



State of Louisiana
Division of Administration
Office of the Commissioner

February 11, 2009

The Honorable James R. "Jim" Fannin
State Representative
320 6th Street
Jonesboro, LA 71251

**Re: Feasibility Study
RMJM Hillier
Medical Center of New Orleans
Charity Hospital**

Dear Representative Fannin:

As a follow up to the Appropriations Committee meeting held on January, 22, 2009 concerning the referenced subject, we offer the following information for your consideration.

The Foundation for Historical Louisiana (FHL) continues to suggest that discussions regarding the options for the Charity Hospital replacement have not been discussed in open forums. As the options presented involve the use of federal funds in either case, the construction of a new hospital or construction of a new hospital within Charity, compliance with the National Environmental Policy Act (NEPA) and the National Historic Preservation Act (NHPA) was required. The FHL has been in attendance at meetings associated with this process and is listed as an official consulting party to the process. The notion that they have not been involved in open discussions is incorrect. The dates of the public meetings are detailed below, and representatives of the FHL attended.

- Public Meetings were held at the LSU Health Sciences Center, the American Legion, Grace Episcopal Church and Warren Easton High School in New Orleans
 - November 29, 2007
 - June 26, 2008 (two meetings were held on this date)
 - July 17, 2008
 - August 11, 2008
 - October 28, 2008

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- Consulting Party Meetings
 - June 24, 2008
 - July 23, 2008
 - August 12, 2008
 - September 25, 2008
 - October 27, 2008

The FHL and their consultant, RMJM Hillier, also continues to state that "Charity Hospital can be gutted and fitted out as a new state of the art medical teaching hospital at less cost, in less time and without expropriation and destruction of an entire historic neighborhood". We agree that Charity Hospital as well as any other high rise building in New Orleans with enough square footage can be gutted and a hospital that does not meet the programmatic requirements of the replacement hospital can be constructed within the building shell. However, in this case, we strongly believe that significant compromises would have to be made, resulting in something less than a state of the art teaching hospital. We are familiar with gutting and rebuilding within old facilities and it is clear the time and cost associated with gutting and rebuilding will likely exceed that of building a new hospital.

The FHL continues to erroneously state that an entire historic neighborhood will be destroyed. This is also incorrect as only a small area within the lower Mid-City Historic District will be affected. While the Mid-City Historic District is broadly bordered by Conti Street, Tulane Avenue, Bernadotte Street and Derbigny Street, the LSU selected site is bounded by Canal Street, S. Galvez, Tulane and Claiborne Avenues. Only six blocks within this project area are located within a National Historic Register District and determined to be contributing elements. The FHL fails to mention that 9 of the 15 blocks contained within the LSU site have been "delisted" from the historic district because they do not contain elements which contribute to the historic district classification. The site has forty-two (42) structures out of 3710 in the District that are considered to be contributing elements to the District. The Veterans Affairs Medical Center site, which is bounded by Canal Street, S. Galvez, Tulane and Rocheblave, is more integrated within the Mid-City Historic District; it contains one hundred twenty-three (123) structures, or 3 percent of the total structures contributing to the District. Please refer to the attached pie charts which identify the number and percentage of properties that are occupied, vacant, etc. The notion that placement of these medical centers at this location would contribute to the destruction of an entire historic neighborhood as characterized by Ms. Stokes is simply incorrect.

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The FHL maintains that the charge of HCR 89 was to only assess Big Charity Hospital. We would like to point out that HCR 89 requested a number of items, but the FHL has only addressed one point. Specifically, HCR 89 required:

1. An assessment of the first three floors of the structure, excluding the basement, to determine their viability for interim use to provide medical services including emergency services, psychiatric services, and establishment of clinics and subspecialty clinics by the independent evaluation team.

The study points out that focusing only on the first three floors would not have been a prudent and cost effective way of addressing both interim and long term potential reuse scenarios. Along with other considerations, including the knowledge that interim healthcare was already being provided at University Hospital; the option of interim use was not further pursued by the design team. The state concurs with the conclusion of RMJM Hillier and the FHL on that item.

2. An independent evaluation of the operating room and intensive care units to determine the feasibility of restoring the trauma unit to pre-Hurricane Katrina status, thereby making trauma services available to the citizens while a new trauma unit is being designed, funded, and built, thereby reestablishing a revenue stream that will be essential to the viability of a new facility.

While we did not note any specific reference to an evaluation of this point, we assume that similar logic was used as on the first three floors to determine that an interim hospital was already providing the services listed and the team did not pursue the directive. It should be noted the state concurs with the assumed conclusion. It should also be noted that HCR 89 acknowledges that a new hospital is planned and the focus was on interim use of Charity.

3. An independent evaluation team to examine and evaluate the entire Big Charity structure to determine the advisability of repairing or restructuring the entire facility, with the possible outcome being that greater information about the extent of the damage to the building may reveal more damage which qualifies for funding under FEMA guidelines, thereby increasing the funding available for repairs and for construction of a new facility.

It does not appear that the FHL or RMJM Hillier has addressed this requirement. However with the conclusion that the facility must be gutted it is assumed that repairs of the hurricane damage is not feasible. It is unfortunate the FHL did not

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take this directive seriously as the expected result could have assisted the state in its negotiations with FEMA.

4. An independent assessment of the condition of the facility and evaluation of its potential use as a location from which medical services may be offered to the population of the Greater New Orleans area, with such group being assembled by the FHL through its national resources and contacts with architects and those professionals who evaluate historical structures to determine their viability.

We understand the feasibility report provided is intended to satisfy this requirement.

While we understand the feasibility report provided by the FHL is intended to satisfy the fourth requirement, the FHL failed to address the first, second and third requirements of HCR 89. Coupled with only addressing the fourth requirement, they also failed to address other vital components that should have been incorporated into their evaluation. These are documented below.

Absence of Consideration of Programmatic Requirements

This includes the failure to recognize and incorporate basic programmatic requirements of modern academic medical facilities. The FHL simply dismissed them without any cost comparisons. This exclusion omitted consideration of the need for an ambulatory care clinic building and adequate parking to support the entire facility. The RMJM Hillier cost estimates reflect the costs of the hospital only, which underscores the fact that their primary focus was to save an historic shell. Including an ambulatory care clinic building and adequate parking along with associated costs would clearly show that the overall costs are very comparable. With comparable costs, the decision is much clearer that a new campus would provide long-term growth opportunities on a planned campus.

The FHL further failed to recognize, consider, and evaluate resources in adjacent facilities in reaching their conclusions. The FHL's response to this failure from Ms. Stokes is that, "it was not in our charge to design the entire complex, nor did we have access to the surrounding buildings". This is also incorrect as the nearby buildings could have been made available upon request. Incorporated into their conclusion is the incorrect assumption by the FHL that the surrounding vacant structures have over 1.5 million square feet that could be used for ancillary services such as ambulatory care, parking, etc. and that similar savings in both time and money would no doubt extend to these buildings as well. This office is unaware of their stated 1.5 million square feet of

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nearby state owned facilities. The nearby vacant facilities include the Dibert Building at 58,035 square feet and the L & M Building at 52,615 square feet. While there are other nearby state-owned buildings (Butterworth Building (22,651 square feet), the Delgado Building (15,665 square feet) and the General Services Building (15,574 square feet), these buildings are currently occupied and house needed services to support ongoing healthcare and medical education. The functions currently in those buildings would have to be relocated into space that does not currently exist. It should be noted the proposed new ambulatory care facility calls for 454,765 square feet to adequately house all required program elements. We believe the FHL's proposal to scatter clinics and other services in multiple buildings fail to consider current operations and spatial requirements and are not a very good example of modern healthcare. The proposed design outlined in the FHL/RMJM Hillier report is to shoehorn a modern hospital within the shell of the existing one million square foot facility. While they attempted to match the program in the master plan, there are substantial differences and with further development of the proposed new facilities, the differences are becoming greater.

Future growth of the facilities must be considered and planned expansions on a contiguous campus will always make for a better long term solution as opposed to searching for vacant buildings and land near the existing facility. For example, if in the future it is determined that an additional 100 beds are needed, the new planned campus can accommodate an adjacent bed tower with a common spine. This concept is not possible in the existing Charity complex and cannot be accomplished with lack of necessary space in the nearby facilities. This would inevitably lead to operational inefficiencies.

The FHL/RMJM Hillier proposal indicates that the refurbishment of the existing facility is more like other successful teaching facilities around the country. They referenced the University of Alabama at Birmingham, Houston Medical Center and John Hopkins. They further indicate that the proposed facilities on a new site in New Orleans are more suburban, rural and vehicle based. The FHL/RMJM Hillier team has obviously misunderstood the proposed plan for the new facilities. It is expected the facilities will actually have an opportunity to be more like M.D. Anderson in Houston, Parkland Hospital in Dallas, Cleveland Clinic in Cleveland and John Hopkins in Baltimore. In fact Parkland in Dallas closely matches the LSU proposed facilities model in that Parkland is Dallas County's only public hospital and the need to grow and expand is urgent. A major goal for Parkland Hospital and the Southwestern Medical District is to plan comprehensively to anticipate the growth needs for each institution. It should be noted that Dallas County voted 82% for a new Parkland Hospital as it is recognized that this facility is the area's "safety net" provider as well as the primary teaching hospital for the

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University of Texas Southwestern Medical School. It is also listed as a major regional resource in the event of a disaster.

FHL's Failure to Correctly Consider Exterior Conditions

Reports from LSU indicate that failures of the skin of the existing facility have occurred through the years. During the site visit by the FHL/RMJM Hillier team it was pointed out that a granite panel had recently fallen from the 12th floor and landed on a lower roof of the hospital. The FHL/RMJM Hillier team has a different view of the exterior walls of Charity Hospital and state that they conducted a thorough analysis of the existing conditions of the stone. The testing included thermal imaging and selective probes. A more detailed analysis of potentially significant exterior skin problems is necessary prior to any reuse of the facility.

The structure and foundation of the existing Charity building has been a topic of discussion since the construction of the facility in the late 1930's. The FHL/RMJM Hillier study finds no significant issues with the structure and foundation. Through the years there have been many studies of Charity Hospital and the foundation is one that has intrigued many. Please see the attached article from the February 2004 issue of "The Louisiana Civil Engineer". The article specifically states that the structure could be expected to settle as much as 19.5" over a long period of time. It was noted that the 21-story structure had settled 14" and the lightly loaded areas had settled 5" by June of 1940. As one can see the debate over structural stability of the building continues.

Timeline

The RMJM Hillier study indicates their proposed project will take 42 months for completion. They state that six months will be used for design, followed by thirty-six (36) months of construction. This implies the facility would be complete in late 2012 or, more realistically, 2013 since no design team is under contract for this work. Six months of design is clearly inadequate for this project. The state requires five phases of design including Program Completion, Schematic Design, Design Development, Construction Documents and Bidding/Contract phases, which is standard for architectural projects throughout the world and reflected in the standard AIA contracts for architectural design services.

Recently RMJM Hillier has stated that the six months of design was intended to be for the design of the exterior restoration with the design of the interiors starting at the same time as the exterior design, and continue while exterior repairs take place. They indicate

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the timeline would not be linear, but rather a concurrent phased approach. This is a very similar approach to the proposed new facilities and we should note that documents are currently scheduled for completion for some phases of the new facility at the beginning of 2010 with occupancy of the facilities in 2013. This certainly tracks with the proposal from the FHL/RMJM Hillier team and clearly indicates the FHL/RMJM Hillier proposal cannot be completed 2 years faster.

Cost Comparison

We would also like you to consider a simplified cost comparison for your further use. The FHL/RMJM Hillier team continues to state that their proposal is as much as 22% less expensive than the proposed new facilities. Please see below our cost comparison based on details in the FHL/RMJM Hillier study and the actual contract values to date.

	<u>RMJM Hillier Study</u>	<u>Proposed New Facilities</u>
Hospital Building	\$483,829,692	\$344,365,960
Ambulatory Care Building	\$0	\$103,869,840
Central Energy Plant	\$0	\$27,048,000
Parking	\$89,807,348	\$43,939,200
Connectors	\$0	\$8,390,400
Site-work	(Included in Hospital - \$4,748,585)	\$41,731,200
Medical Equipment	\$0	\$93,877,385
Furniture	\$0	\$24,076,950
IT	\$0	\$66,172,374
Signage	(Assumed to be included)	\$750,000
Proposed Alternates	\$23,364,527	\$0
Land Acquisition	\$0	\$54,000,000
Total	\$597,001,567	\$808,221,309

Please note that in order to compare "apples to apples" and meet the required program elements, the cost of the ambulatory care building, connectors, medical equipment, furniture and IT need to be added to the FHL/RMJM Hillier numbers. With those additions, the total cost of the FHL/RMJM Hillier proposal would be approximately \$893,388,516 or approximately 10% greater than the proposed new facilities.

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Asset Protection

We would also like to respond to allegations regarding the perceived adverse conditions in the existing Charity Hospital Building. To that end, we have provided an attachment, "Chronology of Asset Protection" that documents challenges and efforts to date. A contract in the amount of \$1,940,800 for "Phase 1 Repairs" to secure and ventilate the building was in progress at the time of an electrical failure in the facility which is another example of the issues one faces in attempting to maintain a 70 year old facility. Other projects to continue the asset protection are planned upon the completion of a study and repairs to the electrical system. Once repaired and deemed safe, workers will have access to limited elevators that will allow work to continue on the upper floors and the roof. A \$1,600,000 roof replacement project is the next planned project. Please note that LSU Health Care Services Division has a small staff that is responsible for the operations and maintenance on the main campus and must provide those services first to the occupied buildings on the campus. Also, efforts are still focused on returning adequate healthcare to the interim facilities in the reconfiguration of the former University Hospital Medical Office Building for much needed clinic space. A continuing effort to provide security for the facility is in place in order to minimize or eliminate potential damage by vandals.

Moving Forward

We are excited about the new design plans that are currently in the Schematic Design phase. There have been many discussions about the synergy of locating new facilities adjacent to the new Veterans Affairs hospital located on a site bounded by Canal, S. Rocheblave, Tulane and S. Galvez. While the federal processes allowed a joint review for the purposes of the programmatic environmental assessment, it has been stated on a number of occasions during that process that the projects were independent of each other. Since the site selection by both entities has now been made, the discussions of possible partnerships in many areas are now being discussed once again. Within the last few weeks representatives of the VA and State/LSU have met to consider operational cost savings between the two facilities. It is expected that with the completion of Schematic Design, operational cost saving opportunities that are available to each group will become more evident. However, the continuing debate concerning the new hospital will have a chilling effect on these discussions as both the V.A. and LSU will have to know that the other hospital will be sufficiently adjacent to provide the shared services. Otherwise, as the designs continue on a fast pace, decisions will ultimately have to be made to either provide shared services or not. We should not waste this opportunity for shared operational services and savings.

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Finally, we are in receipt of a letter dated December 22, 2008 from Ms. Sandra Stokes regarding the referenced study. Ms. Stokes makes reference to our letter dated November 26, 2008 and makes some incorrect assumptions concerning our understanding of the RMJM Hillier report.

Ms. Stokes assumes that the State misunderstood the intent of the proposed project and suggests that we believe the project to be a restoration in lieu of a complete gut and new Interior build out. This is incorrect as we fully understand the intent of gutting the facility to the shell with a complete interior build out. It was in fact encouraging to learn that RMJM Hillier agreed that the only feasible way to consider returning healthcare to the former Charity Hospital would be to entirely gut the facility which is contrary to so many beliefs that with some cleanup the facility could be returned to use as a hospital. We agree the only possibility for reuse is a complete gut and rebuild inside the shell. However, to do so would fail to comply with all the programmatic requirements to meet the healthcare needs of this region into the future and would fail to support the business plan necessary to fund the hospital. While we are in agreement that there are no interior building elements that can be salvaged, we also understand from the report that additional testing, and validation and possible remediation may be required.

Ms. Stokes also assumes that we have misunderstood the timing of the project. This is also incorrect as we fully understand the complications of a complete gut and interior build out of an old building. We have acknowledged that one disadvantage to the selected option is the time required to purchase and prepare land for construction. However the schedule for this activity overlaps the design schedule and with proper phasing it is expected the construction for the selected option will commence and track very closely with the RMJM Hillier proposal for re-building within the existing facility. We fully understand the timing of both alternatives and simply disagree with Ms. Stokes and RMJM Hillier on their proposed schedule.

Ms. Stokes also assumes we misunderstood the feasibility study for a schematic design. This is also incorrect as we fully understand the design process and is yet another reason we disagree with the schedule as presented in the RMJM Hillier report. Not only do we understand the process, but had the rebuilding of Charity Hospital been selected, we would be required to follow all laws, rules and regulations in the procurement of a design team, followed by the five design phases of Program Completion, Schematic Design, Design Development, Construction Documents, and Bidding/Contract Phase. We believe this process to take much more time than the six months indicated in the RMJM Hillier report. The additional testing, validation and remediation mentioned in their report, will likely take longer than six months.

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We want to reassure you that we had no misunderstanding of the RMJM Hillier report as suggested by Ms. Stokes. We reviewed both alternatives in detail and made a decision based on all available information. We did not take this lightly as we knew the final decision would affect healthcare and medical education for the State, LSU and the New Orleans region for decades to come. Our decision was predicated upon identifying the best possible option for healthcare and medical training in the state and region rather than the desire to simply reuse Charity Hospital.

Please understand that the FHL is an historic preservation group attempting at all costs to save the shell of an historic building. As an architect in this state, I also want to see the building saved but not at the cost of making the wrong decision for health care and medical education in our state. Building a non-programmatic conforming hospital within the shell of an old hospital building does not make long term sense. While it saves the shell, it does not comply with the programmatic requirements for this facility and therefore will not meet the long term needs of this city and this region. We cannot allow the FHL to just elect to ignore the program requirements and assert that this will be a faster and more economic solution. I can bring any project we administer under budget by just leaving off floors and required elements but that would be irresponsible on my part and not allowed. Why would we allow the FHL to propose to do that and accept that assertion? We should not.

For your information, RMJM Hillier is the same group of architects who could not design the Cancer Research Consortium within the budget even though the project was appropriated \$104M. In order to get the project within the budget, their design solution was to leave two floors as shelled space. Based on this experience, I am not confident this firm is capable of implementing their proposal within the budget. It appears they are consistent in their handling of project budgets. Rather than design within the constraints of the budget, they elect to omit some programmatic requirements as they have done on their proposal for a new hospital within the gutted walls of Charity and like they have proposed to do on the Cancer Research Consortium in New Orleans by leaving two floors unfinished.

Please be assured that if the Office of Facility Planning and Control felt that the recommendation by the FHL and the RMJM Hillier group was the right thing to do, we would strongly recommend that approach. However, we feel strongly that attempting to build a new hospital within the exterior walls of Charity is the wrong approach due to the following:

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- To do so will not meet the building program requirements, which will jeopardize both the delivery of adequate health care and medical education.
- To do so will jeopardize LSU's ability to change the hospital model from solely an indigent care facility to one that will attract more paying customers. Failure to do that could jeopardize the business plan and ability to sell bonds.
- To do so will restrict any future expansion; this would be poor planning when constructing a new hospital.
- The repeatedly mentioned "further investigations" in the FHL report of structural elements, foundation deficiencies, exterior skin evaluation and other validation requirements may add substantial costs and time. This may result in open-ended risks and would be a gamble that Facility Planning and Control could not recommend. The costs could escalate exponentially as they have for other facilities where adaptive reuse has occurred.

Thank you for your consideration of the above comments as they relate to this very important project. If you should need any additional information, please do not hesitate to contact me.

Sincerely,



Jerry W. Jones
Assistant Commissioner

JWJ:MM:cn

cc: Governor Bobby Jindal
Commissioner Angele Davis
The Honorable John Kennedy
Members of the Louisiana State Senate
Members of the Louisiana House of Representatives
The Honorable Joel T. Chaisson
The Honorable Jim Tucker
Dr. John V. Lombardi, President, LSU System
Dr. Fred Cerise, Vice President, LSU System
Mr. Alan Levine, DHH