



Community Working Group
February 25, 2019

Agenda:

- Review Master Plan: **What & Why**
- Master Plan Financial Strategy: **How**
- Discussion & Next Steps

Healthy Living Campus

WHAT & WHY

- ✓ **Jan. 14:** Reviewed master plan with Community Working Group (CWG)
- ✓ **Jan. 23:** Board study session to review master plan publicly
- ✓ **Feb. 4:** Reviewed financials/phasing with Finance Committee
- Feb. 25:** Review financials/phasing with CWG
- Feb. 27:** Board study session to review financials/phasing
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- March:** Community open houses & input
- March 27:** Board meeting to consider initiating EIR process

HOW

NEXT STEPS

Healthy Living Campus

What & Why: Master Plan

State of Current BCHD Campus



514 N. Prospect: 11 acres extending from Diamond to Beryl and Prospect to Flagler

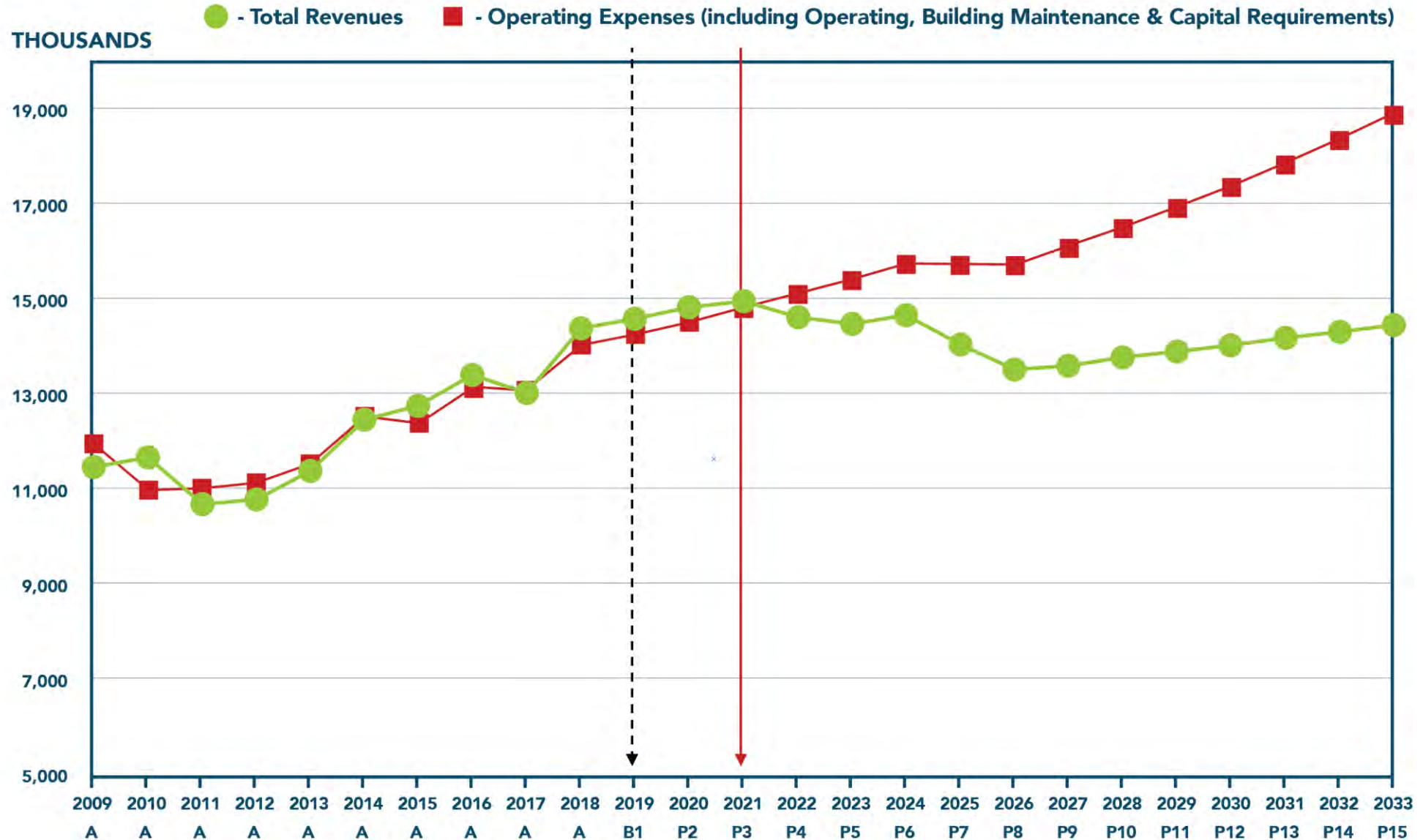


63-year-old former hospital building does not currently meet tenant needs and, is in need of a seismic upgrade



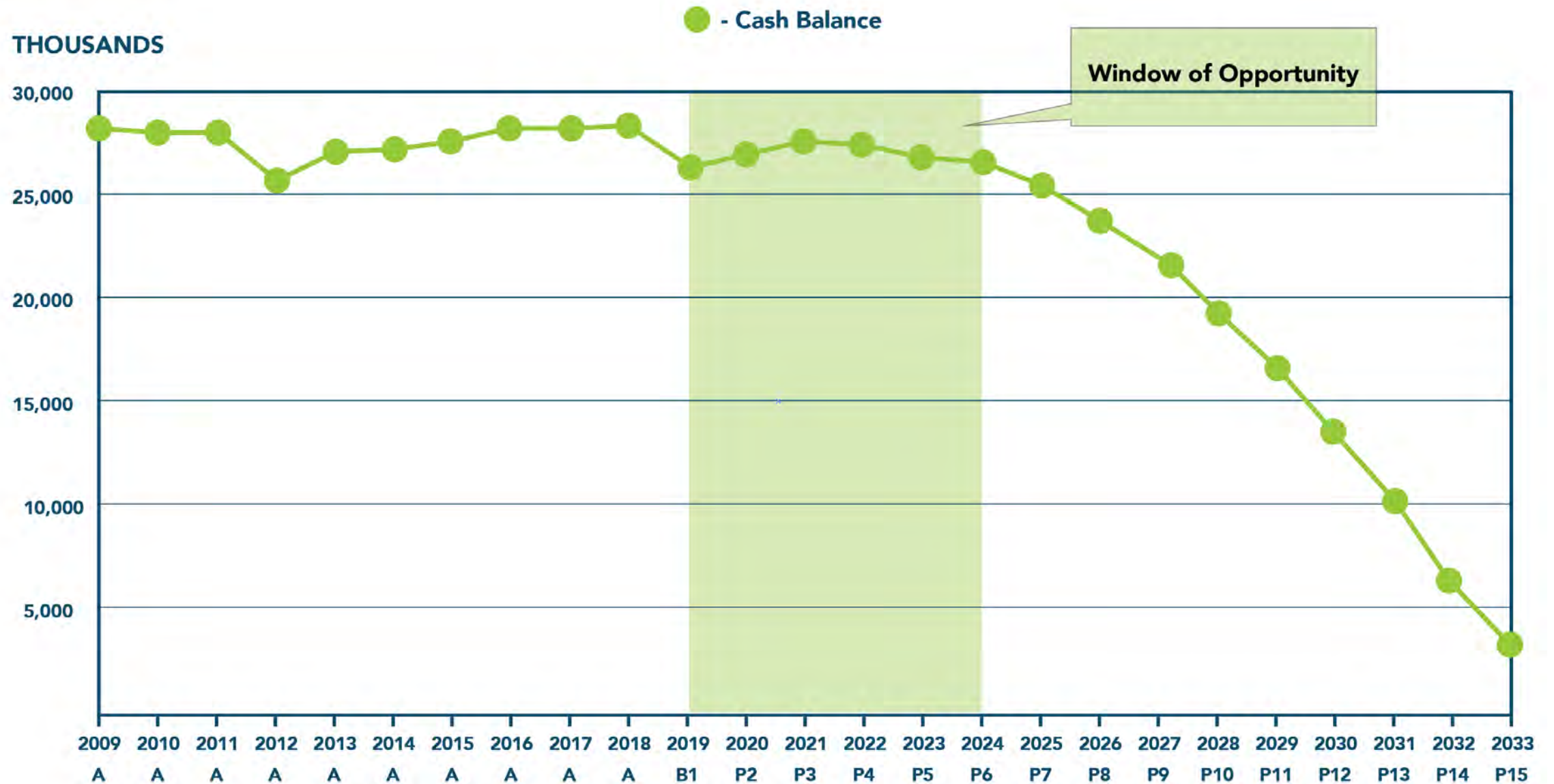
Due to escalating building maintenance costs, the next 1-5 years is our financial "Window of Opportunity" to address campus challenges and necessities

15 Year Long-Term Financial Outlook



BCHD's 15-year financial outlook – including building maintenance and capital expense requirements. Capital expenses for BCHD's main building (514) are expected to increase on average by 10% annually, as major infrastructure replacements will be required.

15 Year Long-Term Financial Outlook



BCHD Legislative Authority

- 1945** Legislation enacted the Local District Hospital Act, enabling a community to form a special district to support the construction and operation of hospitals and health care services.
- 1994** With increasing recognition that public health strategies, prevention and primary care are vital to community health and cost-effective in health care deliver, the Legislature broadened the scope of Hospital Districts and renamed them “Healthcare Districts”
- 2017** *Little Hoover* – “*BCHD: The Future of Healthcare Districts?*” State oversight committee lists BCHD as a potential model in 2017 Healthcare District report.

Healthy Living Campus: *Master Plan Based on Feedback & Analysis*

Current Campus



Initial Site Plan

What We Heard:

- Reduce building heights
- Concerns about density
- Minimize impacts (traffic)
- Add more green space
- Integrate with community
- Create gathering spaces
- Increase accessibility
- Intergenerational uses



Master Plan



Master Plan



- ✓ Community Wellness Pavilion
- ✓ Est. 420 residential care units
- ✓ New Center for Health & Fitness
- ✓ Medical Office Building
- ✓ Acres of active green space
- ✓ Bike & pedestrian paths
- ✓ Child development center
- ✓ Optimized vehicle flow

Child development center

Beryl St.

Center for Health & Fitness

Active Green Space

Community Wellness Pavilion

Medical Office Building

Active Green Space

Active Green Space

Diamond St.

Prospect Ave.

Current Campus

- 4 stories
- 273,917 sq. ft. (above grade)
- More vehicle trips
- 60 memory care units
- No Community Wellness Pavilion
- Current Center for Health & Fitness
- 2.4 acres of green space
- 60-year-old former hospital site



2019 Master Plan

- 4 stories
- 478,904 sq. ft. (above grade)
- Projects fewer vehicle trips
- 420 residential care units
- Community Wellness Pavilion
- Modernized, expanded Center for Health & Fitness
- 5.8 acres of green space
- Innovative preventive health campus



Breaking the Mold for Residential Care

The Healthy Living Campus model empowers older adults to actively embed in their community, strengthens intergenerational connections and engages them in life

Traditional Model: Senior Housing

- X** Internal, insular, closed facility just for seniors
- X** Insulated from the community at large
- X** Limited outdoor space dominated by parking
- X** Few opportunities for intergenerational socialization
- X** Programming & spaces designed solely for seniors onsite
- X** Environment is static & removed



VS

Healthy Living Campus Model: Residential Care

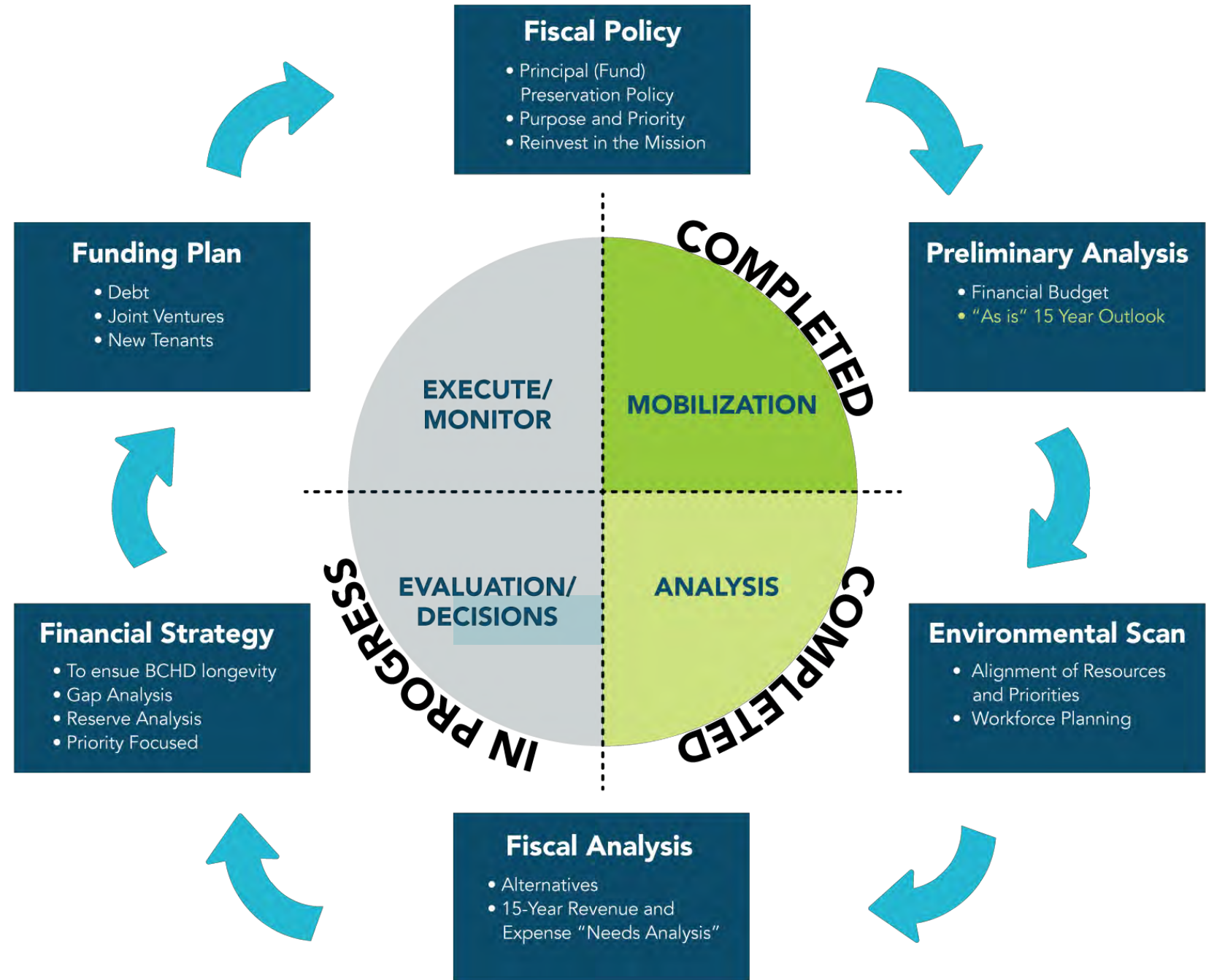
- ✓** Vibrant, multi-use community campus for all ages to experience health & wellness
- ✓** Residents onsite are uniquely integrated with broader community
- ✓** Green spaces & gathering spaces promote activity, socialization & wellness
- ✓** Community center connected to Beach Cities & BCHD programs/resources onsite
- ✓** Opportunity to age in place in adaptable setting with preventive health & medical services



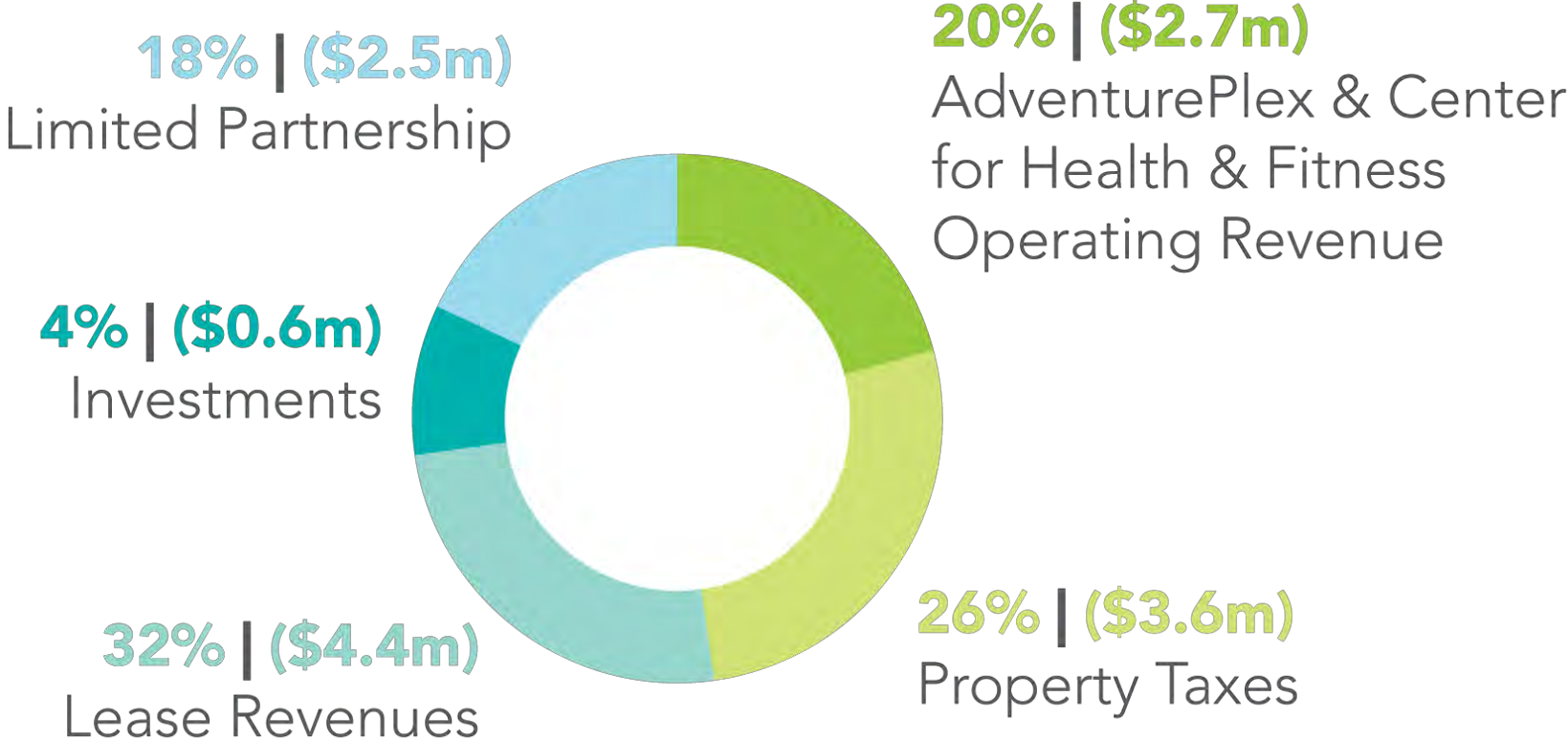
Healthy Living Campus

How: Financial Strategy

Long-Term Financial Planning Cycle



Funding a Healthy Beach Community



BCHD Funding Evolution – Based on Community Need



Hospital & Emergency Care

- Increased local hospital competition



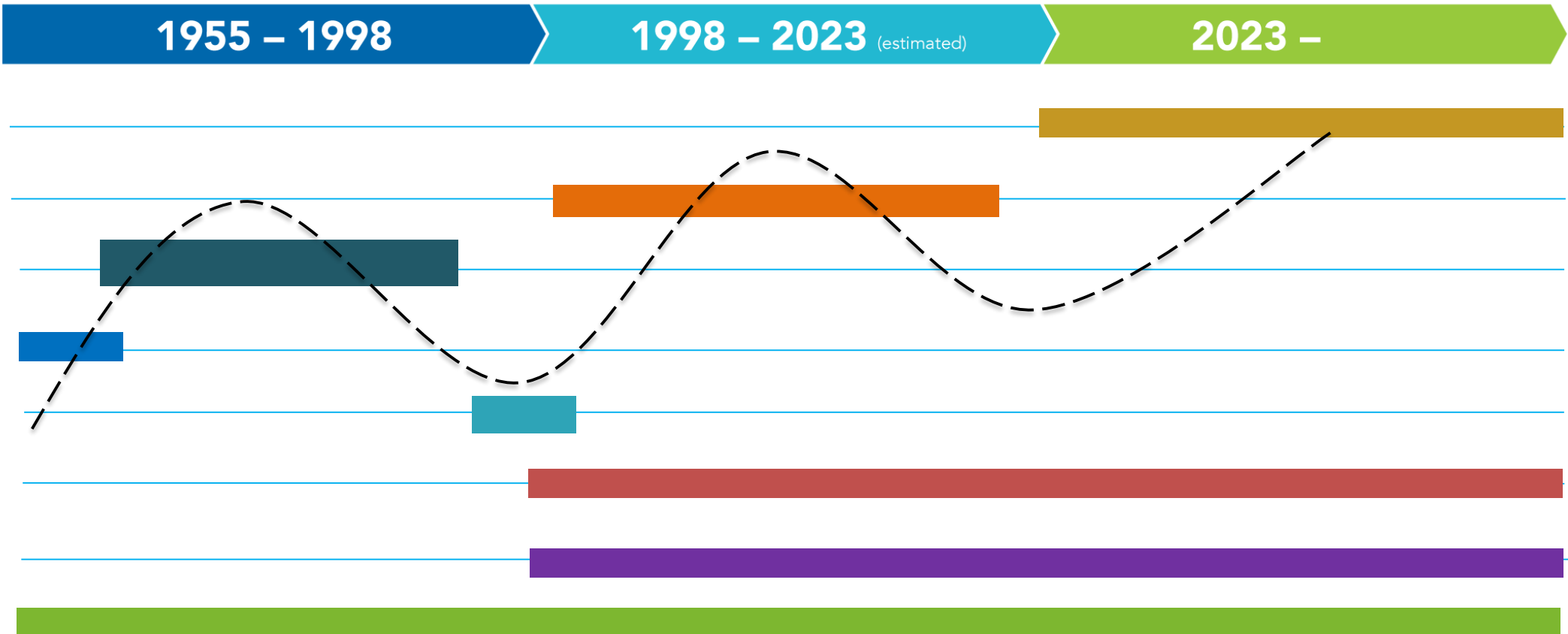
Preventive Health Programs, Services & Facilities

- MOB Market Concerns / Escalating Maintenance & Seismic Costs



Continued Community Need to Fund Preventive Health Programs through Services & Facilities

- FUNDING**
- RCFE/Grants/Philanthropy/Partnerships
 - 514 Medical Office Building (MOB) Leases
 - Hospital Revenue
 - General Obligation Bonds
 - Lease Buyout
 - Off-Campus/Joint Ventures
 - H&F Operations
 - Property Tax



BCHD MISSION

To enhance community health through partnerships, programs and services for people who live and work in Hermosa Beach, Manhattan Beach and Redondo Beach

HEALTHY LIVING CAMPUS VISION

The Healthy Living Campus project is a unique opportunity for our community to chart the future of health by purposefully building an intergenerational, vibrant, research-driven campus where people can learn and engage in healthy behaviors, form meaningful connections and be well...for many generations to come.



**Beach Cities
BCHD Health District**
COMMUNITY WELLNESS PAVILION

Healthy Living Campus Project Pillars



Health

- Build a center of excellence focusing on wellness, prevention & research
- **Leverage the campus to expand community health programs & services**



Livability

- Focus on emerging technologies, innovation & accessibility
- Create an intergenerational hub of well-being, using Blue Zones Project principles



Community

- Actively engage the community & pursue partnerships
- Grow a continuum of programs, services & facilities to help older adults age in their community

BCHD Assets & Strengths

- Highly valued land, assets & organization
- \$15 million in cash
- Ability to issue tax-exempt debt
- Significant market need for Residential Care for the Elderly (RCFE)
- Proven public-private partnership (P3) experience
($\$2.3\text{M}$ or 17% of BCHD Funding, Ownership Evolved)

BCHD-Sunrise Ownership Evolution

1997

- Land Lease
- \$17,000 / Month
- 1999 Operations Begin

2002

- 80% Owner
- \$4.4M Capital
- \$9.8M Debt

2012

- \$7.8M Debt Paid Up
- \$14.2M Investment

BCHD-Sunrise Joint Venture: Annual ROI



HOW: Long-term Financial Strategy

Reviewed & Analyzed

- Sell land and assets
- Infeasible to fund independently
- Cost of 514 building renovations
- Cost of original site plan & “Do Everything” option

Other Campus Alternatives

	Cost	Project Pillar Alignment
2017 Site Plan	\$ 460M	Does not optimally align
Do “Everything” Scenario	\$ 585M	Does not align
514 Building Renovations	\$ 127M*	Does not align

M = Millions

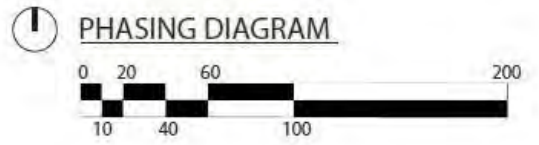
*Does not include cost moving tenants and lost revenue



PHASE 1
 RESIDENTIAL CARE FOR THE ELDERLY
 CENTER FOR HEALTH & FITNESS
 CHILD DEVELOPMENT CENTER
 BCHD'S COMMUNITY SERVICES
 PARKING
 FLAGLER/DIAMOND BIKE-PED PATH

PHASE 2
 RESIDENTIAL CARE FOR THE ELDERLY
 COMMUNITY WELLNESS PAVILION

PHASE 3
 RESIDENTIAL CARE FOR THE ELDERLY
 OPEN SPACE
 RIDE SHARE DROP-OFF/PARKING



Phases, Costs & Timeline Estimates

Phase 1 2022-2025

Program	Estimated	
	Costs	% of Cost
RCFE (162 Units)	\$110M	72%
Parking	18M	12%
Center for Health & Fitness	15M	10%
Child Development	10M	6%

		100%

\$153M

- Plus Flagler/Diamond Bike-Ped Path \$1.8M -
- Includes construction escalation costs of \$14M

Phase 2 2025-2028

Program	Estimated	
	Costs	% of Cost
RCFE (99 Units)	\$ 67M	45%
Parking	9M	6%
Wellness Pavilion	73M	49%

		100%

\$149M

- Includes construction escalation costs of \$19M

Assumptions: No 510 buy-out, no land value, no childcare revenue, includes construction escalation costs

M = Millions

Phases & Cost and Timeline Estimates

Phase 3

2030 - 2035

Program	Estimated Costs	% of Cost
RCFE (159 Units)	\$199M	85%
Parking	35M	15%

		100%

\$234M

- Includes construction escalation costs of \$57M

Total

2022 - 2035

Program	Estimated Costs	% of Cost
RCFE (420 Units)	\$375M	70%
- Parking	62M	11%
Childcare Center	10M	2%

Revenue Generating Costs	\$447M	83%
Center for Health & Fitness	15M	3%
Wellness Pavilion	73M	13.7%
Flagler/Diamond Bike-Path	1.8M	0.3%

		100%

\$537M

- Includes construction escalation costs of \$90M

Assumptions: No 510 buy-out, no land value, no childcare revenue, includes construction escalation costs

M = Millions

Healthy Living Campus Financial Strategy Examples – \$537M	Timing	Debt – Millions	Equity – Millions	Gap - Capital Contribution	Trade-offs
BCHD 100%	15 Years	\$ 175 M	\$ 51 M	\$ 311 M	Financially infeasible
BCHD 50% - Partner 50%	5-15 Years	\$ 77 M	\$ 30 M	\$ 161 M	Financially feasible/ negotiated partnerships
BCHD 0% - Land Lease 100%	5-15 Years	\$ -	\$ -	\$ -	Lose control & vision, limited ongoing revenue

M = Millions

Healthy Living Campus Financial Strategy Examples – \$537M	Timing	Debt – Millions	Equity – Millions	Gap - Capital Contribution	Trade-offs
BCHD 100%	15 Years	\$ 175 M	\$ 51 M	\$ 311 M	Financially infeasible
Phase 1		\$ 83	\$ 15	\$ 56	= \$154
Phase 2		\$ 38	\$ 6	\$ 105	= \$149
Phase 3		\$ 54	\$ 30	\$ 150	= \$234
BCHD 50% - Partner 50%	5-15 Years	\$ 77 M	\$ 30 M	\$ 161 M	Financially feasible
Phase 1		\$ 41	\$ 15	\$ 20	= \$76
Phase 2		\$ 19	\$ 4	\$ 52	= \$75
Phase 3		\$ 17	\$ 11	\$ 89	= \$117

M = Millions

Long-term Financial Strategy: How to Close Capital Contribution Gap?

Equity

Cash
Land
Buildings
BCHD Value

Debt Financing

Municipal Bonds
Private Lenders

P3

Investors
Operators
Health Partnerships

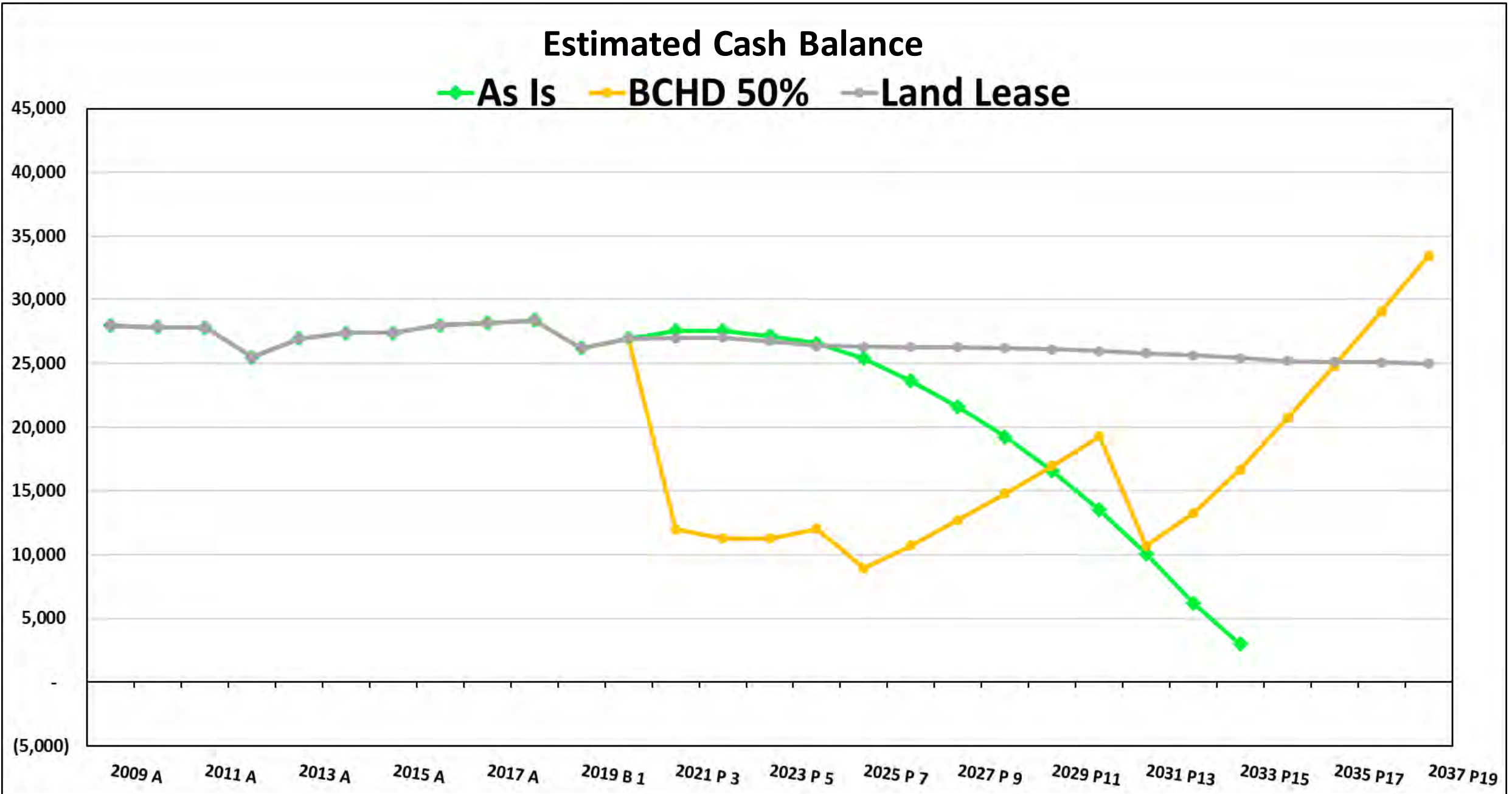
New Revenue Sources

Grants
Philanthropy
Sponsorships/Naming
Public Funding

Long-term Financial Strategy: How to Close Capital Contribution Gap?

1. Optimize BCHD ownership %
2. Assess land & BCHD value
3. Explore new funding sources (new programs, grants, philanthropy, etc.)
4. Reduce project scope – non-revenue components
5. Consider 510 lease buy-out
 - a) Cost savings, reduces escalation costs ~ \$57M
 - b) Shortens project timeline by 5-7 years

How: BCHD Long-Term Financial Strategy



Summary

- Master Plan estimated at \$537M
- Can't fund independently
- Immediate action is critical: costs increasing, 514 rapidly deteriorating
- Continue partnership development
- Need to close capital contribution gap to maximize ownership
- Need expert assistance to continue analysis
- Entitlements needed to complete financial analysis

How: Long-term Financial Strategy

Initial Recommendations:

- Additional Finance Committee Meetings in next 3 months
- Move forward with EIR concurrently with Partnership development, Finance Committee and Community review

****Supported by BCHD Finance Committee***

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