relatively modest, new residential, office, and retail development in the Canandaigua area over the past ten years. This may reflect modest demand for such space. Should VA decide to locate all of its activities in a new facility, and thereby vacate all of the buildings on the Canandaigua campus, finding users for the roughly 920,000 square feet of existing space that would become available will require reaching beyond normal local demand to draw in special users. The following table summarizes how real estate and demographic conditions in the Canandaigua area affect all of the potential uses for the VAMC. As the location and character of the VAMC do not lend itself to industrial uses, such uses are not analyzed here.

Table 13: Real Estate and Demographic Information by Potential Uses

Potential Re-use Categories	Real Estate Market Information and Demand Drivers
Residential	
Multi-family	• There is a relatively slow projected population growth for the Canandaigua area over the next 20 years. The combined population growth forecast for the City and Town of Canandaigua is 2% between 2000 and 2010 and 4% between 2000 and 2020. • There were a modest number of new residential units permitted in the City (256) and Town (620) of Canandaigua between 1994 and 2003. • The combined population of the City and Town of Canandaigua is relatively small, about 20,000 residents in 2000. • The Canandaigua area contains plentiful raw land that is available for multi-family housing development.
Single Family	• For sale residential units are primarily single family homes. • The median value as of 2000 for owner-occupied housing in the City of Canandaigua was $100,600. • There is a relatively slow projected population growth for the Canandaigua area over the next 20 years. The combined population growth forecast for the City and Town of Canandaigua is 2% between 2000 and 2010 and 4% between 2000 and 2020. • There were a modest number of new residential units permitted in the City (256) and Town (620) of Canandaigua between 1994 and 2003 • The combined population of the City and Town of Canandaigua is relatively small, about 20,000 residents in 2000. • The Canandaigua area contains plentiful raw land that is available for any housing or commercial development.

Potential Re-use Categories	Real Estate Market Information and Demand Drivers
Commercial	
Office	• There were a small number of new commercial buildings permitted in the City (28) and Town (14) of Canandaigua between 1994 and 2003. • Annual employment in Ontario County grew 25% between 1998 and 2002. Growth in annual employment for the FIRE industry in Ontario County increased by 33% over that same period. • The FIRE industry accounts for only about 4% of employment in Ontario County. • There is little interest among local businesses for additional office space that would result from VA moving out of the existing facility. • Current office space is mostly located in storefront properties. • There is a negligible inventory of Class "A" office space in the Canandaigua area.
Retail	• Only one commercial building, a retail space with 270,000 square feet of space, was permitted in both the City and Town of Canandaigua in 2003. • There is little current demand for additional large-scale retailers in the Canandaigua area, as Wal-Mart and Lowe's are present, and Home Depot is nearby in Victor.
Industrial	
Light/Flex Heavy Biotech/Wet Lab	• Given its location in a relatively rural portion of the Canandaigua area, industrial re-use was eliminated on Canandaigua VAMC's screening template.
Hospitality	
Hotel	• The Canandaigua area has a hotel/conference center located on Lake Canandaigua. It is unclear if there is additional demand for this type of facility. • Annual employment in the Accommodation and Food Services industry in Ontario County increased by 19% between 1998 and 2002. • Accommodation and Food Services sector industry accounted for only 4% of annual employment in Ontario County in 2002.
Recreational/Entertainment	• Lake Canandaigua is a regional recreational and tourist attraction that creates a variety of tourism-related jobs.[9] • Local wineries draw tourists into the Canandaigua area. The Rochester Institute of Technology and local wineries formed a joint venture to establish a wine cultural center that will be opened in 2006.
Other	
Cultural	• Current employment in the arts, entertainment, and recreation industry is a small component of employment in the Canandaigua area.
Education	• There are several post-secondary institutions within and near to the Canandaigua area which may have interest in the Canandaigua campus. These include: Finger Lakes Community College, the Rochester Institute of Technology, the University of Rochester, Nazareth College, and Roberts Wesleyan College.
Healthcare/Nursing Homes	• Thomson Health, a local hospital and nursing home, is the largest employer in the Canandaigua area. It could potentially use the Canandaigua facility for expansion.

[9] City of Canandaigua Comprehensive Plan. 2002 Amendment. Report: page 36.

Environment[10]

Based on a review of available documents and database searches, Priutt Group LLC developed an Environmental Baseline Report for the Canandaigua study site. The results are summarized here. Pruitt Group LLC visited Canandaigua, toured the site and interviewed the Facilities Manager and Station Health and Safety Manager. They also reviewed documents provided by VA and secured an environmental records search from Environmental Record Search, Inc. to determine if there were any incidents exceeding American Society for Testing of Materials (ASTM) 1527/1528 standards that had occurred within one mile of the site.

From on-site observations, a comprehensive review of available data from the regulatory records search and a review of the information provided by the Canandaigua staff, it appears that there are no obvious environmental issues which would preclude re-use or redevelopment. Issues related to Asbestos Containing Material (ACM) and lead will need to be remediated as a part of the construction process for potential re-use. The campus has been very well managed from an environmental perspective and compliance with Federal and State permitting requirements appears to be in very good order. The Facilities Management and the Environmental staff has a very good understanding of existing conditions and has a sound approach to managing any needed remediation or upgrades. A vehicle fuel storage tank monitoring issue is in the process of being addressed. An Underground Storage Tank (UST) containment liner issue is being addressed.

The only issue that merits further consideration and attention is the former landfill site to determine its location, size, and type of debris deposited there.

Re-Use Potential[11]

Development Potential of Sites and Buildings

Canandaigua is a relatively undeveloped location where the supply of land is plentiful and the demand for land and buildings is not robust. As for Canandaigua's development potential, this is negatively impacted by these opposing market conditions. However, the campus and its environs have strong appeal, which may be attractive to a range of potential public, private, and institutional entities. It is within driving distance of Rochester, Buffalo, and Syracuse and is located seven miles from the New York State Thruway. Sites with similar characteristics attract interest not from the typical market participants, such as major office and inpatient developers, but from entities with a unique use or multiple uses for the property. These market-related matters will be addressed in Stage II when typical and non-typical development options will be explored.

[10] Excerpted from The Pruitt Group EUL, LP. Enhanced Use Lease Property Re-use/Redevelopment Plan Phase One: Baseline Report. Veterans Affairs Medical Center, Canandaigua, New York.
[11] Ibid.

The Stage I analysis addresses the opportunities and constraints that determine the rankings of portions of the site and its buildings relative to one another based upon the land's suitability for redevelopment.

The criteria employed in the analyses include the following:

High Potential for Redevelopment

- There are no environmental constraints such as hazardous contamination, wetlands, steep slopes, or soil issues.
- There are no archaeological constraints.
- There is good regional, local, and onsite visibility and access to the building or parcel.
- Adjacent uses would support, not detract from, development.
- The construction quality of the building, its floor plate, and size would enable adaptive re-use.
- VA has no further use for the asset or could share it with others.

Medium Potential for Redevelopment

- Some, but not all, of the characteristics of a high potential property are in evidence.

Low Potential for Redevelopment

- The property lacks sufficient characteristics of a high potential property and/or one of the conditions is so severe, such as poor quality construction, as to render the property poorly suited for redevelopment.

Findings and Recommendations

For a site this large with multiple buildings, there is an array of potential development options, depending on the users interested. The entire site and buildings, minus property to be used for VA's operations, could be developed under a lease to a single entity. This would be the simplest option for VA, but may not be possible if there is not a single entity interested. Alternatively, the property could be sub-divided and re-used and/or redeveloped by multiple entities. Potential sub-divisions could include the following:

- Primarily vacant land, including the golf course parcel, Canandaigua Academy (outlease) parcel and Chapel Street (extended) parcel
- Land with buildings as a single package, including the main campus
- Individual buildings, including those buildings with high and medium potential for redevelopment
- Utilities, including the sewage treatment facility and the Bushwood Lane (extended) parcel.

Redevelopment Potential of Real Estate Parcels[12]

Table 14 summarizes the redevelopment potential of the parcels of land with respect to the property's suitability for development. This does not reflect market demand.

Table 14: Redevelopment Potential of Real Estate Parcels

Parcel Name (No.)	Redevelopment Potential
Main Campus (A)	Medium
Chapel Street (B)	Medium
Bushwood Lane (C)	High
Golf Course (D)	High
Canandaigua Academy (E)	Medium

VA Facilities

Location of the new facilities for the VAMC on the site will play a crucial role in the ability to successfully market the remainder of the site. The service mix in the future could be primary care, specialty care, nursing home, domiciliary care, inpatient rehabilitation treatment, gero-psychiatry care, four psychiatry holding beds, and hospice care, or a combination of these possibilities to maximize access by veterans and to determine the highest and best use of the Canandaigua campus. Security measures at federal facilities involve limiting and controlling access, which is sometimes accomplished by security controls at the entrance to a building and sometimes by fencing the entire site and installing controls at the gate. The preference for Canandaigua will influence where VA facilities will be located and how the rest of the site will be developed.

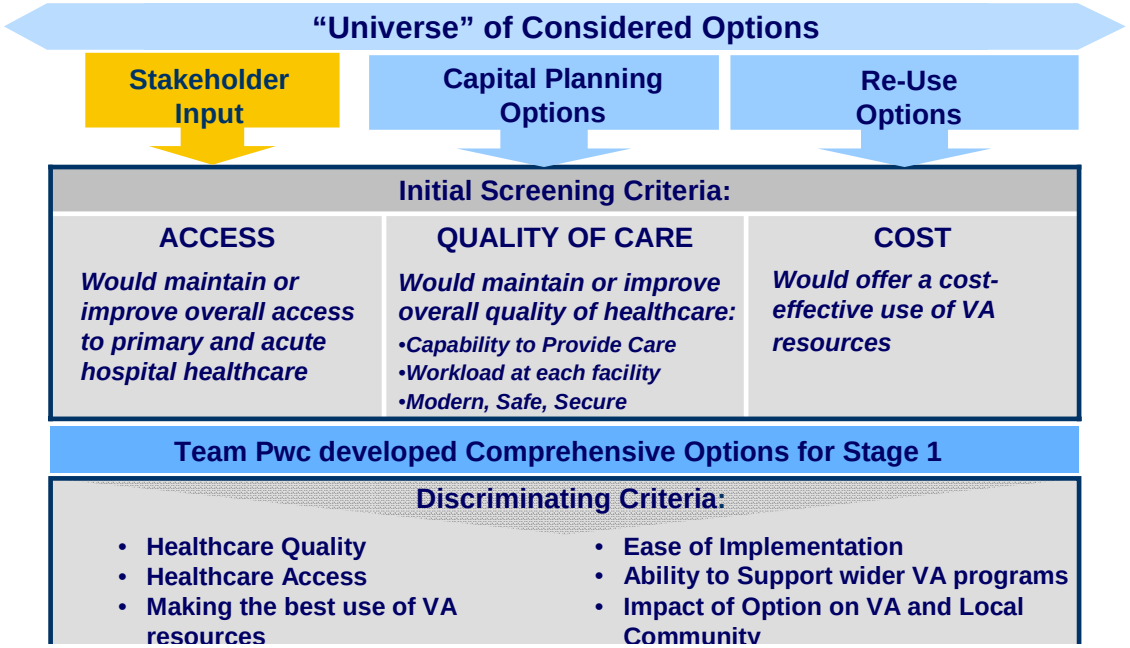
[12] Ibid.

Business Plan Option Development

Using VA furnished information, site tours and interviews, and stakeholder and LAP member input, Team PwC in collaboration with Pruitt Group, LLC, developed a broad range of discrete and credible capital planning options and their associated re-use plans. These options were tested against initial screening criteria of access, quality, and cost, as defined below. Each capital planning option that passed the initial screenings served as potential components of comprehensive BPOs. A review panel of experienced Team PwC consultants, including medical practitioners, capital planners and real estate advisors considered the assessment results and recommended the comprehensive BPOs. Each of the comprehensive BPOs were then assessed at a more detailed level according to a set of discriminating criteria, which are described in the discriminating criteria section on page 52.

The following diagram illustrates the complete options development process:

Figure 11: Options Development Process



Initial Screening of Options

A multitude of discrete capital and re-use options were developed for the Canandaigua site and were subsequently screened to determine whether or not a particular option had the potential to meet or exceed the CARES objectives. The following describes the initial screening criteria that were used during this process:

- **Access**: *Would maintain or improve overall access to primary and acute hospital healthcare* – Since the location of healthcare services was decided in the CARES Commission Report in 2004, access to primary and acute hospital healthcare will not be materially impacted by capital and re-use options.

- **Quality of Care:** *Would maintain or improve the overall quality of healthcare* – This is assessed by consideration of:

  - The level of workload at any facility compared to utilization thresholds. Quality concerns may also occur if it is assumed that VA would contract with a non-VA provider for specific services, yet there is no current proven healthcare provider for those required services within that particular location. In such a case, assumptions may be required regarding the likelihood of such a provider emerging. Therefore, any option that relied upon patient care being provided by an emergent third party failed this quality test. Only in cases where a compelling reason could be identified to assert that services would be provided would that option pass the quality test.
  - Team PwC considered the clinical ramifications of splitting inpatient and outpatient services. In the options where this is proposed, outpatient mental health remains with the inpatient services on the main campus. Other medical/surgical ambulatory services are located off-campus. This modified split would reduce any effects to continuity of care.
  - During the second LAP meeting, clinical members of the LAP also provided input into the potential effects of splitting inpatient and outpatient services.

  Additionally, the following was included as part of the quality measure:

  - **Modern, Safe, Secure**: *Would result in a modernized, safe healthcare delivery environment that is compliant with existing laws, regulations, and VA requirements* – This was assessed by consideration of the physical environment proposed in the BPO and any material weaknesses identified in VA's space and functional surveys, facilities' condition assessments and seismic assessments for existing facilities, and application of a similar process to any alternative facilities proposed.

- **Cost**: *Has the potential to offer a cost-effective use of VA resources* – This was assessed as part of Team PwC's initial cost effectiveness analysis. Any BPO that did not have the potential to provide a cost effective physical and operational configuration of VA resources as compared to the baseline failed this test.

All possible options were screened against these criteria. If an option failed the initial access test, then no other tests were applied. Those passing the access test were then further screened against quality, and cost. Screening was halted when the option failed to meet one of the initial screening criteria.

Capital Planning Options & Descriptions

The capital planning (CP) options in the table below passed all of the initial screening criteria.

Table 14: Capital Planning Options, Canandaigua

Designation	Label	Description
CP-1	Baseline	Right size and relocate nursing home, domiciliary, other inpatient mental health, and all ambulatory/ outpatient services in phased renovations to buildings in Courtyard 1. Vacate all Courtyard 2 buildings except 118 (engineering). Keep water tower (128), fire station (16), and boiler (12).
CP-2	Redevelopment	
CP-2A	Redevelopment of Campus: Golf Course West	Replace nursing home, domiciliary, other inpatient mental health, and all ambulatory/outpatient services in new construction on western half of golf course land.
CP-2B	Redevelopment of Campus: Golf Course West Inpatient Only	Replace nursing home, domiciliary, other inpatient mental health in new construction on western half of golf course land. Ambulatory/outpatient services replaced in new construction off-campus in the Canandaigua area (location to be determined).
CP-2C	Redevelopment of Campus: Golf Course East	Replace nursing home, domiciliary, other inpatient mental health, and all ambulatory/outpatient services in new construction on eastern half of golf course land.
CP-2D	Redevelopment of Campus: Golf Course East Inpatient Only	Replace nursing home, domiciliary, other inpatient mental health in new construction on eastern half of golf course land. Ambulatory/outpatient services replaced in new construction off-campus in the Canandaigua area (location to be determined).
CP-2E	Redevelopment of Campus: Canandaigua Academy Site	Replace nursing home, domiciliary, other inpatient mental health, and all ambulatory/outpatient services in new construction in northeast portion of Canandaigua Academy site.
CP-2F	Redevelopment of Campus: Canandaigua Academy Site Inpatient Only	Replace nursing home, domiciliary, and other inpatient mental health in new construction in northeast portion of Canandaigua Academy site. Ambulatory/outpatient services replaced in new construction off-campus in the Canandaigua area (location to be determined).
CP-2G	Redevelopment of Campus: Phased Replacement in Courtyard 2	Replace nursing home, domiciliary, other inpatient mental health, and all ambulatory/outpatient services in new construction through phased replacement in Courtyard 2 area. Replacement of buildings around Courtyard 2 with new.

Designation	Label	Description
CP-2H	Redevelopment of Campus: Phased Replacement in Courtyard 2 Inpatient Only	Replace nursing home, domiciliary, and other inpatient mental health through phased replacement in Courtyard 2 area. Ambulatory/outpatient services replaced in new construction off-campus in the Canandaigua area (location to be determined). Replacement of buildings around Courtyard 2 with new.
CP-2I	Redevelopment of Campus: Phased Replacement in Courtyard 1	Replace nursing home, domiciliary, other inpatient mental health, and all ambulatory/outpatient services in new construction through phased replacement in Courtyard 1 area.
CP-2J	Redevelopment of Campus: Phased Replacement in Courtyard 1 Inpatient Only	Replace nursing home, domiciliary, and other inpatient mental health through phased replacement in Courtyard 1 area. Ambulatory/outpatient services replaced in new construction off-campus in the Canandaigua area (location to be determined).
CP-2K	Redevelopment of Campus: Phased Replacement in Courtyard 1, Inpatient	Renovate Buildings 1, 3, and 4 in Courtyard 1 for inpatient and augment with new building in Courtyard 1. Nursing home and domiciliary are included in these renovated buildings.
CP-2L	Redevelopment of Campus: Phased Replacement in Courtyard 1, Outpatient	Renovate Buildings 1, 3, and 4 in Courtyard 1 for ambulatory/outpatient and augment with new building in Courtyard 1. Nursing home and domiciliary are included in new construction.
CP-2M	Redevelopment of Campus: Phased Replacement in Courtyard 2, Inpatient	Renovate Buildings 33 and 34 in Courtyard 2 and augment with new building for inpatient services. Replace Buildings 36, 37, and 118. Nursing home and domiciliary are included in new construction
CP-2N	Redevelopment of Campus: Phased Replacement in Courtyard 2, Outpatient	Renovate Buildings 33 and 34 in Courtyard 2 and augment with new building for ambulatory/ outpatient services. Replace Buildings 36, 37, and 118. Nursing home and domiciliary are included in renovated Buildings 33 and 34.
CP-2O	Redevelopment of Campus: Northern parcel	Build replacement in Northern parcel of campus between Ring Road and south of Chapel Street. Nursing home and domiciliary are included in new construction.
CP-3	Off-Site Replacement: Full	Replace nursing home, domiciliary, other inpatient mental health, and all ambulatory/outpatient services in new construction off campus in the Canandaigua area (location to be determined).

Re-Use Options & Descriptions

The table below identifies the parcels for potential re-use (RU). The parcels have been identified based on existing vacant land and the changed footprint based on the capital planning options.

Table 15: Re-Use Options, Canandaigua

Label	Description
Parcel A - Main Campus	Re-use/redevelopment of Courtyard 1 and 2 buildings and associated land.
Parcel B - Chapel Street	Re-use/redevelopment of Chapel Street (Extended) parcel.
Parcel C - Bushwood Lane	Re-use/redevelopment Bushwood Lane parcel.
Parcel D - Golf Course	Re-use/redevelopment of Golf Course parcel.
Parcel E - Canandaigua Academy	Re-use/redevelopment of parcel surrounding Canandaigua Academy.

Options Not Selected for Assessment

Several of the options created during the option development process did not pass the initial screening criteria. The following table lists those options that either did not pass the initial screening criteria or were deemed inferior to other options that did pass the initial screening. Table 16 below details the results of the initial screening and the reasons why these options were not selected.

Table 16: Options Not Selected for Assessment

Label	Description	Screening Results
Redevelopment of Campus: Golf Course West	Replace nursing home, domiciliary, other inpatient mental health, and all ambulatory/outpatient services in new construction on western half of golf course land.	Site is unsuitable for new healthcare facilities due to slope and water table issues. Construction here would be far less cost effective than other undeveloped portions of the site.
Redevelopment of Campus: Golf Course West Inpatient Only with New Off-Campus Ambulatory Building	Replace nursing home, domiciliary, other inpatient mental health in new construction on western half of golf course land. Ambulatory/outpatient services replaced in new construction off campus in the Canandaigua area (location to be determined).	Site is unsuitable for new healthcare facilities due to slope and water table issues. Construction here would be far less cost effective than other undeveloped portions of the site.
Redevelopment of the northeast portion of the Canandaigua Academy site	Replace nursing home, domiciliary, other inpatient mental health, and all ambulatory/outpatient services in new construction in northeast portion of Canandaigua Academy site.	Failed as it was believed that the high volume of outpatient traffic located so closely to the Canandaigua Academy would be inconsistent with the desired academic environment.

Label	Description	Screening Results
Redevelopment of Campus: Phased Replacement in Courtyard 2	Replace nursing home, domiciliary, other inpatient mental health, and all ambulatory/outpatient services in new construction through phased replacement in Courtyard 2 area. Replacement of buildings around Courtyard 2 with new.	Failed as the conversion to bring Courtyard 2 buildings to current nursing home/domiciliary code is cost ineffective compared to new construction.
Redevelopment of Campus: Phased Replacement in Courtyard 2 Inpatient Only with New Off-Campus Ambulatory Building	Replace nursing home, domiciliary, other inpatient mental health through phased replacement in Courtyard 2 area. Ambulatory/outpatient services replaced in new construction off-campus in the Canandaigua area (location to be determined). Replacement of buildings around Courtyard 2 with new.	Failed as the conversion to bring Courtyard 2 buildings to current nursing home/domiciliary code is cost ineffective compared to new construction.
Redevelopment of Campus: Phased Replacement in Courtyard 1	Replace nursing home, domiciliary, other inpatient mental health, and all ambulatory/outpatient services in new construction through phased replacement in Courtyard 1 area.	Failed as the conversion to bring Courtyard 1 buildings to current nursing home/domiciliary code is cost ineffective compared to new construction.
Redevelopment of the campus through phased replacement in the Courtyard 1	Renovate buildings 1, 3, and 4 in Courtyard 1 for inpatient and augment with new building in Courtyard 1.	Failed as the conversion to bring Courtyard 1 buildings to current nursing home/domiciliary code is cost ineffective compared to new construction.
Redevelopment of Campus: Phased Replacement in Courtyard 2, Inpatient	Renovate buildings 33 and 34 in Courtyard 2 and augment with new building for inpatient services. Replace buildings 36, 37, and 118.	Requires extensive demolition to accommodate new nursing home/ domiciliary structure. Believed to be less cost effective than the options forwarded to assessment.
Redevelopment of Campus: Phased Replacement in Courtyard 2, Outpatient	Renovate buildings 33 and 34 in Courtyard 2 and augment with new building for outpatient/ambulatory services. Replace buildings 36, 37, and 118.	Failed as the conversion to bring Courtyard 2 buildings to current nursing home/domiciliary code is cost ineffective compared to new construction.
Rochester	Redevelopment of campus for inpatient services only, relocating ambulatory Services to Rochester.	Fails initial screening criteria of access. Drive time to Rochester for enrollees living south, southeast, and southwest of Canandaigua would exceed guideline.

Development of Comprehensive Business Plan Options

The BPOs included in the table below passed all of the initial screening criteria and were formulated to determine the most appropriate options for the site. The comprehensive BPOs incorporate capital and re-use option components from the tables above. They will be more thoroughly assessed according to the discriminating criteria in the subsequent sections.

The individual capital options that passed the initial screening were then further considered as options to comprise a comprehensive BPO. A comprehensive BPO is defined as consisting of a single capital planning option, combined with at least one associated re-use parcel. Therefore, the formula for a comprehensive BPO is:

Comprehensive BPO = CP option + Re-use parcel(s)

Table 17 provides a summary of each comprehensive BPO created. Each of these comprehensive BPOs is then further assessed at a more detailed level according to a set of discriminating criteria described below. The results of the BPO detailed assessments are featured in later sections in this report, beginning on page 65.

Table 17: Comprehensive BPOs

Designation	Label	Description
BPO 1 **Comprising: CP-1**	Baseline	Right size and relocate nursing home, domiciliary, other inpatient mental health, and all ambulatory/outpatient services in phased renovations to buildings in Courtyard 1. Vacate all Courtyard 2 buildings except engineering. Keep water tower, fire station, and boiler. Potential re-use/redevelopment of Chapel Street, Bushwood, Golf Course and Canandaigua Academy parcels.
BPO 2 **Comprising: CP-2C**	Redevelopment of Campus: Golf Course East	Replace nursing home, domiciliary, other inpatient mental health, and all ambulatory/outpatient services in new construction on eastern half of golf course land. Potential re-use/redevelopment of Main Campus, Chapel Street, Bushwood and Canandaigua Academy parcels.
BPO 3 **Comprising: CP-2D**	Redevelopment of Campus: Golf Course East Inpatient Only with New Off-Campus Ambulatory Building	Replace nursing home, domiciliary, other inpatient mental health in new construction on eastern half of golf course land. Ambulatory/outpatient services replaced in new construction off-campus in the Canandaigua area (location to be determined). Potential re-use/redevelopment of Main Campus, Chapel Street, Bushwood and Canandaigua Academy parcels.
BPO 4 **Comprising: CP-2F**	Redevelopment of Campus: Canandaigua Academy Site Inpatient Only with New Off-Campus Ambulatory Building	Replace nursing home, domiciliary, other inpatient mental health in new construction in northeast portion of Canandaigua Academy site. Ambulatory/outpatient services replaced in new construction off-campus in the Canandaigua area (location to be determined). Potential re-use/redevelopment of Main Campus, Chapel Street, Bushwood and Golf Course parcels.

Designation	Label	Description
BPO 5 **Comprising: CP-2J**	Redevelopment of Campus: Phased Replacement in Courtyard 1 Inpatient Only with New Off-Campus Ambulatory Building	Replace nursing home, domiciliary, other inpatient mental health in new through phased replacement in Courtyard 1 area. Ambulatory/outpatient services replaced in new construction off campus in the Canandaigua area (location to be determined). Potential re-use/redevelopment of Canandaigua Academy, Chapel Street, Bushwood and Golf Course parcels.
BPO 6 **Comprising: CP-2L**	Redevelopment of Campus: Phased Replacement in Courtyard 1, Outpatient	Renovate buildings in Courtyard 1 for outpatient/ambulatory and augment with new building in Courtyard 1. Potential re-use/redevelopment of Canandaigua Academy, Chapel Street, Bushwood and Golf Course parcels.
BPO 7 **Comprising: CP-2O**	Redevelopment of Campus: Northern parcel	Build replacement in Northern parcel of campus between Ring road and south of Chapel Street. Potential re-use/redevelopment of Canandaigua Academy, Chapel Street, Main Campus and Golf Course parcels.
BPO 8 **Comprising: CP-3**	Off-Site Replacement: Full	Replace nursing home, domiciliary, other inpatient mental health, and all ambulatory/outpatient services in new construction off campus in the Canandaigua area. Entire site made available for re-development.

Discriminating Criteria

The primary discriminating criteria are:

- **Healthcare Quality** – These criteria are to assess the following:
  - How the BPO sustains or enhances healthcare quality, such as the relationship of volume of services and outcomes, or improved information transfer,
  - If the BPO can ensure that forecasted healthcare need is appropriately met, and
  - Whether each BPO will result in a modernized, safe, and secure healthcare delivery environment.

- **Healthcare Access** - These criteria are to assess how the BPO impacts the ease with which patients can access healthcare services. However, as stated in the initial screening criteria, since the location of healthcare services was decided in the previous CARES study, access should not be materially impacted by capital and re-use options.

- **Impact of BPO on VA and Local Community** – These criteria will be used to assess the impact on staffing, as well as research and clinical education programs.

- **Making Best Use of VA Resources** – This set of criteria will be used to assess the cost effectiveness of the physical and operational configuration of the BPO, utilizing Team PwC's financial analysis tools. In addition, the financial analysis will be used identify cost savings over 30 years, including expected recurring and one-off savings.

- **Ease of Implementation** – These criteria are to assess the risk of implementation for each BPO. PwC's risk score template will be completed to identify and analyze all of the potential risk components associated with the initiatives.

- **Ability to Support Wider VA Programs** – These criteria will be used to assess how the BPO would impact the sharing of resources with DoD, enhance one-VA integrations, and impact special considerations such as DoD contingency planning, Homeland Security needs, or emergency need projections.

Impact on Local Community

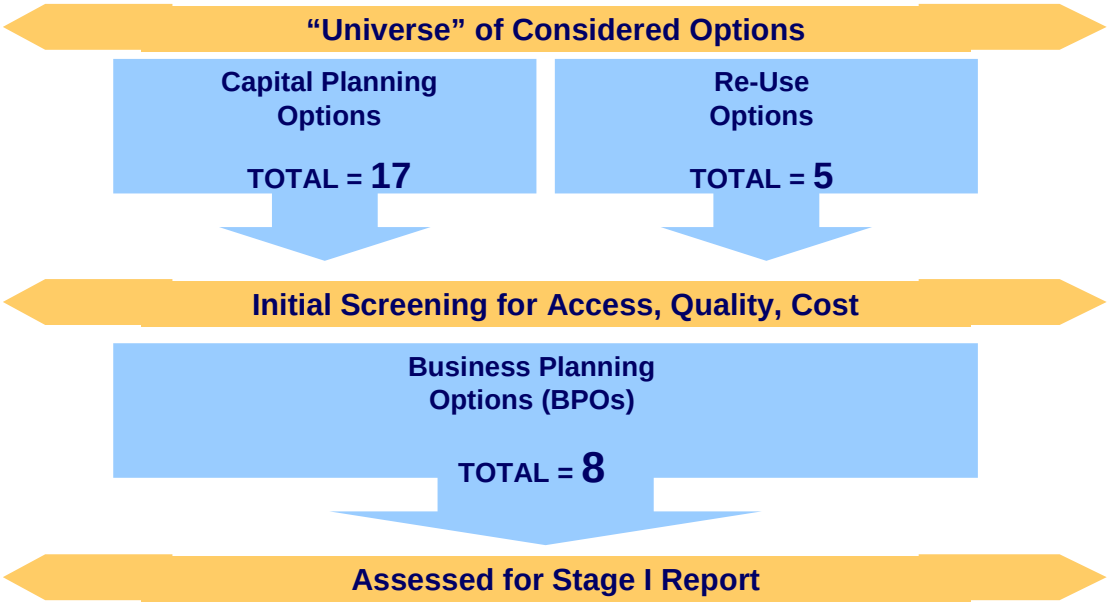
These criteria were assessed for all BPO's selected for the Stage 1 analysis. The assessment included evaluating the impact each option would have in the areas of human resource requirements, recruitment and retention of staff, research, and education and academic affiliations. For Canandaigua, the assessment yielded the following results across all BPO's:

- Human Resources – the medical center is a significant employer in the community. No material events were identified that would positively or negatively affect this category. This category has been rated as no material change.
- Recruitment/Retention – No material events were identified that would either positively or negatively affect this category. This category has been rated as no material change.
- Research – No research-related activities were identified and, therefore, this category is not applicable.
- Education and Academic Affiliations – No significant educational or academic affiliations were identified and, therefore, this category is not applicable

Summary Results of Business Plan Options Development Process

The following diagram illustrates the final screening results of all options given consideration:

Figure 12: Final Screen Results of Options



Stakeholder Input

Stakeholder Input for BPO Development

For the Canandaigua CARES Study Site, 44 forms of stakeholder input were received during Input Period One, including comment forms (paper and electronic), letters, written testimony, and oral testimony. Input Period One started on April 20, 2005 (the first day input regarding the CARES process was received) and ended on August 18, 2005. During this period, a comment form was available electronically via the CARES website and in paper form at the first Canandaigua LAP public meeting, held on April 20, 2005. Input Period One ended when the BPOs for Canandaigua were released to the public, and an options-specific comment form became available on August 19, 2005. Stakeholder input was reviewed and categorized into nine categories of concern. The categories are defined in Table 18.

The stakeholder concerns received during this period are quantified and categorized in Figures 13 and 14. The greatest amount of written and electronic input was received from veterans and VA medical center employees. The top three key concerns of stakeholders providing written and electronic input centered on 1) keeping the facility open, 2) job loss or local economic effects, and 3) impact on research and educational programs at the facility. Stakeholders who contributed oral testimony at the first public LAP meeting indicated a main key concern related to the use of the land or facility. Several stakeholders also expressed the need to renovate current buildings.

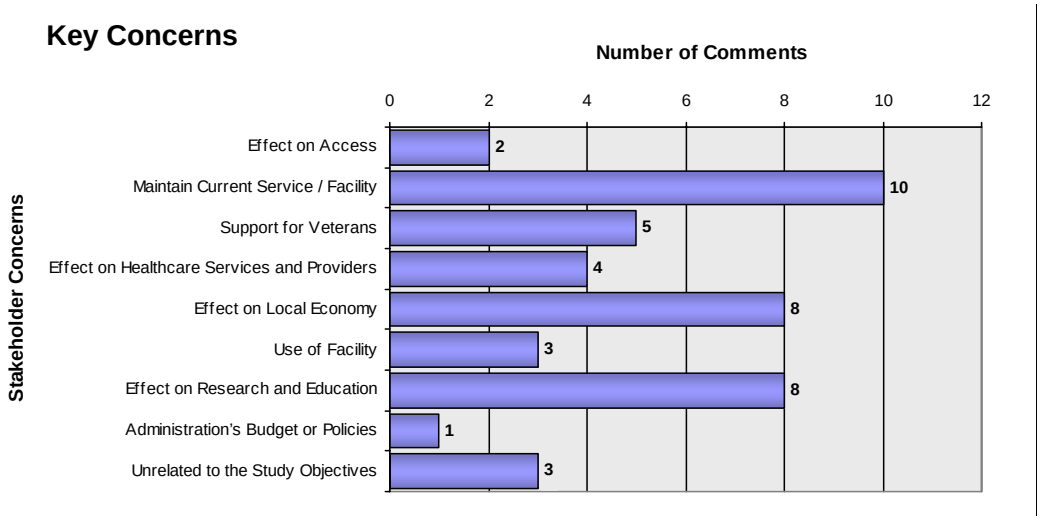
Table 18: Definitions of Categories of Stakeholder Concern

Stakeholder Concern	*Definition*
Effect on Access	Involves a concern about traveling to another facility or the location of the present facility.
Maintain Current Service/Facility	General comments related to keeping the facility open and maintaining services at the current site.
Support for Veterans	Concerns about the federal government/VA's obligation to provide health care to current and future veterans.
Effect on Healthcare Services & Providers	Concerns about changing services or providers at a site.
Effect on Local Economy	Concerns about loss of jobs or local economic effects of change.
Use of Facility	Concerns or suggestions related to the use of the land or facility.
Effect on Research & Education	Concerns about the impact a change would have on research or education programs at the facility.
Administration's Budget or Policies	Concerns about the effects of the administration's budget or other policies on health care for veterans.
Unrelated to the Study Objectives	Other comments or concerns that are not specifically related to the study.

Figures 13 and 14: Analysis of Stakeholder Key Concerns

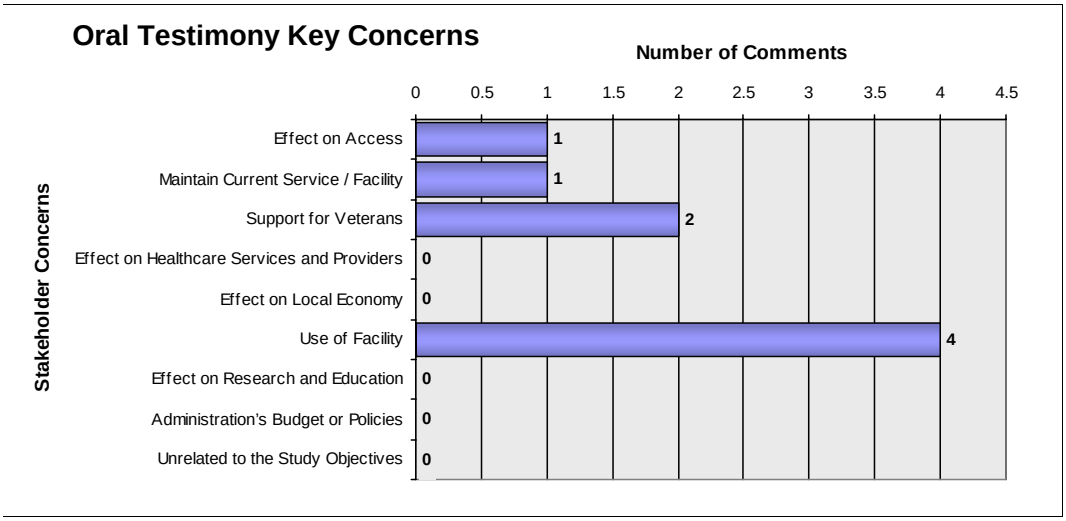
Analysis of Written and Electronic Inputs (Written and Electronic Only):

The breakout of "Key Stakeholder Concerns" regarding the Canandaigua study site is as follows*:



Analysis of Oral Testimony Input Only (Oral Testimony at LAP Meeting):

The breakout of "Key Stakeholder Concerns" that were expressed during Oral Testimony for the Canandaigua study site is as follows*:



* Note that totals reflect the number of times a "key concern" was raised by a stakeholder. If one stakeholder addressed multiple "key concerns", each concern is included in the totals.

Stakeholder input was an important factor in our options development process. While working within the guidelines provided in the Secretary's Decision, Team PwC worked to create options that continued to use key portions (land) and historic elements (buildings) of the current campus. BPOs 5 and 6 are directly correlated to this input. Similarly, stakeholders voiced the preference for the re-use opportunities (should they emerge) to include services to the homeless, affordable housing, substance abuse programs, and other programs for veterans. Designing the future facilities to use renewable energy sources was also noted. All of these re-use proposals remain possibilities in all the BPOs presented.

Stakeholder Input for BPO Selection

Additional input was sought from stakeholders concerning BPO selection. A second public LAP meeting was held on August 30, 2005 to discuss possible BPOs for the Canandaigua Study Site. The meeting was attended by all nine members of the LAP, as well as approximately 120-150 interested veterans, VAMC employees, media, and community members. BPOs were made available for public comment ten days prior to the second LAP meeting and for ten days following the LAP meeting. Stakeholders could provide testimony during the meeting or alternatively, submit written or electronic comments regarding the BPOs.

Seventy-six pieces of stakeholder input were received between August 19, 2005 and September 9, 2005. This input reflects stakeholder key concerns as well as their preference for specific BPOs as presented at the second public LAP meeting. Again, this type of input includes comment forms (paper and electronic), letters, written testimony, oral testimony, and other forms. The stakeholder concerns as received during this period are quantified and categorized in Figures 15 and 16.

Stakeholder Key Concerns

The greatest amount of written and electronic input was received from veterans and VA medical center employees. Stakeholders who submitted written and electronic input indicated that their top three key concerns centered on 1) use of the facility, 2) maintaining current services/facilities, and 3) providing support to the veterans.

Generally, the stakeholders at Canandaigua were extremely interested and vested in the presentations and decisions made during the LAP public meetings. There were some very personal testimonies shared as well as substantial and reasoned input for the VA CARES study. Twenty persons or groups presented testimony during the public testimony portion of the second public meeting, which was summarized by Team PwC for consideration in future BPO selection and assessment. The audience was overwhelmingly supportive of any BPO that kept services on site with as little change to the campus as possible. There continued to be great dissatisfaction with the Secretary's Decision Document of May 2004 to move the 12 acute inpatient psychiatry beds off campus, which was emphasized during the first LAP meeting. The LAP, while respectfully hearing the concerns of the stakeholders, was consistent in its position that it is not empowered to alter that decision, and it was outside the scope of its charter and this study.

Figure 15: Analysis of Written and Electronic Inputs

Analysis of Written and Electronic Inputs (Written and Electronic Only):

The breakout of "Key Stakeholder Concerns" regarding the Canandaigua study site is as follows*:

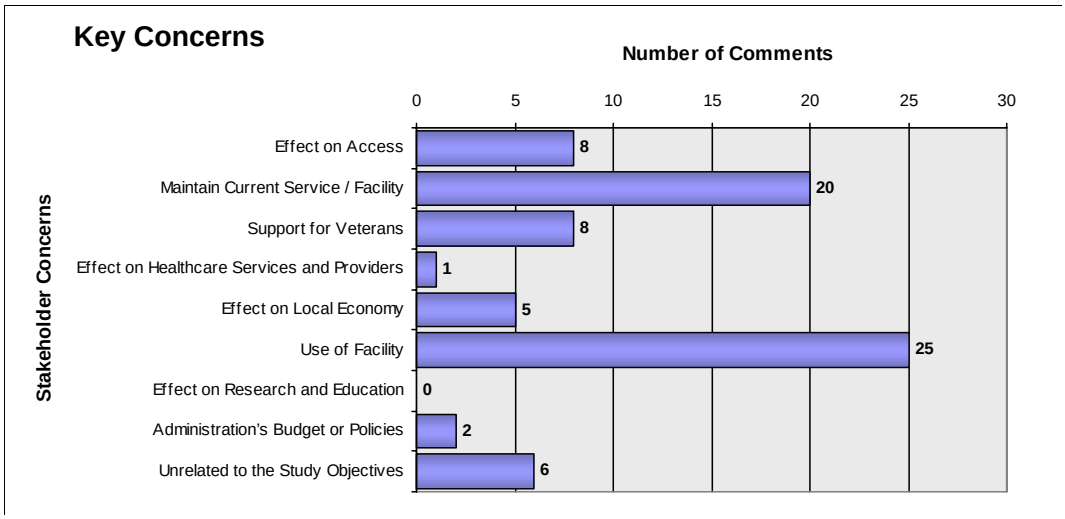
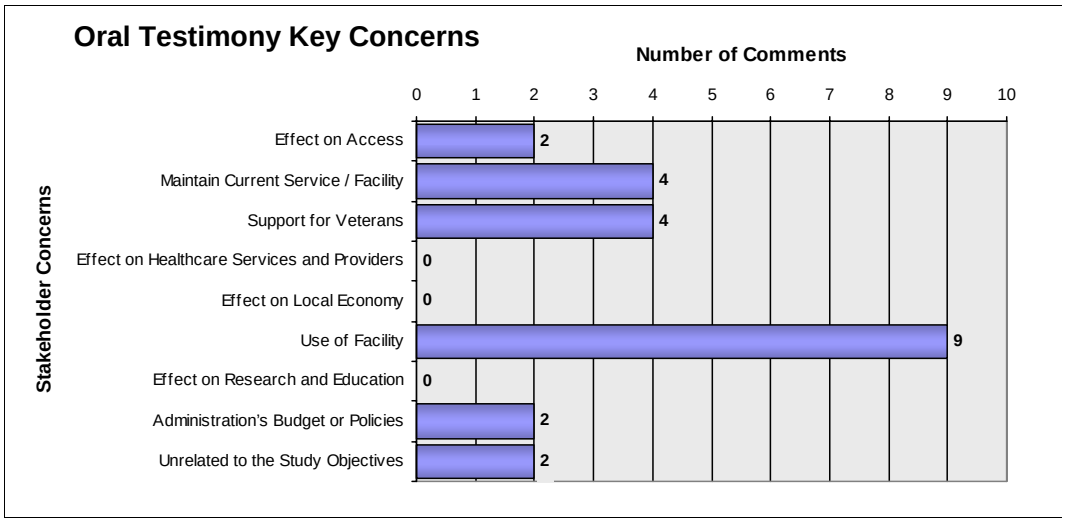


Figure 16: Analysis of Oral Testimony

Analysis of Oral Testimony Input Only (Oral Testimony at LAP Meeting):

The breakout of "Key Stakeholder Concerns" that were expressed during Oral Testimony for the Canandaigua study site is as follows*:



* Note that totals reflect the number of times a "key concern" was raised by a stakeholder. If one stakeholder addressed multiple "key concerns", each concern is included in the totals.

Stakeholder Feedback on BPOs

In addition to raising specific concerns, stakeholders were provided with the opportunity to provide feedback regarding the specific options presented at the second LAP meeting. Through the VA CARES website and comment forms distributed at the public meeting, stakeholders were able to indicate if they "favor", are "neutral", or are "not in favor" of each of the options. The results of this feedback are provided in Figure 17.

In summary, the results indicate that stakeholders overwhelmingly prefer BPO 1, which is the baseline option retaining current services and accommodating inpatient and outpatient services in renovated buildings predominantly in Courtyard 1. Some also preferred BPO 6 which provides for both new construction and renovations of existing facilities in Courtyard 1. The majority of stakeholders did not favor BPOs 3, 4, 5, and 8, all of which propose moving either a portion of or all services to an off-campus facility. The stakeholders also did not favor BPO 2, involving relocation of services to new buildings in the eastern part of the golf course, and BPO 7, which involves relocating services to the northern parcel of land.

Specific feedback on each of the options presented is described below.

<u>BPO 1: Baseline</u>

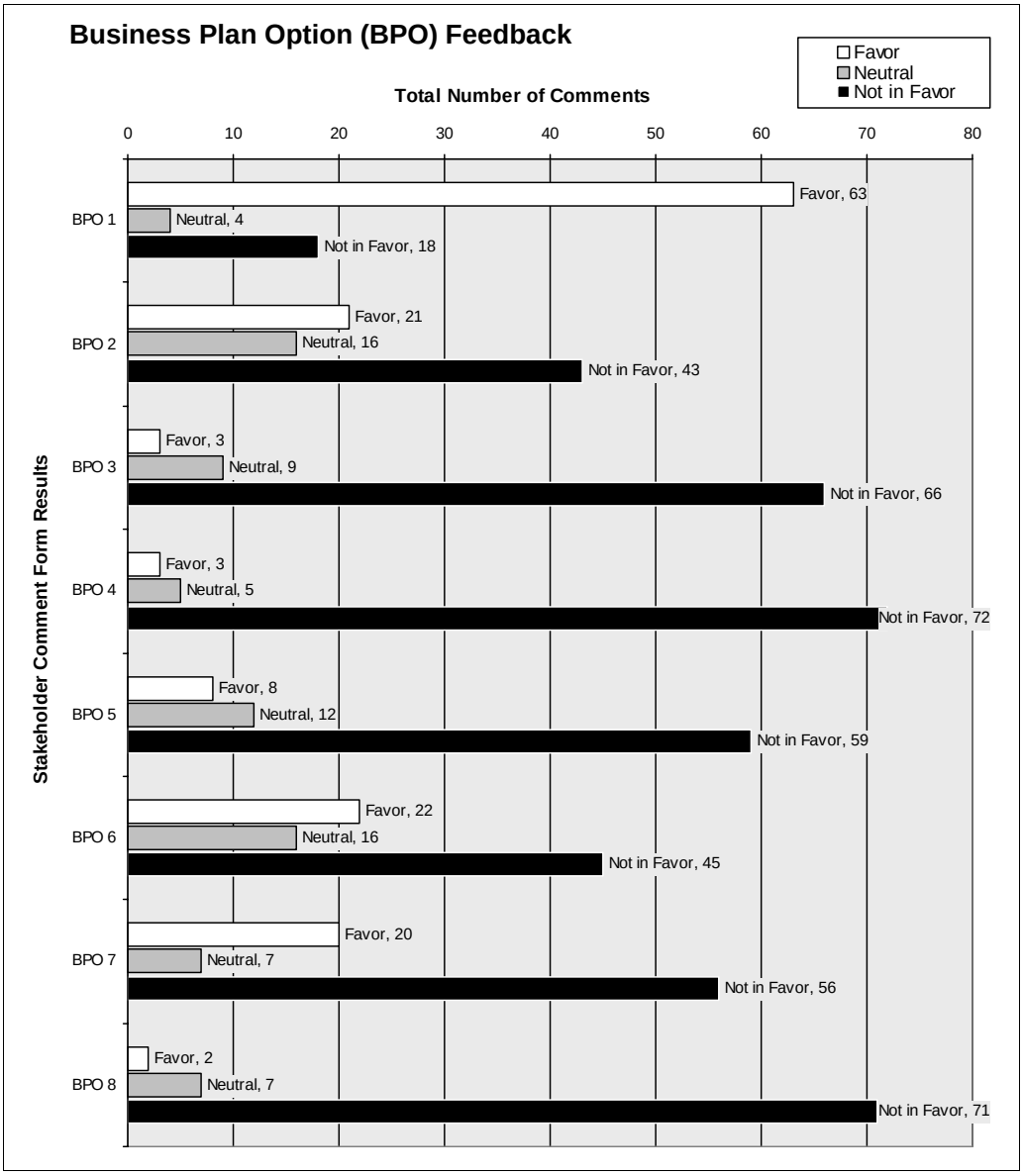
Stakeholders generally favor this BPO, with almost 75% of respondents in favor of its implementation. The baseline addresses the stakeholders' largest concern, which is to maintain current services. Particular testimonies supporting the baseline option included the following:

- The Executive Director of the Finger Lakes Addiction Counseling and Referral Agency noted that veterans need transitional, supportive, and affordable housing to support their recovery, and the campus could be used for these purposes. He believes BPOs 1, 5, and 8 best support this goal; thus, his organization supports BPOs 1, 5, and 8.
- A VAMC employee stated that only those options that keep services onsite would be viable and that this is accomplished through BPOs 1, 2, 6, 7, and 9. Costs, timelines, and flexibilities are unknown, but keeping the resources on site is what the public wants, and this creates synergy. This person is opposed to knocking any buildings down because of unknown future variables and the historical significance of property.
- A current local American Legion Post Commander supported keeping the services on site and noted that there are many examples of this working in other places. Therefore, this individual believed that the inpatient and outpatient facilities should not be separated. Also, while it may be easier to design new facilities, the old facilities can be worked with.
- A speaker who is a National Executive Committee member for Jewish American Veterans stated that it sounds like most people would like the facility to stay intact. Thus, the Canandaigua facility should not be demolished, only what is not needed should be demolished, and as much as possible should be re-used.

Figure 17: Stakeholder Feedback on BPOs[12]

Analysis of Written and Electronic Inputs (Written and Electronic Only):

The feedback received from the Options Comment Forms for the Canandaigua study site is as follows:



[12] Stakeholder feedback was collected only for the BPOs which were presented at the LAP (BPOs 1-8), and not those created by the LAP at the 2nd public LAP.

- Another speaker, a young volunteer at the hospital, agreed that the facilities should remain onsite, and that only what is absolutely necessary to be demolished should be demolished. The individual also noted that many people think of the campus as their home.

Some stakeholders provided the following written or electronic feedback on BPO 1:

- "It is a piece of history and of our hard and dedicated work for our veterans. I say, fix up what we have, consolidate into less buildings, but keep all services here."
- "Why do we move [buildings] when we have [buildings] now? In my eyes and most every one agrees, that we already [have] the facilities for every thing mentioned!"
- "I have already seen the effect closing the Seneca Army Depot had please don't do it again to our community."
- "This is a beautiful campus it would be sad to change it to a modern facility.....Many dollars have been spent renovating the wards...."
- "… the … grounds there are very healing and a protective and pleasing place for those with mental health issues, including PTSD. VA will never be able to obtain this type of healing grounds and setting again. Stark and crowded facilities with just parking lots or grounds that have no fully grown trees etc".

BPO 2: Replacement, Golf Course East

This BPO received 21 stakeholder comments in favor and 43 opposed. This may be due to the fact that this BPO locates the replacement far from the historic "core" of campus, which the veterans enjoy for their familiarity and traditional appearance. The historic core is generally referred to as the main administrative and medical buildings.

Nevertheless, some stakeholders spoke in favor of this option at the second LAP meeting. The Disabled American Veterans (DAV) spoke in favor of BPO 2, because it will bring a new state-of-the-art facility to Canandaigua. A stakeholder preferring BPO 2 reported electronically, "If facility is moved off campus, move next to FF Thompson, so the cost to duplicating services is low. If campus remains on current location, build brand new building which is cost effective."

BPO 3: Replacement, Golf Course East plus Off-Campus Ambulatory

This BPO received a negative reaction from most stakeholders. Sixty six stakeholder comments were opposed to this option, compared to three in favor. While access from a drive-time perspective is not materially different, stakeholders and the LAP were not in favor of moving ambulatory services off campus. Additionally, they believed the replacement location moves services too far from the historic "core" of the campus and is not the best use of the golf course.

BPO 4: Replacement, Canandaigua Academy plus Off-Campus Ambulatory

Stakeholder reaction to this option was negative. Seventy-two stakeholders comments opposed this option, compared to three comments in favor. Similar to BPO 3, stakeholders and the LAP

did not favor moving services away from the historic "core" of the campus and did not believe this BPO reflected the best use of the current campus.

BPO 5: Replacement, Courtyard 1 Plus Off-Campus Ambulatory

A majority of stakeholders did not favor this BPO. Fifty-nine stakeholder comments opposed this option, compared to 20 in favor or neutral. Contrary to stakeholder preferences, this option relocates ambulatory services off the current campus and leaves the historic Courtyard 1 buildings vacant and unused (or potentially demolished) near the traditional main campus entrance.

BPO 6: Replacement/Renovation, Courtyard 1

Thirty-eight stakeholder comments were in favor of or neutral to this option, compared to 45 opposed. Similar to BPO 2, this BPO does address stakeholder concerns by keeping all approved services on the current grounds. Also, it will vacate all of Courtyard 2, allowing re-use/redevelopment of those buildings, particularly for complementary services such as subsidized housing, services to homeless veterans, etc. Stakeholders expressed interest in these specific re-use potentials for vacated land. Additionally, this BPO will maintain use of the historic front of the campus including continued use of Buildings 1, 3, and 4, which was noted as a particular interest by the stakeholders.

One stakeholder who supported this BPO electronically reported, "VA present setting is in a great location and has many services in one spot for all types of services... I have contact with most of the services and find the up-keep of the grounds and buildings are outstanding. The setting and location of the grounds with park settings and the small community still bye is great therapy for all the veterans. I am certain the committee will pick the on-campus plan."

BPO 7: Replacement, Northern Parcel

While 56 stakeholder comments were received opposing this BPO, it did elicit some support from veterans who were concerned about keeping inpatient and outpatient services on the current grounds and in new facilities.

By way of example, one stakeholder electronically provided the following support for BPO 7, "I favor BPO #7 the most-Canandaigua would best benefit from a brand new facility, on the existing site, that could serve the region for decades to come. My second choice would be BPO #6, because it preserves the historic "front" door (building 1, 3, and 4) of the exiting facility. It would be important under this option in my view to sell the northern group of buildings, building 14 (old Domiciliary), warehouse, fire department and Laundry. I say this because over the years millions of our tax dollars have been spent rehabbing buildings that long ago should have been sold and/or demolished. Too much time and money has been wasted and not enough time spent concentrating on "right-sizing" the existing facility, which would ultimately free up dollars to spend on expanding services for the Vets at Canandaigua and ROPC."

This BPO will vacate all of Courtyards 1 and 2, which moves services away from the historic "core" of the campus – which veterans enjoy. On the other hand, BPO 7 allows re-use/redevelopment of those buildings, particularly for complementary services such as subsidized housing, services to homeless veterans, and the like. Stakeholders expressed interest in these specific re-use potentials for vacated land.

BPO 8: Full Replacement, Off-Campus Location

Stakeholders were strongly opposed to this BPO. Seventy-one respondents did not favor this BPO, while only two stakeholder comments were in support. While access from a drive-time perspective is not materially different, stakeholders and the LAP did not believe locating services away from the historic "core" of the current campus was a suitable option. Additionally, vacating the current site is contrary to what stakeholders prefer.

LAP Deliberations

Team PwC presented eight possible BPOs at the second public meeting. The public and the LAP had the opportunity to ask questions during the presentation. The audience was then invited to present public testimony. Following the presentation of public comments, the LAP conducted its deliberations.

During the LAP deliberations, LAP members discussed the options presented and voted on each of the BPOs. The LAP also discussed a new option, "BPO 9", which we describe in detail in the following section. For this particular LAP, it was agreed that there must be a 2/3 majority vote for a BPO to be recommended for further assessment. BPO 1 (baseline) was automatically included as it is the option against which all others are measured. The LAP did not vote on the baseline. The results of the LAP voting are presented in Table 19. The results indicate that the LAP strongly supported further assessment of BPOs 2, 6, 7, and 9. The LAP strongly rejected BPOs 3, 4, 5, and 8.

Table 19: LAP BPO Voting Results

BPO	Yes	No
2	7	2
3	0	9
4	0	9
5	0	9
6	7	2
7	8	1
8	0	9
9[13]	9	0

[13] New BPO proposed by LAP at second public LAP meeting held August 29, 2005.

Evaluation System for BPOs

Each Business Plan Option is evaluated against the baseline option in a table providing comparative rankings across several categories and an overall attractiveness rating.

Table 20: Evaluation System Used to Compare BPOs to baseline BPO

Rating for all categories except cost and overall evaluation	
↑	The BPO has the potential to provide a slightly improved state than the baseline BPO for the specific discriminating criteria (e.g. access, quality, etc)
↔	The BPO has the potential to provide materially the state as the baseline BPO for the specific discriminating criteria (e.g. access, quality, etc)
↓	The BPO has the potential to provide a slightly lower or reduced state than the baseline BPO for the specific discriminating criteria (e.g. access, quality, etc).
Operating cost effectiveness (based on results of initial healthcare/operating costs)	
↑↑↑	The BPO has the potential to provide significant recurring operating cost savings compared to the baseline BPO (>15%)
↑↑	The BPO has the potential to provide significant recurring operating cost savings compared to the baseline BPO (>10%)
↑	The BPO has the potential to provide some recurring operating cost savings compared to the baseline BPO (5%)
-	The BPO has the potential to require materially the same operating costs as the baseline BPO (+/- 5%)
↓	The BPO has the potential to require slightly higher operating costs than the baseline BPO (>5%)
↓↓	The BPO has the potential to require slightly higher operating costs than the baseline BPO (>10%)
↓↓↓	The BPO has the potential to require slightly higher operating costs than the baseline BPO (>15%)
Level of capital expenditure anticipated (based on results of initial capital planning costs)	
↓↓↓↓	Very significant investment required relative to the baseline BPO **(≥ 200%)**
↓↓	Significant investment required relative to the baseline BPO **(121% to 199%)**
-	Similar level of investment required relative to the baseline BPO **(80% to 120% of baseline)**
↑↑	Reduced level of investment required relative to the baseline BPO **(40%-80%)**
↑↑↑↑	Almost no investment required **(≤ 39%)**
Level of Re-use proceeds relative to baseline BPO (based on results of initial Re-use study)	
↓↓	High demolition/clean-up costs, with little return anticipated from Re-use
-	No material Re-use proceeds available
↑	Similar level of Re-use proceeds compared to baseline (+/- 20% of baseline)
↑↑	Higher level of Re-use proceeds compared to baseline (e.g. 1-2 times)
↑↑↑	Significantly higher level of Re-use proceeds compared to baseline (e.g. 2 or more times)
Cost avoidance (based on comparison to baseline BPO)	
-	No cost avoidance opportunity
↑↑	Significant savings in necessary capital investment in the baseline BPO
↑↑↑↑	Very significant savings in essential capital investment in the baseline BPO

Overall Cost effectiveness (based on initial NPC calculations)	
↓↓↓↓	Very significantly higher net present cost relative to the baseline BPO (>1.15 times)
↓↓	Significantly higher net present cost relative to the baseline BPO (1.10 – 1.15 times)
↓	Higher net present cost relative to the baseline BPO (1.05 – 1.09 times)
-	Similar level of net present cost compared to the baseline (+/- 5% of baseline)
↑	Lower net present cost relative to the baseline (90-95% of baseline)
↑↑	Significantly lower net present cost relative to the baseline BPO (85-90% of baseline)
↑↑↑↑	Very significantly lower net present cost relative to the baseline BPO (<85% of baseline)
Overall "Attractiveness" of the BPO Compared to the baseline	
↑↑↑↑	Very "attractive" – highly likely to offer a solution that improves quality and/or access compared to the baseline while appearing significantly more cost effective than the baseline
↑↑	"Attractive" – likely to offer a solution that at least maintains quality and access compared to the baseline while appearing more cost effective than the baseline
-	Generally similar to the baseline
↓↓	Less "attractive" than the baseline - likely to offer a solution that while maintaining quality and access compared to the baseline and appearing less cost effective than the baseline
↓↓↓↓	Significantly less "attractive" – highly likely to offer a solution that may adversely impact quality and access compared to the baseline and appearing less (or much less) cost effective than the baseline

BPO 1: Baseline

BPO1: Description

The baseline is the BPO under which there would not be significant changes in either the location or type of services provided in the study site. In the baseline BPO, the Secretary's Decision and forecasted long-term healthcare demand forecasts and trends, as indicated by the demand forecasted for 2023, are applied to the current healthcare provision solution for the study site. The driver behind this BPO is accommodation of all approved services in current buildings making the necessary investments to achieve a modern, safe, and secure healthcare delivery environment. In addition, demolition is avoided.

Specifically, the baseline BPO is characterized by the following:

- Healthcare for approved services continues to be provided as currently delivered, except to the extent healthcare volumes for particular procedures fall below key quality or cost effectiveness threshold levels.
- Capital planning costs allow for current facilities to receive such investment as is required to rectify any material deficiencies (e.g., in safety or security) such that they would provide a safe healthcare delivery environment as required in the Secretary's Decision.
- Life Cycle capital planning costs allow for ongoing preventative maintenance and life cycle maintenance of major and minor building elements.
- Re-use plans use such vacant space in buildings and/or vacant land or buildings as emerge as a result of the changes in demand for services and the facilities in which they sit.

In the baseline option at Canandaigua, all approved services will remain on campus, except for the acute inpatient psychiatry beds. Currently, there are 12 acute inpatient psychiatry beds, which will be moved to the Syracuse and/or Buffalo VAMCs in 2007 as decided in the May 2004 Secretary's CARES Decision. This change applies to all BPOs. With all approved services, there is no change to location of services. VA continues to contract for care for the majority of inpatient medical/surgical services. No new contract arrangements are included in the baseline. Also, it continues to allow re-use/redevelopment of the golf course, Bushwood Lane, and Canandaigua Academy site parcels.

The scope of this BPO analysis includes:

- Relocates nursing home care, domiciliary, other inpatient mental health, and all ambulatory /outpatient services in phased renovations to existing buildings in Courtyard 1.
- Vacates all Courtyard 2 buildings, except engineering (118).
- Keeps the water tower (128), the fire station (16), and the boiler (12).
- High level of complexity required for the renovations based on phasing requirements and the need to bring the buildings up to code and modern healthcare standards.

Accordingly, in the baseline BPO the capital investments focus on the consolidation of services in a smaller set of renovated and enhanced buildings to achieve a "right sizing" of facilities along with the necessary investments to assure a modernized and safe environment without any new construction. In the baseline, essentially all services are consolidated, over time, in Courtyard 1. Courtyard 2 is completely vacated with the exception of Building 118 (engineering).

BPO 1: Pros & Cons

Table 21: BPO 1 Pros & Cons

Pros	• All approved services remain on campus, in consolidated facilities with appropriate investments to render them as modern, safe, and secure as possible. • Will eliminate recurring maintenance costs for Buildings 33, 34, 36, and 37. • Will enhance continuity of care through co-location of like clinical services due to consolidation into a smaller cluster of buildings. • Will support the re-use/redevelopment of Parcels B, C, D, and E. • Will vacate several buildings on Courtyard 2, which would become available for a compatible use. • Represents the least level of change from the perspective of stakeholders and the community.
Cons	• Will not provide efficient floor plates/unit sizes for the inpatient services contributing to continued higher operating costs than would be experienced with new facilities. The facilities in BPO 1 cannot be considered modern. • Without new construction, the campus will continue to operate Building 118 (engineering), which precludes consideration of redeveloping/re-using the entire block of land around Courtyard 2. • Will not permit the re-use/redevelopment of Parcel A with the exception of Buildings 33, 34, 36, and 37.

BPO 1: Assessment

The table below summarizes the assessment of the baseline BPO according to the discriminating criteria.

Table 22: BPO 1 Assessment

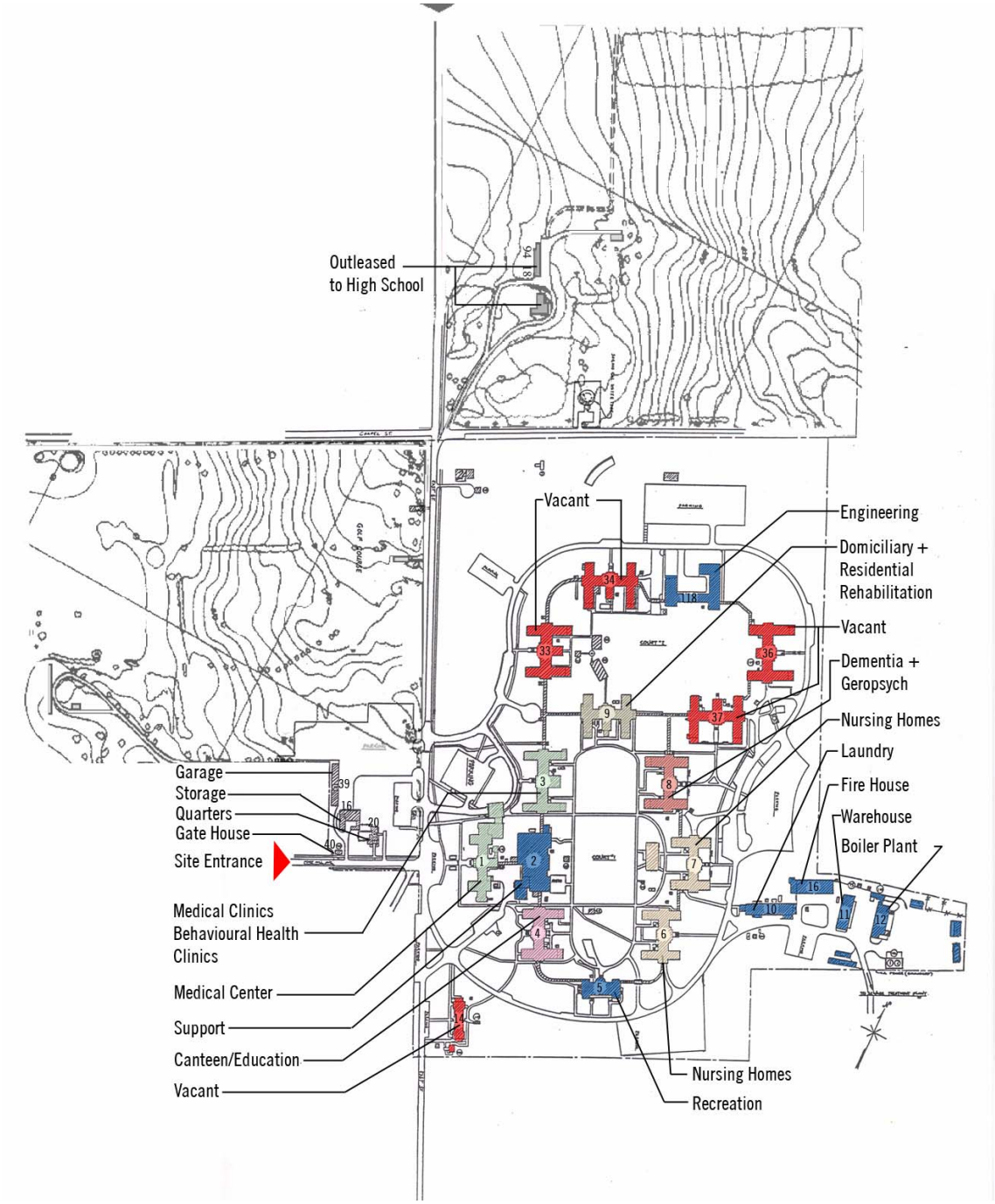
Assessment of BPO 1	Description
Healthcare Access	
Primary	Since the location of healthcare services is not changing, access should not be materially impacted by capital and re-use options.
Acute	Since the location of healthcare services is not changing, access should not be materially impacted by capital and re-use options.
Tertiary	Since the location of healthcare services is not changing, access should not be materially impacted by capital and re-use options.
Healthcare Quality	
Quality of medical services	As all services continue to be provided, assume current quality levels will be maintained.

Assessment of BPO 1	Description
Modern, safe, and secure environment	Will improve site safety by bringing buildings up to code.
Ensures forecast healthcare need is appropriately met	Site capacity in years 2013 through 2023 will be diminished due to required renovations to achieve modern, safe, and secure standards. Demand is expected to be adequately accommodated through purchase of services through local community providers or referral to other VHAs as necessary.
Impact on VA and Local Community	
Human Resources: FTEE need (based on volume)	The medical center is a significant employer in the community. No material events were identified that would either positively or negatively affect this category
Recruitment / retention	No material events were identified that would either positively or negatively affect this category.
Research	Not applicable.
Education and Academic Affiliations	Assume current education and academic affiliation would be unchanged.
Use of VA Resources	
Operating cost effectiveness	Given the original design limitations of the existing facilities, renovations to achieve modern, safe, and secure environment do not realize staffing efficiencies which would be available under new construction alternatives. As an example, to achieve modern and safe nursing home facilities, a floor that presently houses 30 beds will be spread over three floors at 10-11 beds each. This increases both fixed and variable costs for staff, supplies, heating, and power, and renders the baseline less cost effective than current conditions.
Level of capital expenditure anticipated	Will require moderate capital expenditure to bring buildings up to modern, safe, and secure standards.
Level of re-use proceeds	Will permit the re-use/redevelopment of Parcels B, C, D, and E. In addition it will permit the re-use/redevelopment of Buildings 33, 34, 36, and 37, which have both high and medium re-use potentials.
Cost avoidance	In the baseline it is assumed all of the $13 million identified by the facility as essential maintenance and upgrades will be expended.
Overall cost effectiveness	Not applicable
Ease of Implementation	
Riskiness of BPO implementation	Complexity of implementation will be no better or worse than an extensive and extended set of renovations/relocations implies.
Ability to Support VA Programs	
DoD sharing	No DoD sharing is expected.
One-VA Integration	No new integration with other VA programs is expected.
Special Considerations	No involvement in special consideration programs is expected.

BPO 1: Capital Plans

Figure 18: Conceptual Site Plan

Figure 18 provides a summary of the proposed conceptual site plan for BPO 1. The site plan is for reference only. It illustrates the magnitude of land and buildings required to achieve the required capacity and are not a design.

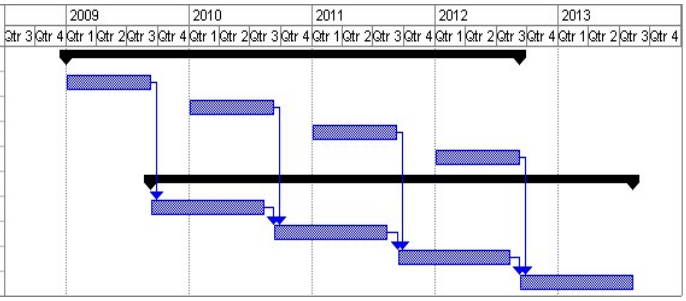


Schedule

Schedules for development in Stage I are intended to identify relative duration of new or renovated work in order to calculate occupancy dates for utilization of space and escalation costs. The table below indicates the construction duration for this BPO.

Table 23: BPO 1 Schedule

ID	Task Name	Duration	Start	Finish
1	**Design**	**962 days**	**Thu 1/1/09**	**Fri 9/7/12**
2	Bldgs 9 and 8 renovation	9 mons	Thu 1/1/09	Wed 9/9/09
3	Bldgs 7 and 6 renovation	9 mons	Fri 1/1/10	Thu 9/9/10
4	Bldgs 4 and 3 renovation	9 mons	Mon 1/3/11	Fri 9/9/11
5	Bldgs 2 and 1 renovation	9 mons	Mon 1/2/12	Fri 9/7/12
6	**Construction**	**1022 days**	**Thu 9/10/09**	**Fri 8/9/13**
7	Renovate bldgs 9 and 8	12 mons	Thu 9/10/09	Wed 8/11/10
8	Renovate bldgs 7 and 6	12 mons	Fri 9/10/10	Thu 8/11/11
9	Renovate bldgs 4 and 3	12 mons	Mon 9/12/11	Fri 8/10/12
10	Renovate bldgs 2 and 1	12 mons	Mon 9/10/12	Fri 8/9/13



Costs

At this time, pending detailed financial study in Stage II should this BPO go forward, we can state:

- BPO 1 will require less overall capital than the other BPOs, but ongoing maintenance costs will be higher.
- Operating efficiency will be worse than the current state as the inpatient units (wards) are spread out over a large number of floors, increasing staffing.
- Only a modest portion of the $13 million identified by the facility for capital improvements could be avoided.

BPO 1: Re-Use

This BPO retains the potential re-use/redevelopment of Parcels B, C, D, and E. In addition, it permits the re-use/redevelopment of Buildings 33, 34, 36, and 37. The re-use potential of these buildings for enhanced use leasing was reported as:

- Building 33: High
- Building 34: High
- Building 36: Medium
- Building 37: Medium

Team PwC Recommendation

Team PwC recommends that BPO 1 be studied further in Stage II, most importantly because the baseline is the BPO against which all other BPOs will be compared. This BPO keeps all approved services on the current campus in existing buildings, using extensive renovations to

consolidate and right-size services to meet forecasted demand levels. As such, it supports potential re-use/redevelopment of Parcels B, C, D, and E and a majority of the buildings in Courtyard 2. However, even with significant investment in renovations, the upgraded facilities will pale in comparison to new in terms of modernity and operating efficiency. In fact, as noted in the prior Assessment Table, operating efficiency for the inpatient units will actually be reduced as ward (unit) sizes are reduced to meet current code.

BPO 2: Replacement Facilities, Golf Course East

BPO 2: Description

In BPO 2, all approved services will remain on campus. The services will be replaced in new construction in the eastern portion of the existing (unused) golf course. VA will continue to contract for or refer care for the majority of inpatient medical/surgical services. No new contract arrangements will be included. The driver for this option is consideration of all new facilities on the current campus in a readily developable area of the site; in this case, the eastern portion of the existing (unused) golf course.

The intent is construction of a new multi-specialty outpatient clinic and inpatient complex. The inpatient complex will include domiciliary, residential rehabilitation, gero-psychiatry, and hospice care. The scope of the analysis includes:

- Replacing nursing home, domiciliary, other inpatient mental health, and all ambulatory/outpatient services in new construction on eastern half of golf course land.
- Vacating all existing buildings when the new facility is complete.

BPO 2: Pros & Cons

Table 24: BPO 2 Pros & Cons

Pros	• Will meet stakeholder concerns by keeping all approved services on current grounds and provides new facilities for both inpatient and outpatient services. • Will replace aging and inefficient facilities with new facilities, reducing operating costs. • Easy BPO to do from a design and construction standpoint and easy transition from existing to new facilities. • Will permit the re-use/redevelopment of Parcels A, B, C, and E. • Will vacate all of Courtyards 1 and 2, allowing re-use/redevelopment of those buildings, particularly for complementary services such as subsidized housing, services to homeless veterans, and the like.
Cons	• Replacement location will be far from historic "core" of campus. • Higher capital cost than the baseline. • Will not permit the re-use/redevelopment of Parcel D (Golf Course) because this is the proposed site for replacement facilities

BPO 2: Assessment

Table 25: BPO 2 Assessment

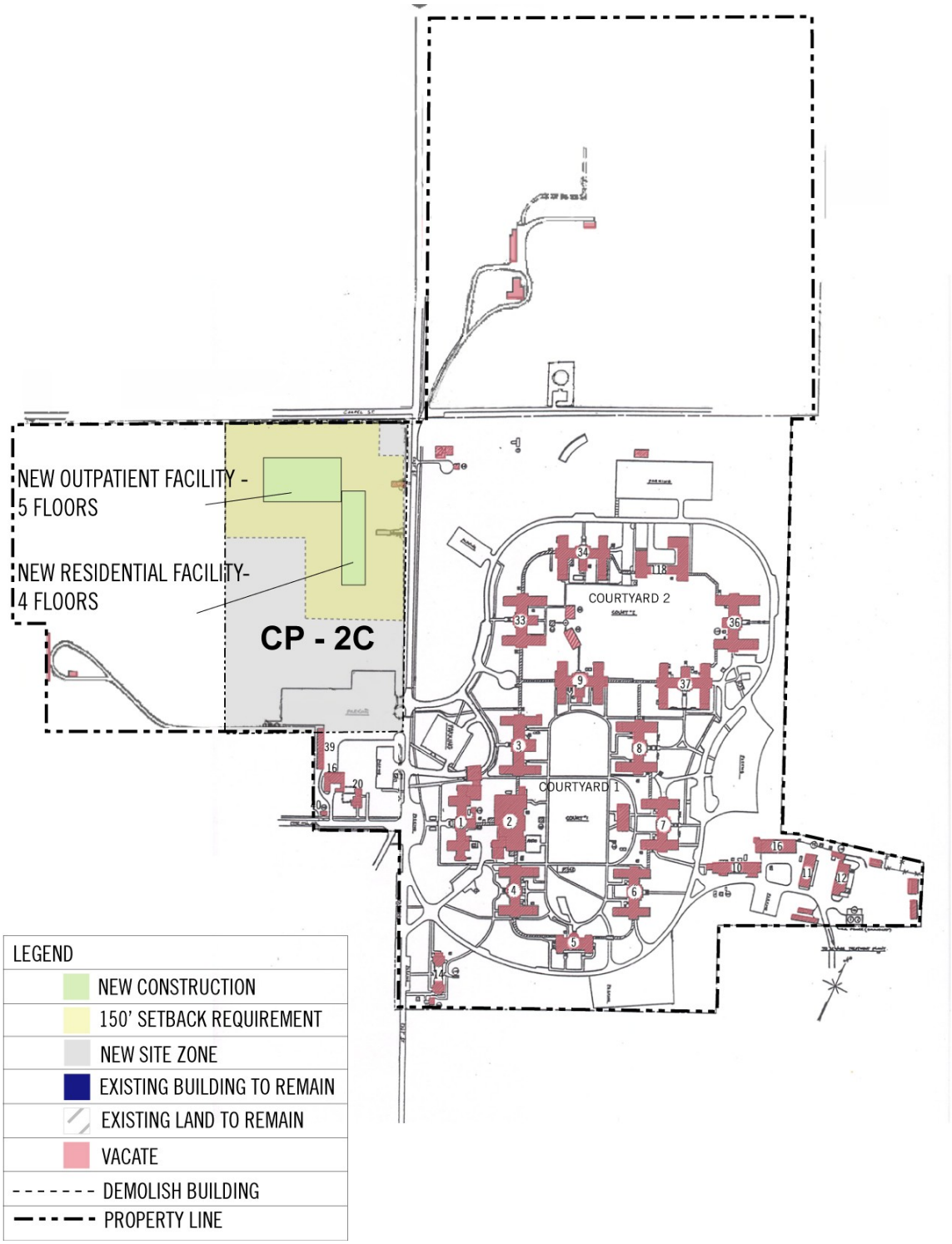
Assessment of BPO 2	Comparison to Baseline	Description of Impact
Healthcare Access		
Primary	N/A	Since the location of healthcare services is not changing, access should not be materially impacted by capital and re-use options.
Acute	N/A	Since the location of healthcare services is not changing, access should not be materially impacted by capital and re-use options.
Tertiary	N/A	Since the location of healthcare services is not changing, access should not be materially impacted by capital and re-use options.
Healthcare Quality		
Quality of medical services	N/A	As all services continue to be provided, assume current quality levels will be maintained.
Modern, safe, and secure environment	↑	Will improve site safety by bringing buildings up to code and improving site security due to new construction.
Ensures forecast healthcare need is appropriately met	↔	Capital plans meet projected demand.
Impact on VA and Local Community		
Human Resources: FTEE need (based on volume)	↔	No material change.
Recruitment / retention	↔	No material change.
Research	N/A	Not applicable.
Education and Academic Affiliations	N/A	Assume current education and academic affiliation would be unchanged.
Use of VA Resources		
Operating cost effectiveness	-	More efficient to staff; Stage I assessment level suggests the benefit is <5%. This number may improve with further study in Stage II.
Level of capital expenditure anticipated	↓↓	Significant investment required relative to baseline (121% to 199%)
Level of re-use proceeds	↑	Similar level of re-use proceeds as compared to the baseline (+/- 20%)
Cost avoidance	↑↑↑↑	Depending on when the project starts and finishes, avoids majority of the anticipated maintenance/ upgrade costs.
Overall cost effectiveness	-	While the new facilities will be more operationally efficient, they will require more capital to develop. Overall, the cost/benefit of increased capital vs. lower operating costs suggested this BPO will be comparable to the

Assessment of BPO 2	Comparison to Baseline	Description of Impact
		baseline.
Ease of Implementation		
Riskiness of BPO implementation	↑	Far less complicated phasing than the baseline.
Ability to Support VA Programs		
DoD sharing	↔	No material impact is expected.
One-VA Integration	↔	No material impact is expected.
Special Considerations	↔	No material impact is expected.
Overall Attractiveness	↑↑	Attractive compared to the baseline. Much better facilities, good potential for complementary re-use/redevelopment, more efficient staffing.

BPO 2: Capital Plans

Figure 19 provides a summary of the proposed conceptual site plan for BPO 2. The site plan is for reference only. It illustrates the magnitude of land and buildings required to achieve the required capacity and is not a design.

Figure 19: Conceptual Site Plan

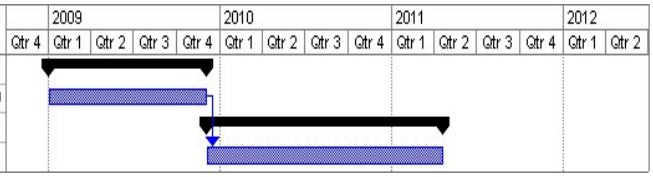


Schedule

Schedules for development in Stage I are intended to identify relative duration of new or renovated work in order to calculate occupancy dates for utilization of space and escalation costs. The table below indicates the construction duration for this BPO.

Table 26: CP-2C Schedule

ID	Task Name	Duration	Start	Finish
1	**Design**	**240 days**	**Thu 1/1/09**	**Wed 12/2/09**
2	Design	12 mons	Thu 1/1/09	Wed 12/2/09
3	**Construction**	**360 days**	**Thu 12/3/09**	**Wed 4/20/11**
4	Construction of new Nursing Home and	18 mons	Thu 12/3/09	Wed 4/20/11



Cost

At this time, pending detailed financial study in Stage II should this BPO go forward, we can state:

- BPO 2 will require more capital than the baseline.
- Operating cost will be better than the baseline, but perhaps only marginally so (<5%).
- A significant amount, if not all, of the $13 million identified by the facility for capital improvements could be avoided.

BPO 2: Re-Use

BPO 2 permits the re-use/redevelopment of Parcels A, B, C, and E.

Key Decision Drivers

- Consolidating VA activity into a relatively concentrated area is desirable as it creates maximum available contiguous space for re-use, including buildings, vacant land, or some combination of both.
- Re-use of existing buildings is viable in principle, especially for uses that are similar to VA's current activities. However, adaptive uses (commercial, private residential, high-technology) are few and will likely be burdened with extensive modernization or adaptive remodeling costs.
- Attracting re-use tenants of existing structures will require reaching beyond the local market via a regional or national marketing solicitation.
- An abundant supply of undeveloped land near the Canandaigua VAMC reduces the value of any land parcels made available through this BPO.
- All available land parcels on the Canandaigua VAMC are roughly equal in terms of their accessibility and suitability for re-use.
- The Canandaigua VAMC is located well away from established retail traffic and facilities, leaving demand for such use unlikely.

Re-Use Value

This BPO will make available all existing buildings, the Academy parcel and a portion of the golf course parcel. The golf course seems to have standing water, which may reduce the potential demand for re-use. The availability of all buildings will afford more area and variety for any end-user of existing structures, enhancing any solicitation of such potential tenants, and the likelihood of successful leasing with the objective of generating higher re-use proceeds than the baseline BPO. However, this outcome is not certain, and so pending further study in Stage II, the proceeds for this BPO are similar to those expected for the baseline.

Team PwC Recommendation

Team PwC recommends that BPO 2 be studied further in Stage II. While the capital costs of this BPO will be higher than the baseline, the facilities created will be newer and more efficient. While at the Stage I level this efficiency gain is modest (<5%), we suspect this gain will improve with closer analysis in Stage II. In addition, this BPO is far less complex to implement than the baseline: in short, it is a "build new and move in" rather than a series of relocations/renovations. Overall, the implementation time for BPO 2 should be about half that of the baseline. Finally, this BPO optimizes the re-use/redevelopment potential of Parcel A (the main campus) by vacating all of the buildings in that area. It is superior to the baseline in that regard. LAP support of the BPO draws on its desire to retain services on the current campus with the benefits of new construction and minimal disruption to existing buildings.

BPO 3: Replacement Facilities, Golf Course East with New Off-Campus Ambulatory Building

BPO 3: Description

In BPO 3, all approved inpatient services will remain on campus. The services will be replaced in new construction in the eastern portion of the existing (unused) golf course. However, ambulatory services will be relocated from the current VAMC to a new campus located in the Canandaigua area. VA will continue to contract for or refer care for the majority of inpatient medical/surgical services. No new contract arrangements will be included. The driver for this option is consideration of a variation of BPO 2, where ambulatory services are located off campus. Through this variation, the re-use/redevelopment potential of the current campus might be enhanced (as less land is required) and the majority of vehicular traffic to the site redirected to an ambulatory setting.

The intent of this BPO is construction of a new multi-specialty outpatient clinic and inpatient complex. The inpatient complex will include domiciliary, residential rehabilitation, gero-psychiatry, and hospice care. The scope of this analysis includes:

- Replacing nursing home, domiciliary, and other inpatient mental health in new construction on the eastern half of golf course land.
- Ambulatory/outpatient services replaced in new construction off-campus in the Canandaigua area (location to be determined).

BPO 3: Pros & Cons

Table 27: BPO 3 Pros & Cons

Pros	• Will sustain at least partial use of current grounds. • Will replace aging and inefficient facilities with new facilities, increasing operating efficiency. • Easy BPO to implement from a design and construction standpoint and easier transition from existing to new facilities. • Will maintain or enhance access for outpatient services, provided the new CBOC will be located within five miles of Canandaigua along routes 322 (north), 21/488 (east), 247 (southeast), or 20 (west). • Will reduce vehicular traffic on the Canandaigua campus by relocating high-volume outpatient services off-site. • This BPO permits re-use/redevelopment of parcels A, B, C, and E in their entirety and potentially 50% or more of parcel D. • Will vacate all of Courtyards 1 and 2, allowing re-use/redevelopment of those buildings, particularly for complementary services such as subsidized housing, and services to homeless veterans. • Low level of construction complexity. • Replacement location will be far from historic "core" of campus.
Cons	• Will split inpatient and outpatient services, reducing potential gains in operating efficiency and affecting continuity of care. • Will eliminate any possibility of reopening the golf course. • Locating a site for the new outpatient building off campus may be difficult and will require purchase of new land. The new site would require 8-10 acres and be relocated within five miles of the present facility along either Routes 322 (north), 21/488 (east), 247 (southeast), or 20 (west).

BPO 3: Assessment

Table 28: BPO 3 Assessment

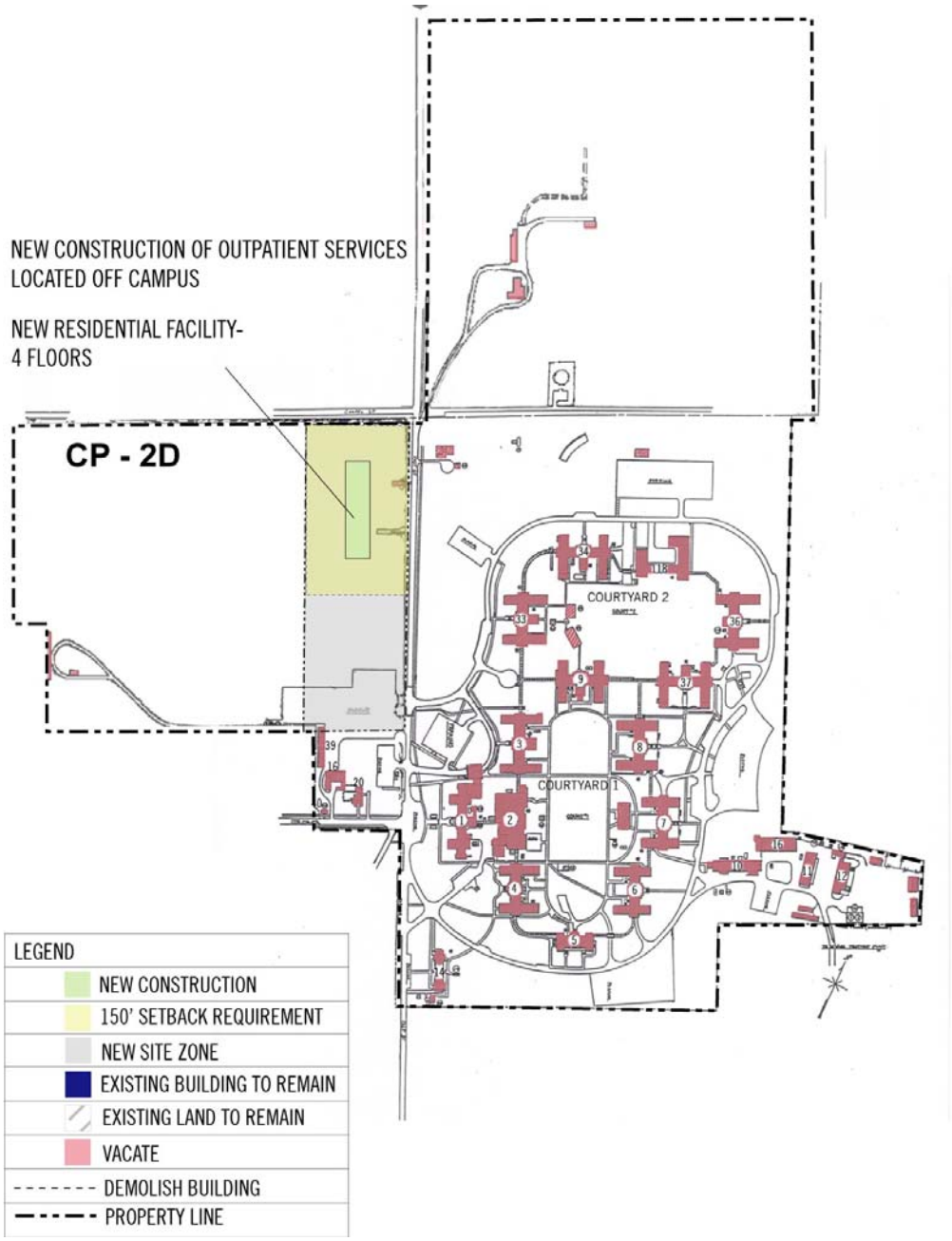
Assessment of BPO 3	Comparison to Baseline	Description of Impact
Healthcare Access		
Primary	N/A	Since the location of healthcare services is not changing, access should not be materially impacted by capital and re-use options.
Acute	N/A	Since the location of healthcare services is not changing, access should not be materially impacted by capital and re-use options.
Tertiary	N/A	Since the location of healthcare services is not changing, access should not be materially impacted by capital and re-use options.
Healthcare Quality		
Quality of medical services	N/A	As all services continue to be provided, assume current quality levels will be maintained.
Modern, safe, and secure environment	↑	Will improve site safety by bringing buildings up to code and improves site security due to new construction.
Ensures forecast healthcare need is appropriately met	↔	Capital plans meet projected demand.
Impact on VA and Local Community		
Human Resources: FTEE need (based on volume)	↔	No material change.
Recruitment / retention	↔	No material change.
Research	N/A	Not applicable.
Education and Academic Affiliations	N/A	Assume current education and academic affiliation would be unchanged.
Use of VA Resources		
Operating cost effectiveness	-	Staffing efficiencies gained in new buildings will be partially offset by splitting services across two locations.
Level of capital expenditure anticipated	↓↓	Significant investment required relative to the baseline (121% to 199%)
Level of re-use proceeds	↑	Similar level of re-use proceeds as compared to the baseline (+/- 20%)
Cost avoidance	↑↑↑↑	Depending on when the project starts and finishes, avoids majority of the anticipated maintenance/ upgrade costs.

Assessment of BPO 3	Comparison to Baseline	Description of Impact
Overall cost effectiveness	-	While the new facilities will be more operationally efficient, they will require more capital to develop. There will also be additional land acquisition costs. Overall, the cost/benefit of increased capital vs. lower operating costs suggested this BPO will be comparable to baseline.
Ease of Implementation		
Riskiness of BPO implementation	↔	Far less complicated phasing than the baseline. However, the timing of acquiring and developing additional land adds some uncertainty to the overall timing.
Ability to Support VA Programs		
DoD sharing	↔	No material impact is expected.
One-VA Integration	↔	No material impact is expected.
Special Considerations	↔	No material impact is expected.
Overall Attractiveness	-	Similar to the baseline. Benefits of better facilities and good potential for complementary re-use/redevelopment will be somewhat offset by split of inpatient and outpatient services, which reduce potential staffing efficiencies and affect continuity of care.

BPO 3: Capital Plans

Figure 20: Conceptual Site Plan

Figure 20 provides a summary of the proposed conceptual site plan for BPO 3. The site plan is for reference only. It illustrates the magnitude of land and buildings required to achieve the required capacity and is not a design.

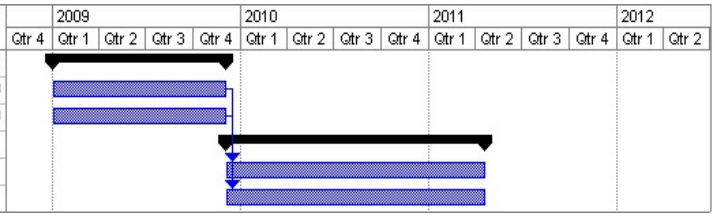


Schedule

Schedules for development in Stage I are intended to identify relative duration of new or renovated work in order to calculate occupancy dates for utilization of space and escalation costs. The table below indicates the construction duration for this BPO.

Table 29: BPO 3 Schedule

ID	Task Name	Duration	Start	Finish
1	**Design**	**240 days**	**Thu 1/1/09**	**Wed 12/2/09**
2	Nursing Home	12 mons	Thu 1/1/09	Wed 12/2/09
3	Clinic	12 mons	Thu 1/1/09	Wed 12/2/09
4	**Construction**	**360 days**	**Thu 12/3/09**	**Wed 4/20/11**
5	Nursing Home	18 mons	Thu 12/3/09	Wed 4/20/11
6	Construction of new building	18 mons	Thu 12/3/09	Wed 4/20/11



Cost

At this time, pending detailed financial study in Stage II should this BPO go forward, we can state:

- BPO 3 will require more capital than the baseline.
- Operating cost will be better than the baseline, but perhaps only marginally so (<5%). Some of this benefit will be offset by the need to operate two distinct sites.
- Land acquisition and development costs will be higher than baseline.
- A significant amount, if not all, of the $13 million identified by the facility for capital improvements could be avoided.

BPO 3: Re-Use

BPO 3 permits the re-use/redevelopment of Parcels A, B, C, and E; it is also likely that 50% or more of parcel D will be available.

Key Decision Drivers

- Consolidating VA activity into a relatively concentrated area is desirable as it will create maximum available contiguous space for re-use, whether buildings, vacant land, or some combination of both.
- Re-use of existing buildings is viable in principle, especially for uses that are similar to VA's current activities. However, adaptive uses (commercial, private residential, high-technology) are few and will likely be burdened with extensive modernization or adaptive remodeling costs.
- Attracting re-use tenants of existing structures will require reaching beyond the local market via a regional or national marketing solicitation.
- An abundant supply of undeveloped land nearby the Canandaigua VAMC reduces the value of any land parcels made available through this BPO.

- All available land parcels on the Canandaigua VAMC are roughly equal in terms of their accessibility and suitability for re-use.
- The Canandaigua VAMC is located well away from established retail traffic and facilities, leaving demand for such use unlikely.

Re-Use Value

This BPO will make available all existing buildings, the Academy parcel and the portion of the golf course parcel that seems to have standing water, which may reduce the demand for potential re-use. The availability of all buildings will afford more area and variety for any end-user of existing structures, enhancing any solicitation of such potential tenants, and the likelihood of successful leasing with the objective of generating higher re-use proceeds than the baseline option. However, this outcome is not certain, and so pending further study in Stage II, the proceeds for this BPO are similar to those expected for the baseline.

Team PwC Recommendation

Team PwC recommends that BPO 3 not be studied further in Stage II. While the capital costs of this BPO will be higher than the baseline, the facilities created will be newer and more efficient. However, by splitting inpatient and outpatient services into two locations, it is generally believed that any staffing efficiencies gained through the new facilities will be at least partially offset. Secondly, the split in locations will affect continuity of care. Relative to re-use/redevelopment potential, it is likely that the cost of acquiring additional land off the current campus (which has plenty of developable acreage already under VA ownership) will offset a substantial portion of any re-use proceeds. Lastly, the idea of moving services away from the current campus was strongly opposed by stakeholders and the LAP. There was no perceived benefit to access, the split of inpatient/outpatient services was not seen as beneficial, and there is plenty of developable land on the current campus.

BPO 4: Replacement, Canandaigua Academy Site with New Off-Campus Ambulatory Building

BPO 4: Description

In BPO 4, all approved inpatient services will remain on campus. The services will be replaced in new construction in the northeastern portion of the existing Canandaigua Academy Site. Operations of the Canandaigua Academy are not expected to be materially impacted. However, ambulatory services will be relocated from the current VAMC to a new campus located in the Canandaigua area. Under this option, VA will continue to contract for or refer care for the majority of inpatient medical/surgical services. No new contract arrangements will be included. The driver for this option is similar to BPO 3, where ambulatory services are located off campus. Through this variation, the re-use/redevelopment potential of the current campus might be enhanced (as less land is required) and the majority of vehicular traffic to the site redirected to an ambulatory setting. The only difference is that in this BPO, the new inpatient facility is located on the Canandaigua Academy parcel and not the golf course.

The intent is construction of a new multi-specialty outpatient clinic and inpatient complex. The inpatient complex will include domiciliary, residential rehabilitation, gero-psychiatry, and hospice care. The scope of the analysis includes:

- Replacing nursing home, domiciliary, and other inpatient mental health in new construction in northeast portion of the Canandaigua Academy site.
- Ambulatory/outpatient services in new construction off campus in the Canandaigua area (location to be determined). The new site would require eight-ten acres and be relocated within five miles of the present facility along either Routes 322 (North), 21/488 (East), 247 (Southeast), or 20 (West).

BPO 4: Pros & Cons

Table 30: BPO 4 Pros & Cons

Pros	• Will sustain at least partial use of current grounds. • Will replace aging and inefficient facilities with new facilities, increasing operating efficiency. • Easy BPO to implement from a design and construction standpoint and easier transition from existing to new facilities. • East portion of the golf course will be easily accessible from East Street, more so than from the west portion of the golf course. • Will maintain or enhance access for outpatient services, provided the new CBOC will be located within five miles of Canandaigua along routes 322 (north), 21/488 (east), 247 (southeast), or 20 (west). • Will reduce vehicular traffic on the Canandaigua campus by relocating high-volume outpatient services off-site. • This option permits re-use/redevelopment of parcels A, B, C, and E in their entirety and potentially 50% or more of parcel D. • Will vacate all of Courtyards 1 and 2, allowing re-use/redevelopment of those buildings, particularly for complementary services such as subsidized housing, and services to homeless veterans. • Low level of construction complexity. • Replacement location will be far from historic "core" of campus.

Cons	• Will split inpatient and outpatient services, reducing potential gains in operating efficiency and affecting continuity of care. • Replacement location will be far from historic "core" of campus. • Will impinge on Canandaigua Academy property. • Locating a site for the new outpatient building off campus may be difficult and will require obtaining new land.

BPO 4: Assessment

Table 31: BPO 4 Assessment

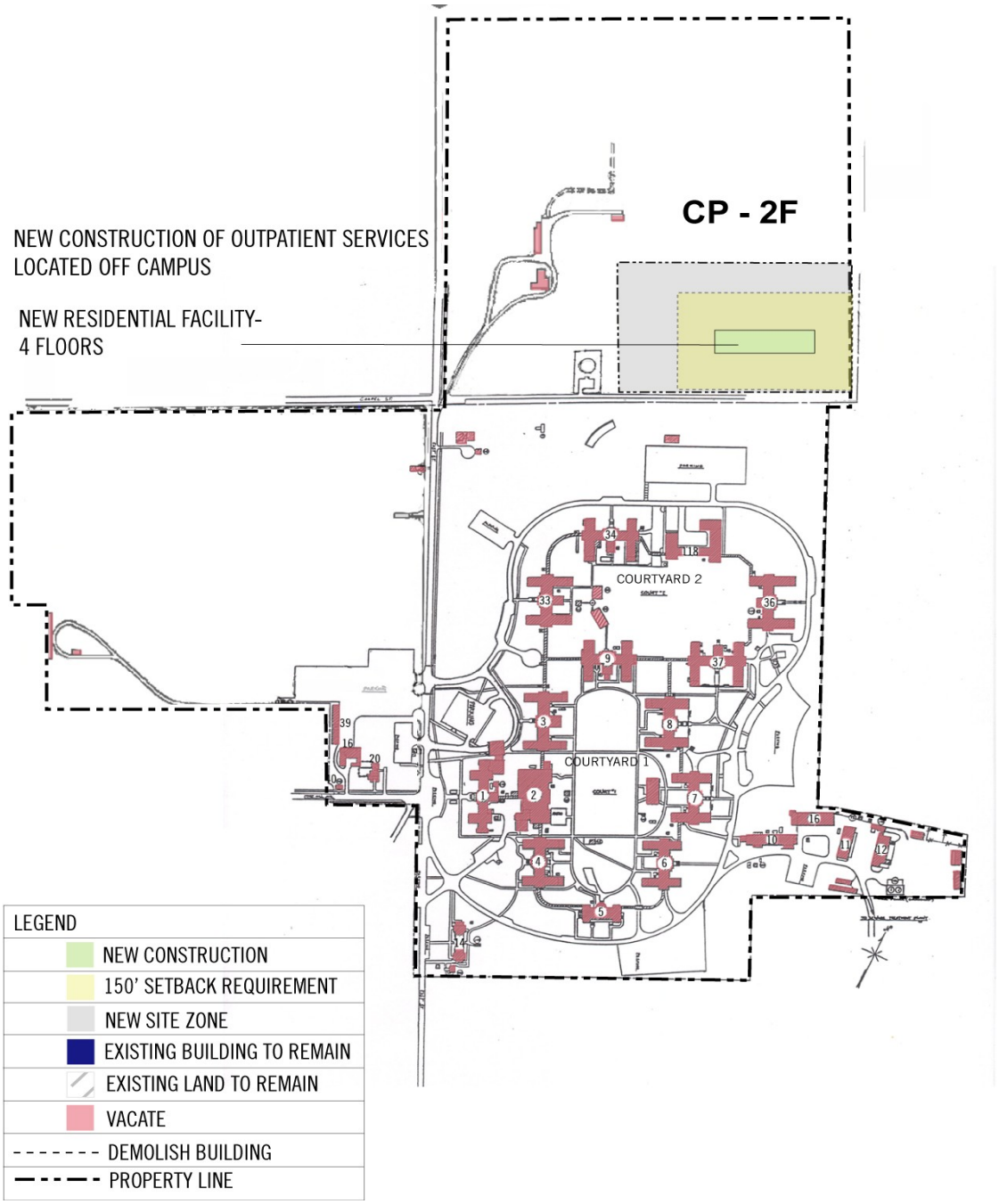
Assessment of BPO 4	Comparison to Baseline	Description of Impact
Healthcare Access		
Primary	N/A	Since the location of healthcare services is not changing, access should not be materially impacted by capital and re-use options.
Acute	N/A	Since the location of healthcare services is not changing, access should not be materially impacted by capital and re-use options.
Tertiary	N/A	Since the location of healthcare services is not changing, access should not be materially impacted by capital and re-use options.
Healthcare Quality		
Quality of medical services	N/A	As all services continue to be provided, assume current quality levels will be maintained.
Modern, safe, and secure environment	↑	Will improve site safety by bringing buildings up to code and improves site security due to new construction.
Ensures forecast healthcare need is appropriately met	↔	Capital plans meet projected demand.
Impact on VA and Local Community		
Human Resources: FTEE need (based on volume)	↔	No material change.
Recruitment / retention	↔	No material change.
Research	N/A	Not applicable.
Education and Academic Affiliations	N/A	Assume current education and academic affiliation would be unchanged.
Use of VA Resources		
Operating cost effectiveness	-	Staffing efficiencies gained in new buildings will be partially offset by splitting services across two locations.
Level of capital expenditure anticipated	↓↓	Significant investment required relative to the baseline (121% to 199%)
Level of re-use proceeds	↑	Similar level of re-use proceeds as compared to the baseline (+/- 20%)

Assessment of BPO 4	Comparison to Baseline	Description of Impact
Cost avoidance	↑↑↑↑	Depending on when the project starts and finishes, avoids majority of the anticipated maintenance/ upgrade costs.
Overall cost effectiveness	-	While the new facilities will be more operationally efficient, they will require more capital to develop. There will also be additional land acquisition costs. Overall, the cost/benefit of increased capital vs. lower operating costs suggested this BPO will be comparable to the baseline
Ease of Implementation		
Riskiness of BPO implementation	↔	Far less complicated phasing than the baseline. However, the timing of acquiring and developing additional land adds some uncertainty to the overall timing.
Ability to Support VA Programs		
DoD sharing	↔	No material impact is expected.
One-VA Integration	↔	No material impact is expected.
Special Considerations	↔	No material impact is expected.
Overall Attractiveness	-	Similar to the baseline. Benefits of better facilities and good potential for complementary re-use/redevelopment will be somewhat offset by split of inpatient and outpatient services, which reduce potential staffing efficiencies and affect continuity of care.

BPO 4: Capital Plans

Figure 21: Conceptual Site Plan

Figure 21 provides a summary of the proposed conceptual site plan for BPO 4. The site plan is for reference only. It illustrates the magnitude of land and buildings required to achieve the required capacity and is not a design.

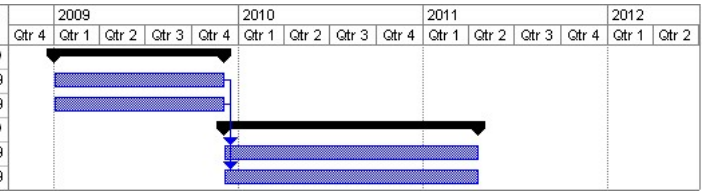


Schedule

Schedules for development in Stage I are intended to identify relative duration of new or renovated work in order to calculate occupancy dates for utilization of space and escalation costs. The table below indicates the construction duration for this BPO.

Table 32: BPO 4 Schedule

ID	Task Name	Duration	Start
1	**Design**	**240 days**	**Thu 1/1/09**
2	Nursing Home	12 mons	Thu 1/1/09
3	Clinics	12 mons	Thu 1/1/09
4	**Construction**	**360 days**	**Thu 12/3/09**
5	Nursing Home	18 mons	Thu 12/3/09
6	Construction of new building	18 mons	Thu 12/3/09



Cost

At this time, pending detailed financial study in Stage II should this BPO go forward, we can state:

- BPO 4 will require more capital than the baseline.
- Operating cost will be better than the baseline, but perhaps only marginally so (<5%). Some of this benefit will be offset by the need to operate two distinct sites.
- Land acquisition and development costs will be higher than the baseline.
- A significant amount, if not all, of the $13 million identified by the facility for capital improvements could be avoided.

BPO 4: Re-Use

BPO 4 permits the re-use/redevelopment of Parcels A, B, C, and D.

Key Decision Drivers

- Consolidating VA activity into a relatively concentrated area is desirable as it creates maximum available contiguous space for re-use; including buildings, vacant land, or some combination of both.
- Re-use of existing buildings is viable in principle, especially for uses that are similar to VA's current activities. However, adaptive uses (commercial, private residential, high-technology) are few and will likely be burdened with extensive modernization or adaptive remodeling costs.
- Attracting re-use tenants of existing structures will require reaching beyond the local market via a regional or national marketing solicitation.
- An abundant supply of undeveloped land nearby the Canandaigua VAMC reduces the value of any land parcels made available through this BPO.
- All available land parcels on the Canandaigua VAMC are roughly equal in terms of their accessibility and suitability for re-use.
- The Canandaigua VAMC is located well away from established retail traffic and facilities, leaving demand for such use unlikely.

Re-Use Value

This BPO will make available all existing buildings, the entire golf course parcel and a portion of the Academy parcel for re-use. The availability of all buildings may make it easier to find an end-user that wants to locate within the campus and take advantage of its unique aesthetic quality in the Canandaigua area. The availability of all buildings will afford more area and variety for any end-user of existing structures, enhancing any solicitation of such potential tenants, and the likelihood of successful leasing with the objective of generating higher re-use proceeds than the baseline option. However, this outcome is not certain, and so pending further study in Stage II, the proceeds for this BPO are similar to those expected for the baseline.

Team PwC Recommendation

Team PwC recommends that BPO 4 not be studied further in Stage II. While the capital costs of this BPO will be higher than the baseline, the facilities created will be newer and more efficient. However, by splitting inpatient and outpatient services into two locations, it is generally believed that any staffing efficiencies gained through the new facilities will be at least partially offset. Secondly, the split in locations will affect continuity of care. Relative to re-use/redevelopment potential, it is likely that the cost of acquiring additional land off the current campus (which has plenty of developable acreage already under VA ownership) will offset a substantial portion of any re-use proceeds. Lastly, the idea of moving services away from the current campus was strongly opposed by stakeholders and the LAP. There was no perceived benefit to access, the split of inpatient/outpatient services was not seen as beneficial, and there is plenty of developable land on the current campus.

BPO 5: Replacement, Courtyard 1 Area with New Off-Campus Ambulatory Building

BPO 5: Description

In BPO 5, all approved inpatient services will remain on campus. The services will be replaced in new construction in the area occupied by and surrounding Courtyard 1. However, ambulatory services will be relocated from the current VAMC to a new campus located in the Canandaigua area. VA will continue to contract for or refer care for the majority of inpatient medical/surgical services. No new contract arrangements will be included. The driver for this option is similar to BPOs 3 and 4, where ambulatory services are located off campus. Through this variation, the re-use/redevelopment potential of the current campus might be enhanced (as less land is required) and the majority of vehicular traffic to the site redirected to an ambulatory setting. The meaningful difference is that the new inpatient facility is located in Courtyard 1, the area of the site most familiar to and treasured by stakeholders.

The intent is construction of a new multi-specialty outpatient clinic and inpatient complex. The inpatient complex will include domiciliary, residential rehabilitation, gero-psychiatry, and hospice care. The scope of this analysis includes:

- Replace nursing home, domiciliary, and other inpatient mental health in new construction through replacement in Courtyard 1.
- Ambulatory/outpatient services replaced in new construction off campus in the Canandaigua area (location to be determined). The new site would require eight-ten acres and be relocated within five miles of the present facility along either Routes 322 (north), 21/488 (east), 247 (southeast), or 20 (west).
- The level of complexity required for the off-campus development is to be determined.

BPO 5: Pros & Cons

Table 33: BPO 5 Pros & Cons

Pros	• Will sustain at least partial use of the current grounds. • Will replace aging and inefficient facilities with new facilities for inpatient and outpatient services, increasing operating efficiency. • Replacement location at historic "core" of campus and maintains use of the historic front of the campus. • Veterans and public are more familiar with Courtyard 1 than Courtyard 2. • Will maintain or enhance access for outpatient services, provided the new CBOC will be located within five miles of Canandaigua along routes 322 (north), 21/488 (east), 247 (southeast) or 20 (west). • Will reduce vehicular traffic on the Canandaigua campus by relocating high-volume outpatient services off-site. • Courtyard 1 will be easily accessible from East Street and can be separated from Courtyard 2. • Will permit the re-use/redevelopment of Parcels B, C, D, and E. • Will vacate all of Courtyard 2, allowing re-use/redevelopment of those buildings, particularly for complementary services such as subsidized housing and services to homeless veterans.

Cons	• Will split inpatient and outpatient services, reducing potential gains in operating efficiency and affecting continuity of care. • Lengthy replacement and demolition sequence. • Locating a site for the new outpatient building off-campus may be difficult and will require obtaining new land. • Will add more cost since demolition is involved.

BPO 5: Assessment

Table 34: BPO 5 Assessment

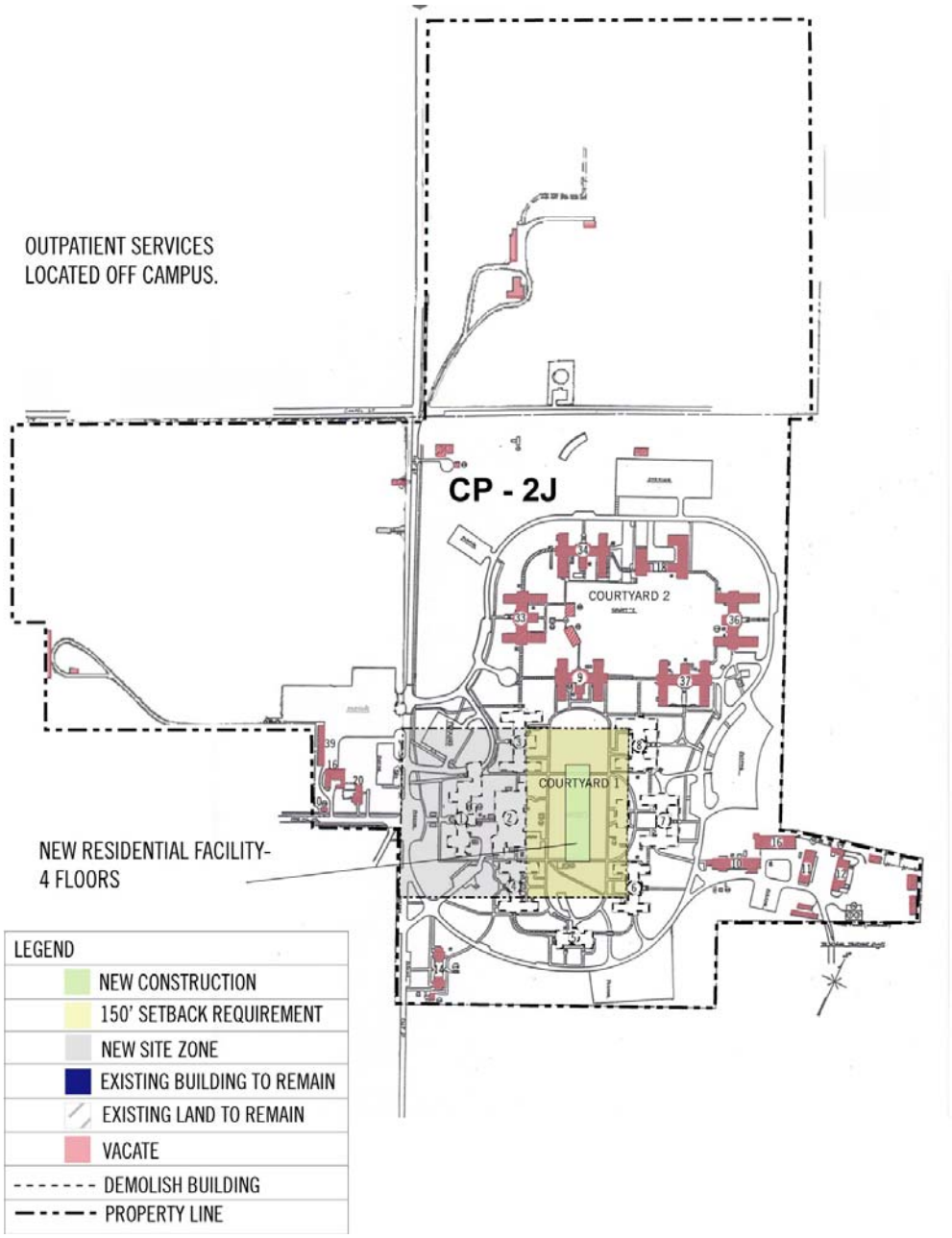
Assessment of BPO 5	Comparison to Baseline	Description of Impact
Healthcare Access		
Primary	N/A	Since the location of healthcare services is not changing, access should not be materially impacted by capital and re-use options.
Acute	N/A	Since the location of healthcare services is not changing, access should not be materially impacted by capital and re-use options.
Tertiary	N/A	Since the location of healthcare services is not changing, access should not be materially impacted by capital and re-use options.
Healthcare Quality		
Quality of medical services	N/A	As all services continue to be provided, assume current quality levels will be maintained.
Modern, safe, and secure environment	↑	Will improve site safety by bringing buildings up to code, but does not improve or degrade current site security.
Ensures forecast healthcare need is appropriately met	↔	Capital plans meet projected demand.
Impact on VA and Local Community		
Human Resources: FTEE need (based on volume)	↔	No material change.
Recruitment / retention	↔	No material change.
Research	N/A	Not applicable.
Education and Academic Affiliations	N/A	Assume current education and academic affiliation would be unchanged.
Use of VA Resources		
Operating cost effectiveness	-	Staffing efficiencies gained in new buildings will be partially offset by splitting services across two locations.
Level of capital expenditure anticipated	↓↓	Significant investment required relative to the baseline (121% to 199%)
Level of re-use proceeds	↑↑	Depending on when the project starts and finishes, avoids some of the anticipated maintenance/ upgrade costs.
Cost avoidance	-	No cost avoidance opportunities

Assessment of BPO 5	Comparison to Baseline	Description of Impact
Overall cost effectiveness	-	While the new facilities will be more operationally efficient, they will require more capital to develop. There will also be additional land acquisition costs. Overall, the cost/benefit of increased capital vs. lower operating costs suggested this BPO will be comparable to the baseline
Ease of Implementation		
Riskiness of BPO implementation	↔	Far less complicated phasing than the baseline. However, the timing of acquiring and developing additional land adds some uncertainty to the overall timing.
Ability to Support VA Programs		
DoD sharing	↔	No material impact is expected.
One-VA Integration	↔	No material impact is expected.
Special Considerations	↔	No material impact is expected.
Overall Attractiveness	-	Similar to the baseline. Benefits of better facilities and good potential for complementary re-use/redevelopment will be somewhat offset by split of inpatient and outpatient services, which reduce potential staffing efficiencies and affect continuity of care.

BPO 5: Capital Plans

Figure 22: Conceptual Site Plan

Figure 22 provides a summary of the proposed conceptual site plan for BPO 5. The site plan is for reference only. It illustrates the magnitude of land and buildings required to achieve the required capacity and is not a design.

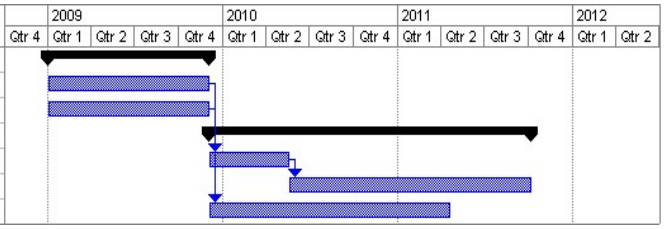


Schedule

Schedules for development in Stage I are intended to identify relative duration of new or renovated work in order to calculate occupancy dates for utilization of space and escalation costs. The table below indicates the construction duration for this BPO.

Table 35: BPO 5 Schedule

ID	Task Name	Duration	Start	Finish
1	**Design**	**240 days**	**Thu 1/1/09**	**Wed 12/2/09**
2	Nursing Home and Demo docs	12 mons	Thu 1/1/09	Wed 12/2/09
3	Clinics	12 mons	Thu 1/1/09	Wed 12/2/09
4	**Construction**	**480 days**	**Thu 12/3/09**	**Wed 10/5/11**
5	Demolition of Courtyard 1	6 mons	Thu 12/3/09	Wed 5/19/10
6	Nursing Home	18 mons	Thu 5/20/10	Wed 10/5/11
7	Clinics	18 mons	Thu 12/3/09	Wed 4/20/11



Cost

At this time, pending detailed financial study in Stage II should this BPO go forward, we can state:

- BPO 5 will require more capital than the baseline.
- Operating cost will be better than the baseline, but perhaps only marginally so (<5%). Some of this benefit will be offset by the need to operate two distinct sites.
- Land acquisition and development costs will be higher than the baseline.
- Demolition costs for BPO 5 will be significantly higher than the baseline.
- A portion of the $13 million identified by the facility for capital improvements could be avoided.

BPO 5: Re-Use

BPO 5 permits the re-use/redevelopment of Parcels B, C, D, and E.

Key Decision Drivers

- Consolidating VA activity into a relatively concentrated area is desirable as it creates maximum available contiguous space for re-use, including buildings, vacant land, or some combination of both.
- Re-use of existing buildings is viable in principle, especially for uses that are similar to VA's current activities. However, adaptive uses (commercial, private residential, high-technology) are few and will likely be burdened with extensive modernization or adaptive remodeling costs.
- Attracting re-use tenants of existing structures will require reaching beyond the local market via a regional or national marketing solicitation.
- An abundant supply of undeveloped land nearby the Canandaigua VAMC reduces the value of any land parcels made available through this BPO.

- All available land parcels on the Canandaigua VAMC are roughly equal in terms of their accessibility and suitability for re-use.

Re-Use Value

This BPO will make available all buildings in Courtyard 2 and the entire golf course and Academy parcels for re-use. The availability of Courtyard 2's buildings may make it easier to find an end-user that wants to locate within the campus and take advantage of its unique aesthetic quality in the Canandaigua area. However, this outcome is not certain, and so pending further study in Stage II, the proceeds for this BPO are similar to those expected for the baseline.

Team PwC Recommendation

Team PwC recommends that BPO 5 not be studied further in Stage II. While the capital costs of this BPO will be higher than the baseline, the facilities created will be newer and more efficient. However, by splitting inpatient and outpatient services into two locations, it is generally believed that any staffing efficiencies gained through the new facilities will be at least partially offset. Secondly, the split in locations will affect continuity of care. Relative to re-use/redevelopment potential, it is likely that the cost of acquiring additional land off the current campus (which has plenty of developable acreage already under VA ownership) will offset a substantial portion of any re-use proceeds. Lastly, the idea of moving services away from the current campus was strongly opposed by stakeholders and the LAP. Of equivalent significance is the fact that this BPO will require an extensive amount of demolition – effectively all the existing Courtyard 1 facilities will need to be demolished. Not only is this passionately opposed by stakeholders, it is unnecessary in that (a) there are better locations and options for new inpatient facilities on the campus, (b) additional capital for demolition will be required, and (c) re-use/redevelopment potential may be reduced through the demolition of the Courtyard 1 buildings. From the perspective of the LAP, there was no perceived benefit to access, the split of inpatient/outpatient services was not seen as beneficial, and there is plenty of developable land on the current campus.

BPO 6: Inpatient Replacement/Renovation, Courtyard 1 Area

BPO 6: Description

In BPO 6, all approved services will remain on campus. The services will be replaced in a combination of renovations to Buildings 1, 3, and 4 for ambulatory/outpatient services and new construction in Courtyard 1 for inpatient services. VA will continue to contract for or refer care for the majority of inpatient medical/surgical services. No new contract arrangements will be included. The driver for this option is the creative and adaptive use of both new and existing facilities in an area of the campus valued by stakeholders (Courtyard 1). The origin of this BPO was stakeholder input received during the first LAP meeting. In this BPO, inpatient services are developed in new construction, while outpatient services remain in existing buildings. The existing buildings are renovated to achieve a modern, safe, and secure setting for outpatient care. The BPO does require the demolition of Building 2 (the kitchen facility) to accommodate and appropriately link the inpatient facility to the outpatient buildings.

The intent is construction of a new multi-specialty outpatient clinic and inpatient complex. The inpatient complex will include domiciliary, residential rehabilitation, gero-psychiatry, and hospice care. The scope of this analysis includes:

- Renovate buildings 1, 3, and 4 in Courtyard 1 for ambulatory/outpatient services.
- Augment with new construction for nursing home, domiciliary, and other inpatient mental health in Courtyard 1.
- Demolish Building 2. Prior to demolition, the buildings shall be documented as per Historic American Buildings Survey (HABS) requirements. Consent shall be gained from the State Historic Preservation Offices (SHPO) as well as any other state or local input, possible advisory counsel, or other clearances.
- All other existing buildings in Courtyard 1 and 2 will remain and be vacated.

BPO 6: Pros & Cons

Table 36: BPO 6 Pros & Cons

Pros	• Will meet stakeholder concerns by keeping all approved services on current grounds. • A new facility for inpatient services creates an improved operating efficiency and a more modern, safe and secure environment. • Replacement location will be near historic "core" of campus and will maintain use of the historic front of the campus including continued use of Buildings 1, 3, and 4. • Veterans and the public are more familiar with Courtyard 1 than Courtyard 2. • Will permit re-use/redevelopment of Parcels B, C, D, and E. • Will vacate all of Courtyard 2, allowing re-use/redevelopment of those buildings, particularly for complementary services such as subsidized housing, services to homeless veterans, and the like.
Cons	• Will not replace all services in new construction, reducing potential gains in operating efficiency • Lengthy renovation sequence.

BPO 6: Assessment

Table 37: BPO 6 Assessment

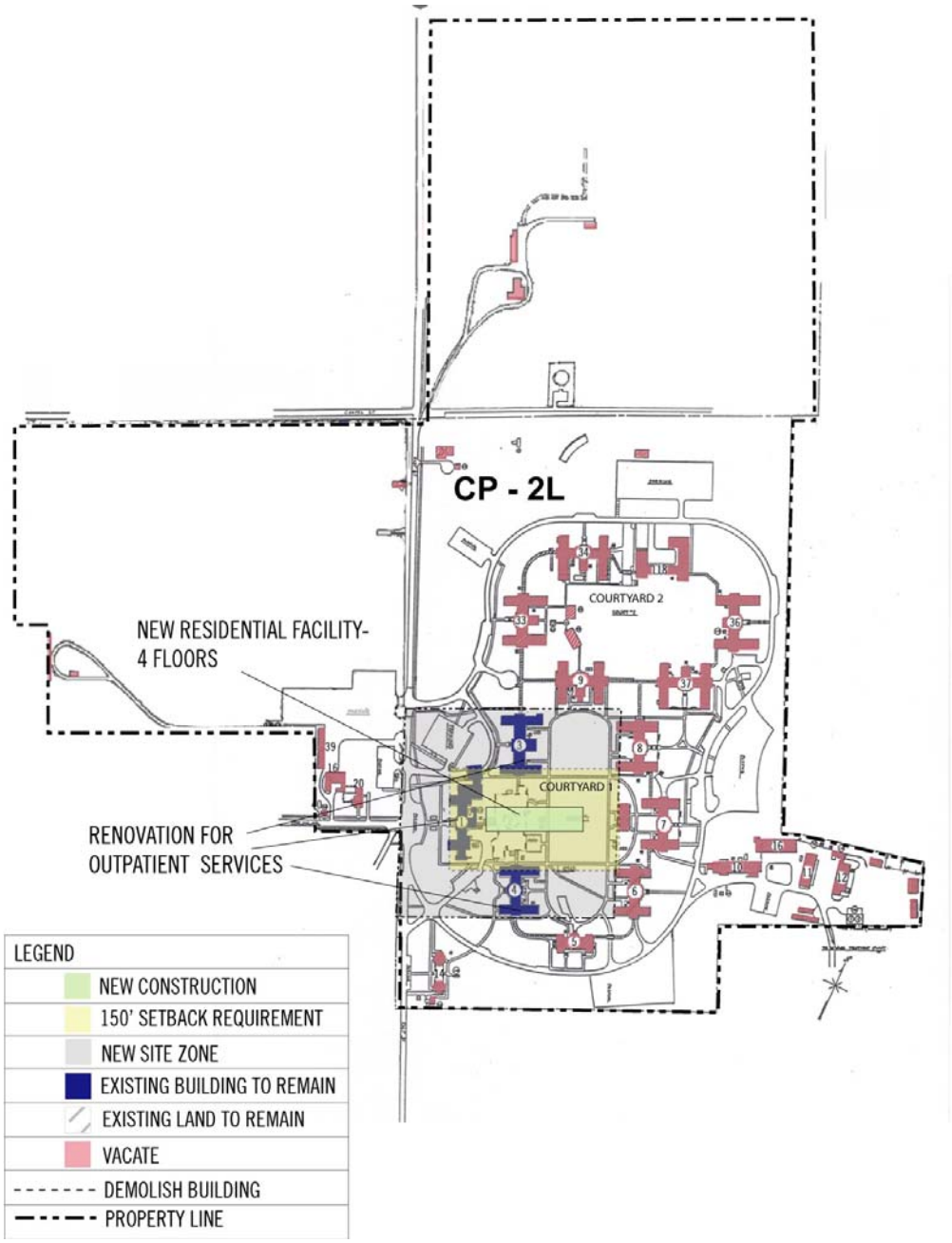
Assessment of BPO 6	Comparison to Baseline	Description of Impact
Healthcare Access		
Primary	N/A	Since the location of healthcare services is not changing, access should not be materially impacted by capital and re-use options.
Acute	N/A	Since the location of healthcare services is not changing, access should not be materially impacted by capital and re-use options.
Tertiary	N/A	Since the location of healthcare services is not changing, access should not be materially impacted by capital and re-use options.
Healthcare Quality		
Quality of medical services	N/A	As all services continue to be provided, assume current quality levels will be maintained.
Modern, safe, and secure environment	↑	Will improve site safety by bringing buildings up to code, but does not improve or degrade current site security.
Ensures forecast healthcare need is appropriately met	↔	Capital plans meet projected demand.
Impact on VA and Local Community		
Human Resources: FTEE need (based on volume)	↔	No material impact is expected.
Recruitment / retention	↔	No material impact is expected.
Research	N/A	Not applicable.
Education and Academic Affiliations	N/A	Assume current education and academic affiliation would be unchanged.
Use of VA Resources		
Operating cost effectiveness	-	More efficient to staff; Stage I assessment level suggests the benefit is <5%. This number may improve with further study in Stage II.
Level of capital expenditure anticipated	↓↓	Significant investment required relative to the baseline (121% to 199%)
Level of re-use proceeds	↑	Similar level of re-use proceeds as compared to the baseline (+/- 20%)
Cost avoidance	↑↑	Depending on when the project starts and finishes, avoids some of the anticipated maintenance/ upgrade costs.
Overall cost effectiveness	-	Materially the same as the baseline.
Ease of Implementation		
Riskiness of BPO implementation	↔	Similar in complexity to implement as the baseline.

Assessment of BPO 6	Comparison to Baseline	Description of Impact
Ability to Support VA Programs		
DoD sharing	↔	No material impact is expected.
One-VA Integration	↔	No material impact is expected.
Special Considerations	↔	No material impact is expected.
Overall Attractiveness	-	Overall comparable to the baseline. The value of better facilities in a familiar and treasured part of campus is somewhat offset by the level of renovation/demolition required in Courtyard 1, and a slightly longer implementation period than the all-new-construction BPOs.

BPO 6: Capital Plans

Figure 23: Conceptual Site Plan

Figure 23 provides a summary of the proposed conceptual site plan for BPO 6. The site plan is for reference only. It illustrates the magnitude of land and buildings required to achieve the required capacity and is not a design.

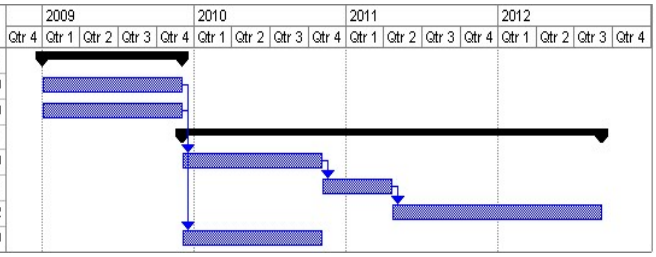


Schedule

Schedules for development in Stage I are intended to identify relative duration of new or renovated work in order to calculate occupancy dates for utilization of space and escalation costs. The table below indicates the construction duration for this BPO.

Table 38: BPO 6 Schedule

ID	Task Name	Duration	Start	Finish
1	**Design**	**240 days**	**Thu 1/1/09**	**Wed 12/2/09**
2	Nursing Home and demo docs	12 mons	Thu 1/1/09	Wed 12/2/09
3	Clinics	12 mons	Thu 1/1/09	Wed 12/2/09
4	**Construction**	**720 days**	**Thu 12/3/09**	**Wed 9/5/12**
5	Nursing Home Phase 1	12 mons	Thu 12/3/09	Wed 11/3/10
6	Demolish Building 2	6 mons	Thu 11/4/10	Wed 4/20/11
7	Nursing Home Phase 2	18 mons	Thu 4/21/11	Wed 9/5/12
8	Outpatient Clinics	12 mons	Thu 12/3/09	Wed 11/3/10



Cost

At this time, pending detailed financial study in Stage II should this BPO go forward, we can state:

- BPO 6 will require more capital than the baseline.
- Operating cost will be better than the baseline, but perhaps only marginally so (<5%).
- A portion of the $13 million identified by the facility for capital improvements could be avoided.

BPO 6: Re-Use

BPO 6 permits the re-use/redevelopment of Parcels B, C, D, and E.

Key Decision Drivers

- Consolidating VA activity into a relatively concentrated area will be desirable as it creates maximum available contiguous space for re-use, whether buildings, vacant land, or some combination of both.
- Re-use of existing buildings is viable in principle, especially for uses that are similar to VA's current activities. However, adaptive uses (commercial, private residential, high-technology) are few and will likely be burdened with extensive modernization or adaptive remodeling costs.
- Attracting re-use tenants of existing structures will require reaching beyond the local market via a regional or national marketing solicitation.
- An abundant supply of undeveloped land nearby the Canandaigua VAMC reduces the value of any land parcels made available through this BPO.
- All available land parcels on the Canandaigua VAMC are roughly equal in terms of their accessibility and suitability for re-use.

- The Canandaigua VAMC will be located well away from established retail traffic and facilities, leaving demand for such use unlikely.

Re-Use Value

BPO 6, similar to the baseline BPO, makes available buildings in Courtyard 2 and the Academy and golf course parcels for re-use. Because Courtyard 1 contains more aesthetically distinctive buildings than Courtyard 2, removing those buildings may reduce potential re-use proceeds. Pending further study in Stage II, the proceeds for this option are similar to those expected for the baseline.

Team PwC Recommendation

Team PwC recommends that BPO 6 be studied further in Stage II. While the capital costs of this BPO will be higher than the baseline, the inpatient facilities created will be newer and more efficient. While the outpatient services are accommodated in renovated space, it is believed that Buildings 1, 3, and 4 will upgrade well to meet the service needs. This BPO requires only a modest amount of demolition (to Building 2, which is a support building housing the kitchen), which to achieve the ideal operating environment for inpatient care should be replaced in new construction. Lastly, this BPO continues to locate services in Courtyard 1, the area of the site most familiar to and treasured by stakeholders. It is a creative and adaptive response to the Secretary's Decision sensitized to the desires of stakeholders. The LAP supports the BPO due to the location of the facilities and the creative use of both new and renovated buildings

BPO 7: Replacement, Chapel Street Parcel

BPO 7: Description

In BPO 7, all approved services will remain on campus. The services will be replaced in new construction in the parcel of land roughly situated between the Ring Road and Chapel Street. VA will continue to contract for or refer care for the majority of inpatient medical/surgical services. No new contract arrangements will be included. The driver for this option is consideration of all new facilities on the current campus in a readily developable area of the site; in this case, the eastern portion of the existing (unused) golf course.

The intent is construction of a new multi-specialty outpatient clinic and inpatient complex. The inpatient complex will include domiciliary, residential rehabilitation, gero-psychiatry, and hospice care. The scope of this analysis includes:

- Construction of a new replacement facility on the northern parcel of campus between Ring road and south of Chapel Street.
- Vacating all existing buildings.

BPO 7: Pros & Cons

Table 39: BPO 7 Pros & Cons

Pros	• Will meet stakeholder concerns by keeping all approved services on current grounds and provides new facilities for both inpatient and outpatient services. • Will replace aging and inefficient facilities with new facilities, reducing operating costs. • East portion of the golf course will be easily accessible from East Street, more so than from the west portion of the golf course. • Easy BPO to do from a design and construction standpoint and easy transition from existing to new facilities. • Will permit the re-use/redevelopment of Parcels A, B, D, and E. • Will vacate all of Courtyards 1 and 2, allowing re-use/redevelopment of those buildings, particularly for complementary services such as subsidized housing, services to homeless veterans, and the like.
Cons	• Replacement location will be far from the historic "core" of campus. • Higher capital cost than the baseline. • Chapel Street parcel is irregular in shape, which may slightly constrain design of the new buildings – but this constraint is not likely to impact the overall quality of construction and efficiency of operations.

BPO 7: Assessment

Table 40: BPO 7 Assessment

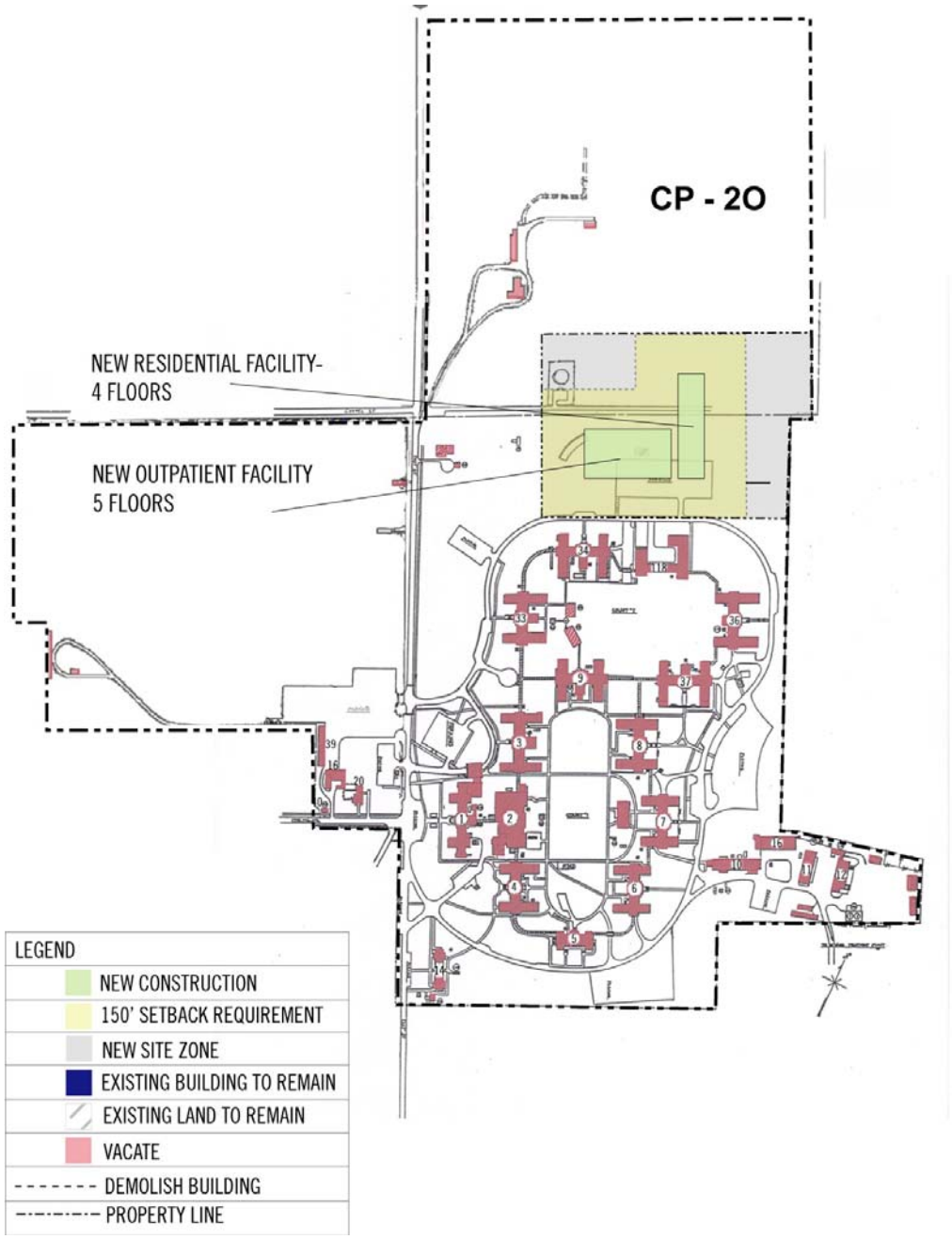
Assessment of BPO 7	Comparison to Baseline	Description of Impact
Healthcare Access		
Primary	N/A	Since the location of healthcare services is not changing, access should not be materially impacted by capital and re-use options.
Acute	N/A	Since the location of healthcare services is not changing, access should not be materially impacted by capital and re-use options.
Tertiary	N/A	Since the location of healthcare services is not changing, access should not be materially impacted by capital and re-use options.
Healthcare Quality		
Quality of medical services	N/A	As all services continue to be provided, assume current quality levels will be maintained.
Modern, safe, and secure environment	↑	Will improve site safety by bringing buildings up to code and will improve site security due to new construction.
Ensures forecast healthcare need is appropriately met	↔	Capital plans meet projected demand.
Impact on VA and Local Community		
Human Resources: FTEE need (based on volume)	↔	No material impact is expected.
Recruitment / retention	↔	No material impact is expected.
Research	N/A	Not applicable.
Education and Academic Affiliations	N/A	Assume current education and academic affiliation would be unchanged.
Use of VA Resources		
Operating cost effectiveness	-	More efficient to staff; Stage I assessment level suggests the benefit is <5%. This number may improve with further study in Stage II.
Level of capital expenditure anticipated	↓↓	Significant investment required relative to the baseline (121% to 199%)
Level of re-use proceeds	↑	Similar level of re-use proceeds as compared to the baseline (+/- 20%)
Cost avoidance	↑↑↑↑	Depending on when the project starts and finishes, avoids majority of the anticipated maintenance/ upgrade costs.
Overall cost effectiveness	-	While the new facilities will be more operationally efficient, they will require more capital to develop. Overall, the cost/benefit of increased capital vs. lower operating costs suggested this BPO will be comparable to the baseline.

Assessment of BPO 7	Comparison to Baseline	Description of Impact
Ease of Implementation		
Riskiness of BPO implementation	↑	Far less complicated phasing than the baseline.
Ability to Support VA Programs		
DoD sharing	↔	No material impact is expected.
One-VA Integration	↔	No material impact is expected.
Special Considerations	↔	No material impact is expected.
Overall Attractiveness	↑↑	Attractive compared to the baseline. Much better facilities, good potential for complementary re-use/redevelopment, more efficient staffing.

BPO 7: Capital Plans

Figure 24: Conceptual Site Plan

Figure 24 provides a summary of the proposed conceptual site plan for BPO 7. The site plan is for reference only. It illustrates the magnitude of land and buildings required to achieve the required capacity and is not a design.

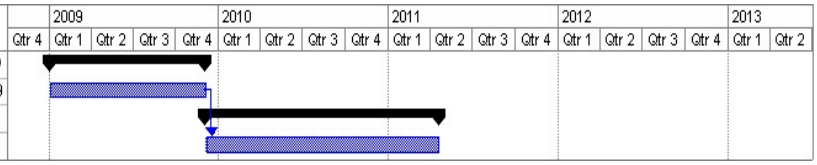


Schedule

Schedules for development in Stage I are intended to identify relative duration of new or renovated work in order to calculate occupancy dates for utilization of space and escalation costs. The table below indicates the construction duration for this BPO.

Table 41: BPO 7 Schedule

ID	Task Name	Duration	Start	Finish
1	**Design**	**240 days**	**Thu 1/1/09**	**Wed 12/2/09**
2	Nursing Home	12 mons	Thu 1/1/09	Wed 12/2/09
3	**Construction**	**360 days**	**Thu 12/3/09**	**Wed 4/20/11**
4	Nursing Home	18 mons	Thu 12/3/09	Wed 4/20/11



Cost

At this time, pending detailed financial study in Stage II should this BPO go forward, we can state:

- BPO 7 will require more capital than the baseline.
- Operating cost will be better than the baseline, but perhaps only marginally so (<5%).
- A significant amount, if not all, of the $13 million identified by the facility for capital improvements could be avoided.

BPO 7: Re-Use

BPO 7 permits the re-use/redevelopment of Parcels A, B, D, and E.

Key Decision Drivers

- Consolidating VA activity into a relatively concentrated area is desirable as it creates maximum available contiguous space for re-use, including buildings, vacant land, or some combination of both.
- Re-use of existing buildings is viable in principle, especially for uses that are similar to VA's current activities. However, adaptive uses (commercial, private residential, high-technology) are few and will likely be burdened with extensive modernization or adaptive remodeling costs.
- Attracting re-use tenants of existing structures will require reaching beyond the local market via a regional or national marketing solicitation.
- An abundant supply of undeveloped land nearby the Canandaigua VAMC reduces the value of any land parcels made available through this BPO.
- All available land parcels on the Canandaigua VAMC are roughly equal in terms of their accessibility and suitability for re-use.
- The Canandaigua VAMC is located well away from established retail traffic and facilities, leaving demand for such use unlikely.

Re-Use Value

This BPO makes available all buildings as well as the entire golf course and Academy parcels for re-use. The availability of the Courtyard 1 buildings may make it easier to find an end-user that wants to locate within the campus and take advantage of its unique aesthetic quality in the Canandaigua area. However, this outcome is not certain, and so pending further study in Stage II, the proceeds for this BPO are similar to those expected for the baseline.

Team PwC Recommendation

Team PwC recommends that BPO 7 be studied further in Stage II. While the capital costs of this BPO will be higher than the baseline, the facilities created will be newer and more efficient. While at the Stage I level this efficiency gain is modest (<5%), we suspect this gain will improve with closer analysis in Stage II. In addition, this BPO is far less complex to implement than the baseline; in short, it is a "build new and move in" rather than a series of relocations/renovations. Overall, the implementation time for BPO 7 should be about half that of the baseline. Finally, this BPO optimizes the re-use/redevelopment potential of Parcel A (the main campus) by vacating all of the buildings in that area. It is superior to the baseline in that regard. LAP support of the BPO draws on its desire to retain services on the current campus with the benefits of new construction and minimal disruption to existing buildings.

BPO 8: Full Replacement, Off-Campus Location

BPO 8: Description

In BPO 8, all approved services will be replaced in new construction on a single new site in the Canandaigua area. All services relocate to a new campus in the Canandaigua area. VA continues to contract for or refer care for the majority of inpatient medical/surgical services. No new contract arrangements are included. The driver behind this BPO is the exploration of the cost/benefit of relocating all approved services to a new campus, to explore the full re-use/redevelopment potential of the current site. This is consistent with the Secretary's Decision Document.

The intent is construction of a new multi-specialty outpatient clinic and inpatient complex. The inpatient complex will include domiciliary, residential rehabilitation, gero-psychiatry, and hospice care. The scope of the analysis includes:

- Replace nursing home care, domiciliary, other inpatient mental health, and all ambulatory/outpatient services in new construction off campus in the Canandaigua area.
- The new site would require about 20 acres and be relocated within five miles of the present facility along either Routes 322 (North), 21/488 (East), 247 (Southeast), or 20 (West).

BPO 8: Pros & Cons

Table 42: BPO 8 Pros &Cons

Pros	• Will completely vacate the current site, allowing the maximum re-use/redevelopment potential to be realized. • Will replace aging and inefficient facilities with new facilities for inpatient and outpatient services. • Easy transition from existing to new facilities. • Will maintain or enhance access for services, provided the new CBOC will be located within five miles of Canandaigua along routes 322 (North), 21/488 (East), 247 (Southeast), or 20 (West). • Will permit the re-use/redevelopment of Parcels A, B, C, D, and E.
Cons	• The level of complexity required for the off-campus development is to be determined. • Replacement location far from historic core of campus. • Locating the new facility off campus will require obtaining about 20 acres of new land. • The current campus has plenty of developable land.

BPO 8: Assessment

Table 43: BPO 8 Assessment

Assessment of BPO 8	Comparison to Baseline	Description of Impact
Healthcare Access		
Primary	N/A	Since the location of healthcare services is not changing, access should not be materially impacted by capital and re-use options.
Acute	N/A	Since the location of healthcare services is not changing, access should not be materially impacted by capital and re-use options.
Tertiary	N/A	Since the location of healthcare services is not changing, access should not be materially impacted by capital and re-use options.
Healthcare Quality		
Quality of medical services	N/A	As all services continue to be provided, assume current quality levels will be maintained.
Modern, safe, and secure environment	↑	Will improve site safety by bringing buildings up to code and will improve current site security due to new construction.
Ensures forecast healthcare need is appropriately met	↔	Capital plans meet projected demand.
Impact on VA and Local Community		
Human Resources: FTEE need (based on volume)	↔	No material impact is expected.
Recruitment / retention	↔	No material impact is expected..
Research	N/A	Not applicable.
Education and Academic Affiliations	N/A	Assume current education and academic affiliation would be unchanged.
Use of VA Resources		
Operating cost effectiveness	-	More efficient to staff; Stage I assessment level suggests the benefit is <5%. This number may improve with further study in Stage II.
Level of capital expenditure anticipated	↓↓	Significant investment required relative to the baseline (121% to 199%)
Level of re-use proceeds	↑	Similar level of re-use proceeds as compared to the baseline (+/- 20%)
Cost avoidance	↑↑↑↑	Depending on when the project starts and finishes, avoids majority of the anticipated maintenance/upgrade costs.

Assessment of BPO 8	Comparison to Baseline	Description of Impact
Overall cost effectiveness	-	While the new facilities will be more operationally efficient, they will require more capital to develop. There will also be additional land acquisition costs. Overall, the cost/benefit of increased capital vs. lower operating costs suggested this BPO will be comparable to the baseline.
Ease of Implementation		
Riskiness of BPO implementation	↔	Far less complicated phasing than the baseline. However, the timing of acquiring and developing additional land adds some uncertainty to the overall timing.
Ability to Support VA Programs		
DoD sharing	↔	No material impact is expected.
One-VA Integration	↔	No material impact is expected.
Special Considerations	↔	No material impact is expected.
Overall Attractiveness	↓↓	Less attractive compared to the baseline. This option is inferior to the baseline and other options (3,4, and 5) which move a portion of services off campus. A significant reason is cost. While all new facilities will be provided in a single location, the potential costs of finding and developing a new parcel of land within the targeted radius at an acceptable level of investment is uncertain. These costs will not be met by re-use proceeds. In addition, it is likely this relocation will not be well supported by stakeholders.

BPO 8: Capital Plans

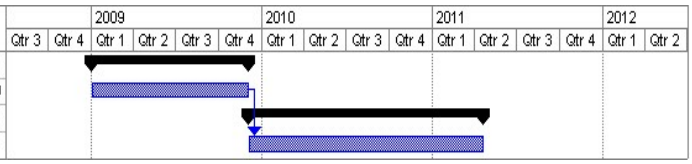
Proposed Site Plan (not applicable for this BPO in Stage I)

Schedule

Schedules for development in Stage I are intended to identify relative duration of new or renovated work in order to calculate occupancy dates for utilization of space and escalation costs. The table below indicates the construction duration for this BPO.

Table 44: BPO 8 Schedule

ID	Task Name	Duration	Start	Finish
1	**Design**	**240 days**	**Thu 1/1/09**	**Wed 12/2/09**
2	Nursing Home and Clinics	12 mons	Thu 1/1/09	Wed 12/2/09
3	**Construction**	**360 days**	**Thu 12/3/09**	**Wed 4/20/11**
4	Nursing Home and Clinics	18 mons	Thu 12/3/09	Wed 4/20/11



Cost

At this time, pending detailed financial study in Stage II should this BPO go forward, we can state:

- BPO 8 will require more capital than the baseline.
- Operating cost will be better than the baseline, but perhaps only marginally so (<5%).
- Land acquisition and development costs will be significantly higher than the baseline.
- A significant amount, if not all, of the $13 million identified by the facility for capital improvements could be avoided.

BPO 8: Re-Use

BPO 8 permits the re-use/redevelopment of Parcels A, B, C, D, and E (the entire campus).

Key Decision Drivers

- Consolidating VA activity into a relatively concentrated area is desirable as it creates maximum available contiguous space for re-use, including buildings, vacant land, or some combination of both.
- Re-use of existing buildings is viable in principle, especially for uses that are similar to VA's current activities. However, adaptive uses (commercial, private residential, high-technology) are few and will likely be burdened with extensive modernization or adaptive remodeling costs.
- Attracting re-use tenants of existing structures will require reaching beyond the local market via a regional or national marketing solicitation.
- An abundant supply of undeveloped land nearby the Canandaigua VAMC reduces the value of any land parcels made available through this BPO.
- All available land parcels on the Canandaigua VAMC are roughly equal in terms of their accessibility and suitability for re-use.
- The Canandaigua VAMC is located well away from established retail traffic and facilities, leaving demand for such use unlikely.

Re-Use Value

This BPO makes available all buildings as well as the entire golf course and Academy parcels for re-use. The availability of all buildings affords more area and variety for any end-user of existing structures, enhancing any solicitation of such potential tenants, and the likelihood of successful leasing with the objective of generating higher re-use proceeds than the baseline BPO.

However, this outcome is not certain, and so pending further study in Stage II, the proceeds for this BPO are similar to those expected for the baseline.

Team PwC Recommendation

Team PwC recommends that BPO 8 not be studied further in Stage II. While the capital costs of this BPO will be higher than the baseline, the facilities created will be newer and more efficient. While at the Stage I level this efficiency gain is modest (<5%). Most significantly, we believe it highly unlikely that the re-use/redevelopment proceeds, even associated with the entire site, will materially offset the costs of acquiring new land in the Canandaigua area. We are skeptical the cost/benefit equation will be positive. Lastly, the opposition to the BPO by the LAP can be crystallized in the form of a question: "Why spend more money to relocate to a new site when plenty of land is available on the current site?"

BPO 9: Replacement/Renovation, Courtyard 2/Courtyard 1

BPO 9: Description

This BPO was created during the second public LAP meeting on Tuesday, August 30, 2005 at the suggestion of a member of the LAP. This BPO passed LAP deliberations with a vote of nine members in favor and zero opposed. PwC agrees with the LAP that this BPO should be considered in Stage II as it enjoys the benefits of new inpatient facilities, creatively and adaptively reuses portions of Courtyard 1, and retains the re-use possibilities of parcels B, C, D, and E. Therefore, this BPO is recommended to the Secretary by the LAP.

This BPO is similar to BPO 6 but was not expressly formulated by Team PwC in an effort to develop BPOs which vacated Courtyard 1, Courtyard 2, or both.

BPO 9 involves new construction for a low-rise/single story nursing home in Courtyard 2 requiring as little demolition as possible. The new inpatient facilities will include domiciliary, residential rehabilitation, gero-psychiatry, and hospice care. Ambulatory services will be included in renovated space in the historic "front door" buildings in Courtyard 1 (specifically Buildings 1, 3 and 4). VA will continue to contract or refer for care for the majority of inpatient medical/surgical services. No new contract arrangements will be included.

The scope of the project would thus include:

- Consolidating and right sizing all outpatient/ambulatory services through phased renovations in existing Buildings 1, 3 and 4.
- Building 9 may also be required for administrative and support services.
- Building a new facility of 231,000 square feet (preliminary estimate) to accommodate 119 nursing home beds, 30 domiciliary beds, 18 other inpatient mental health beds,[14] and some support space. The square footage also includes a new boiler to serve the new building. The existing boiler plant will continue to serve the existing buildings. This would minimally require the demolition of Buildings 33, 34, and 118 to accommodate the new buildings.
- A complexity level of low to medium. Building 34 is currently vacant and can be demolished without much reorganization of the campus. The level of complexity of phased renovations to accommodate the outpatient/ambulatory services would be medium.
- The need to keep Building 2 for dietary services is not determined at this time and will be analyzed should the Secretary direct this BPO to be studied in Stage II.
- The remaining Buildings (5, 6, 7, 8, 36, and 37) would be vacant for re-use potential.

[14] Note: Does not exactly tie to demand forecast. Team PwC increased the domiciliary beds from 29 to 30 and other inpatient mental health from 17 to 18 beds. This modest increase is included to achieve a more efficient and flexible facility design.

BPO 9: Pros & Cons

Table 45: BPO 9 Pros &Cons

Pros	• This BPO will allow the sale or re-use of the golf course, northern parcel, Bushwood Lane and the Canandaigua Academy parcels (Parcels B, C, D, and E). • This BPO will keep many historic buildings on the site for VA or complementary use. • Demolition is kept to a minimum and provides land for a new, right-sized and more efficient inpatient building. The buildings that will need to be demolished have the least historic significance on the site and are the least well constructed. • The remaining six buildings (principally in the eastern portion of Courtyard 1) will be available for re-use/redevelopment. As such, they can be separated from the rest of the campus. • The remaining buildings are well suited for the other uses discussed by stakeholders, such as services to the homeless, affordable housing, etc.
Cons	• Will make very little of Courtyard 1 available for re-use/redevelopment. • Will make none of Courtyard 2 available for re-use/redevelopment. • May require a relatively longer implementation period given the involvement of both Courtyards and the inclusion of both new construction and renovations.

BPO 9: Assessment

The initial screening criteria of access, quality, and cost were applied to this new BPO to determine if this BPO, as created by the LAP, has the potential to meet or exceed the CARES objectives. A more detailed analysis of all selected BPOs will be completed in Stage II.

Criteria	Screening Result
Access	Since all approved services will remain on the campus, this BPO will provide the same level of access as the baseline.
Quality	As this BPO is very similar to BPO 6 with respect to the facilities created, this BPO also improves quality since new construction of a nursing home care facility and renovations for ambulatory/outpatient services will allow the site to meet standards of modern, safe, and secure.
Cost	This BPO will likely be similar to BPO 6 in overall cost effectiveness. The components of this cost effectiveness are improved operating efficiency for inpatient services, higher capital costs, lower ongoing maintenance costs, and re-use proceeds similar to the baseline.

Assessment Summary

Table 46 provides an overall summary of the BPOs assessed for comparative purposes.

Table 46: BPO Assessment Summary[15]

Assessment Summary	BPO 2	BPO 3	BPO 4	BPO 5	BPO 6	BPO 7	BPO 8
Healthcare Access							
Primary	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Acute	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Tertiary	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Healthcare Quality							
Quality of medical services	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Modern, safe, and secure environment	↑	↑	↑	↑	↑	↑	↑
Ensures forecast healthcare need is appropriately met	↔	↔	↔	↔	↔	↔	↔
Impact on VA and Local Community							
Human Resources: FTEE need (based on volume)	↔	↔	↔	↔	↔	↔	↔
Recruitment / retention	↔	↔	↔	↔	↔	↔	↔
Research	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Education and Academic Affiliations	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Use of VA Resources							
Operating cost effectiveness	-	-	-	-	-	-	-
Level of capital expenditure anticipated	↓↓	↓↓	↓↓	↓↓	↓↓	↓↓	↓↓
Level of re-use proceeds	↑	↑	↑	↑↑	↑	↑	↑
Cost avoidance	↑↑↑↑	↑↑↑↑	↑↑↑↑	-	↑↑	↑↑↑↑	↑↑↑↑
Overall cost effectiveness	-	-	-	-	-	-	-
Ease of Implementation							
Riskiness of BPO implementation	↑	↔	↔	↔	↔	↑	↔

[15] BPO 9 was not included in the Assessment Summary Table because it was created during the second LAP meeting at the suggestion of the LAP and, therefore, only the initial screening criteria of access, quality, and cost were applied to determine if the BPO has the potential to meet or exceed the CARES objectives. If BPO 9 is selected for Stage II, a more detailed analysis will be completed.

Ability to Support VA Programs							
DoD sharing	↔	↔	↔	↔	↔	↔	↔
One-VA Integration	↔	↔	↔	↔	↔	↔	↔
Special Considerations	↔	↔	↔	↔	↔	↔	↔
Overall Attractiveness	↑↑	-	-	-	-	↑↑	↓↓

Glossary

Acronyms

AFB	Air Force Base
AMB	Ambulatory
BPO	Business Plan Option
CAI	Capital Asset Inventory
CARES	Capital Asset Realignment for Enhanced Services
CBOC	Community Based Outpatient Clinic
CIC	CARES Implementation Category
DoD	Department of Defense
FTEE	Full Time Employee Equivalent
GFI	Government Furnished Information
HEDIS	Health Plan Employer Data and Information Set
ICU	Intensive Care Unit
IP	Inpatient
LAP	Local Advisory Panel
OP	Outpatient
MH	Mental Health
MOU	Memorandum of Understanding
N/A	Not Applicable
PTSD	Post Traumatic Stress Disorder
SOW	Statement of Work

VA	Department of Veterans Affairs
VACO	VA Central Office
VAMC	Veterans Affairs Medical Center
VBA	Veterans Benefits Administration
VHA	Veterans Health Administration
VISN	Veterans Integrated Service Network

Definitions

Access	A determination of the numbers of actual enrollees who are within defined travel time parameters for primary care and acute hospital care after adjusting for differences in population density and types of roads.
Alternative Business Plan Options	Business Plan Options generated as alternatives to the baseline Business Plan Option providing other ways VA could meet the requirements of veterans at the Study Site.
Ambulatory Services	Services to veterans in a clinic setting that may or not be on the same station as a hospital, for example, a Cardiology Clinic. The grouping as defined by VA also includes several diagnostic and treatment services, such as Radiology.
Baseline Business Plan Option	The Business Plan Option for VA which does not change any element of the way service is provided in the study area. "Baseline" describes the current state projected out to 2013 and 2023 without any changes to facilities or programs or locations and assumes no new capital expenditure (greater than $1 million). Baseline state accounts for projected utilization changes, and assumes same or better quality, and necessary maintenance for a safe, secure, and modern healthcare environment.

Business Plan Option (BPO)	The options developed and assessed by Team PwC as part of the Stage I and Stage II Option Development Process. A business plan option consists of a credible health care plan describing the types of services, and where and how they can be provided and a related capital plan, and an associated reuse plan.
Capital Asset Inventory (CAI)	The CAI includes the location and planning information on owned buildings and land, leases, and agreements, such as enhanced-use leases, enhanced sharing agreements, outleases, donations, permits, licenses, inter- and intra-agency agreements, and ESPC (energy saving performance contracts) in the VHA capital inventory.
CARES Implementation Category (CIC)	One of 25 categories under which workload is aggregated in VA demand models. *(See Workload)*
Clinic Stop	A visit to a clinic or service rendered to a patient.
Clinical Inventory	The listing of clinical services offered at a given station.
Code	Compliance with auditing/reviewing bodies such as JCAHO, NFPA Life Safety Code or CAP.
Community Based Outpatient Clinic (CBOC)	An outpatient facility typically housing clinic services and associated testing. A CBOC is VA operated, contracted, or leased and is geographically distinct or separate from the parent medical facility.
Cost Effectiveness	A program is cost-effective if, on the basis of life-cycle cost analysis of competing alternatives, it is determined to have the lowest costs expressed in present value terms for a given amount of benefits.
Domiciliary	A VA facility that provides care on an ambulatory self-care basis for veterans disabled by age or disease who are not in need of acute hospitalization and who do not need the skilled nursing services provided in a nursing home.
Enhanced Use Lease	A lease of real property to non-government entities, under the control and/or jurisdiction of the Secretary of Veterans Affairs, in which monetary or "in-kind" consideration (i.e., the provision of goods, facilities, construction, or services of the benefit to the Department) is received. Unlike traditional federal leasing authorities in which generated proceeds must be deposited into a general treasury account, the enhanced-use leasing authority

	provides that all proceeds (less any costs than can be reimbursed) are returned to medical care appropriations.
Good Medical Continuity	A determination that veterans being cared for a given condition will have access to the appropriate array of primary, secondary, and tertiary care services required to treat that condition.
Initial Screening Criteria	A series of criteria used as the basis of the assessment of whether or not a particular Business Plan Option has the potential to meet or exceed the CARES objectives.
Inpatient Services	Services provided to veterans in the hospital or an inpatient unit, such as a Surgical Unit or Spinal Cord Injury Unit.
Market Area	Geographic areas or boundaries (by county or zip code) served by that Network's medical facilities. A Market Area is of a sufficient size and veteran population to benefit from coordinated planning and to support the full continuum of healthcare services. (*See Sector)*
Nursing Home	The term "nursing home care" means the accommodation of convalescents or other persons who are not acutely ill and not in need of hospital care, but who require nursing care and related medical services, if such nursing care and medical services are prescribed by, or are performed under the general direction of, persons duly licensed to provide such care. Such term includes services furnished in skilled nursing care facilities, in intermediate care facilities, and in combined facilities. It does not include domiciliary care.
Primary Care	Healthcare provided by a medical professional with whom a patient has initial contact and by whom the patient may be referred to a specialist for further treatment. *(See Secondary Care and Tertiary Care)*
Re-use	Method of satisfying future space requirements that involves reusing space currently in use or space currently vacant.
Risk	Any barrier to the success of a Business Planning Option's transition and implementation plan or uncertainty about the cost or impact of the plan.

Secondary care	Medical care provided by a specialist or facility upon referral by a primary care physician that requires more specialized knowledge, skill, or equipment than the primary care physician has. *(See Primary Care and Tertiary Care)*
Sector	Within each Market Area are a number of sectors. A sector is one or more contiguous counties. *(See Market Area)*
Stakeholder	A person or group who has a relationship with VA facility being examined or an interest in what VA decides about future activities at the facility.
Tertiary care	High specialized medical care usually over an extended period of time that involves advanced and complex procedures and treatments performed by medical specialists. *(See Primary Care and Secondary Care)*
Workload	The amount of CIC units by category determined for each market and facility by the Demand Forecast.