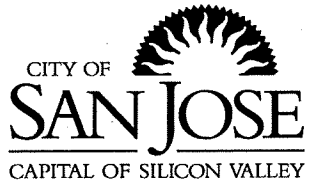
COUNCIL AGENDA: 3/18/08
ITEM: 9.1



Memorandum

TO: HONORABLE MAYOR, CITY COUNCIL AND REDEVELOPMENT AGENCY BOARD

FROM: Debra Figone
Harry S. Mavrogenes

SUBJECT: **SEE BELOW**

DATE: March 4, 2008

COUNCIL DISTRICT: 3
SNI AREA: 13th Street, Five-Wounds, University

SUBJECT: CONSIDERATION OF THE FINAL RECOMMENDATIONS OF THE FORMER SAN JOSE MEDICAL CENTER STAKEHOLDER ADVISORY COMMITTEE

RECOMMENDATION

(a) It is recommended that the City Council:

(1) Accept the final recommendations of the Former San Jose Medical Center Site Stakeholder Advisory Committee (SAC).

(2) Direct the City Manager to invite the County to participate in a joint City-County Taskforce as recommended by the Stakeholder Advisory Committee including all the major health care providers; Regional Medical Center of San Jose, O'Connor Hospital, Kaiser Permanente, Valley Medical and others, to work collaboratively on health care facilities and hospital services issues facing downtown and the City.

(3) Acknowledge that the scope of work for the Envision San Jose 2040 General Plan Update includes the development of goals and policies related to the provision of health care services and facilities to serve the existing community and projected future growth. These goals and policies would address the needs of current residents as well as the needs of projected population and employment growth through 2035.

(4) Direct the City Administration to use the SAC land use recommendations as guiding principles when evaluating a future development on the Former San Jose Medical Center site. These recommendations would supplement, but not replace, other applicable City policies and design guidelines related to development on the site.

(5) Direct the City Manager to begin negotiations with Hospital Corporation of America (HCA) regarding the development of the Former Medical Center Site and support for expanding access to primary and urgent care services downtown.

(b) It is recommended that the Redevelopment Agency Board direct the Executive Director to explore sites within Redevelopment Project Areas for the potential expansion of primary and urgent care services downtown in line with the SAC recommendations and report back to the Agency Board on feasibility of any sites within 180 days and prior to approval of any land use changes on the Site.

OUTCOME

The outcome of this action is the acceptance of the Stakeholder Advisory Committee recommendations regarding the Former San Jose Medical Center (SJMC) site and guidance to staff for future implementation.

EXECUTIVE SUMMARY

The HCA-owned San Jose Medical Center closed on December 9, 2004. In December 2005, the City Council accepted a work plan for the Former San Jose Medical Center Land Use-Health Care Study to be carried out by the Stakeholder Advisory Committee. The SAC conducted 17 working meetings between June 2006 and November 2007, discussing topics ranging from the review of background issues and data to the evaluation of options for local health care services, site development and modification of land use designations. At the conclusion of the process in November 2007, the SAC adopted recommendations addressing healthcare needs and the future development scenarios on the former hospital site. The SAC recommendations were labeled as "not recommended," or "general agreement," or "strong recommendation," or "strongest recommendation." The "strongest recommendations" of the SAC may be implemented by means of the following five recommended actions:

1. Establish a Joint City-County Health Care Planning Taskforce.
2. Development of Goals and Policy through the General Plan Update.
3. Apply SAC Recommendations as guidelines for evaluating future development on SJMC site.
4. Expansion of Primary and Urgent Care Services Downtown.
5. Negotiation with HCA.

Implementation of these actions primarily involves the City Manager's Office, the Redevelopment Agency and the Department of Planning, Building and Code Enforcement. Staff recommends the above actions as the best approach to implementing the SAC's recommendations.

BACKGROUND

San Jose Medical Center Closure

On December 9, 2004, the Hospital Corporation of America closed the San Jose Medical Center, a hospital which served the downtown area for more than 80 years. The San Jose Medical Center was located on 10 acres on the north side of East Santa Clara Street between 14th and 17th Streets bounded by St. John Street to the north. HCA also owns approximately four acres on five different sites in the immediate vicinity which were previously used for parking associated with

the former hospital operations. The site, including both the Former San Jose Medical Center and nearby parking, is approximately one mile east of Downtown and ½ mile northeast of the campus of San Jose State University (SJSU).

Former SJMC facilities provided a range of services to the community including a general-acute-care hospital, a trauma center, pediatric intensive care unit, cardiovascular surgery, a cancer center, and a family-practice residency program affiliated with Stanford University. SJMC was licensed for 302 general-acute-care beds. However, available beds during its last full year of operation in 2003 totaled 176. SJMC operated as a not-for-profit hospital until 1996, when it was acquired by Hospital Corporation of America, a for-profit health care provider then known as Columbia/HCA. In 1998, some of the SJMC's programs were relocated to other HCA-owned hospitals in the area, with obstetrics relocated to Regional Medical Center of San Jose and geriatric-psychiatric programs relocated to Good Samaritan Hospital.

In 2004, HCA gave a 90-day notice and closed the SJMC facility, three years ahead of its previously-stated schedule. HCA indicated that closure was necessary because their remaining payer mix was not profitable and that six of the nine buildings on the campus were acute care facilities subject to the seismic upgrade requirements of SB 1953, the "Hospital Facilities Seismic Safety Act." SB 1953 requires hospitals to comply with several seismic safety deadlines, including the rebuilding or retrofitting of all general acute-care inpatient buildings by 2008. In addition, SB 1953 requires that, by 2030, all hospital buildings in the State must be operational following a major earthquake. Buildings on the SJMC site subject to SB 1953 include the main hospital and subsequent additions.

Zaretsky Study

Just prior to the SJMC's closure in 2004, the City and County jointly funded a health study, commonly referred to as the "Zaretsky Study," to assess the health care implications of the closing. The study concluded that there was a need for certain types of health care services in Downtown San Jose to replace those lost with the then pending closure of SJMC. In response, the City Council authorized a Request for Qualifications (RFQ), encouraging interested parties to submit proposals for reusing the San Jose Medical Center site for locally oriented medical and health care services. None of the responses were considered satisfactory.

Impact of Closure on Trauma Centers, Urgent Care, and Primary Care

Closure of the SJMC reduced the number of trauma centers in Santa Clara County from three to two. The loss of local urgent care and family practice/primary care facilities especially affects the greater Downtown San Jose community. Groups most affected by the reduction include elderly and low-income residents, particularly those without access to an automobile. Local hospitals that have absorbed displaced patients include Santa Clara Valley Medical Center, O'Connor Hospital and Regional Medical Center. However, Regional does not currently accept elective Medi-Cal patients.

Impact of Closure on Surrounding Land Use

Closure of SJMC has also had negative effects on the vacancy rate of buildings, uses and businesses in surrounding areas, particularly nearby medical-related properties and businesses, such as clinics, medical supply businesses and medical office buildings that provided ancillary services and physician office space. The vacant SJMC site is considered an eyesore by the nearby 13th Street neighborhood residents and merchants in the local East Santa Clara Street Neighborhood Business District. The success of efforts to revitalize East Santa Clara Street and to strengthen neighborhoods is affected by the ultimate disposition of the SJMC property.

Stakeholder Advisory Committee Process

At the conclusion of the RFQ process the City Council authorized a Community Engagement Framework that resulted in the creation of a Stakeholder Advisory Committee to assess health care and land use options, and to develop a consensus-based land use plan for redevelopment of the site.

In December 2005, City Council accepted a work plan for the Former San Jose Medical Center Land Use-Health Care Study to be carried out by the Stakeholder Advisory Committee. In March 2006, the City Council accepted a community engagement framework and the composition and selection of the Stakeholder Advisory Committee.

The Stakeholder Advisory Committee established by City Council included 15 members representing local neighborhood associations, health care providers and health care advocacy groups, business and labor associations, and the property owner. The SAC conducted 17 working meetings between June 2006 and November 2007, discussing a range of topics from review of background issues and data to evaluation of options for local health care services, site development, and modification of land use designations. The SAC's initial recommendations were previewed at a Community Meeting/Workshop on October 17, 2007.

SAC meetings were open to the public and noticed accordingly. Meetings were facilitated by Redevelopment Agency staff, with supporting analysis and assistance, as needed, from the health care consultant, Dr. Henry Zaretsky and Associates and land use consultant Terry Bottomley, of Bottomley Design and Planning, and City Planning staff. Guest participants included representatives of local hospitals and other health care providers. SAC recommendations were based on a consensus-oriented decision-making approach that was developed by City staff to focus on discrete issues. The strength of SAC recommendations related to each issue ranged from "not recommended," to "general agreement," to "strong recommendation," to "strongest recommendation."

Throughout the process the stakeholders worked actively to understand and accommodate each others' interests and positions. This mutual effort is reflected in the 51 separate items in the final "strong recommendations" (attachment 1) that had the support of HCA, the neighborhoods, business interests, and health care providers and advocates. A Strong Recommendation was defined as near consensus with at least 2/3 of the Stakeholder Advisory Committee members voting in agreement or neutral and in all four interest groups at least one member was in agreement or neutral.

These formal Stakeholder Advisory Committee strong recommendations are described below in brief. The complete recommendations of the Stakeholder Advisory Committee are attached to this report.

Land Use Recommendations in Brief

- Residential and Retail (Mixed Use)
  - Create the most urban form (highest density) along Santa Clara Street
  - Step back into the single family neighborhood to the north
  - Include affordable housing
  - Activate the street with ground floor retail
- Parking and Circulation
  - Create walkable pedestrian friendly blocks
  - Ensure adequate parking in well designed structures,
- Parks and Landscaping
  - Connect to existing trails, creeks, and community centers
- Fire Station #8 Location
  - Should be located based on operational needs (and therefore east of the creek)
- Design Process
  - Include neighborhoods in the planning process
  - Treat the property as a special opportunity
- Bridge over Coyote Creek
  - Replace/Upgrade the bridge over Coyote Creek

These land use recommendations would support the development of the site as a new urban neighborhood with significant opportunity for retail. Upon Agency Board/Council direction, the land use recommendations would constitute guiding principles that could be used to evaluate future land use proposals on the subject site.

Subsequent to the time the SAC made these recommendations, staff has learned that development directly along E. Santa Clara Street will likely be somewhat constrained by a newly proposed northern alignment for the BART line (to avoid the bridge pilings). This new alignment will limit the intensity of development over the tunnel to one story underground parking and four stories of development above. If the land value of the site is to be maintained at the level provided for under the SAC's recommendations, then the overall density of the site will also need to be maintained. This will likely require some adjustments from the originally contemplated form of development on the site; however, overall direction of the principles remains useful.

Health Care Recommendations in Brief

- Expand affordable Primary Care services downtown
- Expand affordable Urgent Care services downtown
- Establish/Expand Gardner Family Health Networks downtown facilities
- Ensure clinic operator provides competitive benefits and good employee-management environment

- Establish a Joint City-County Taskforce to look at future hospital services/health care and include health care as part of the General Plan update.
- Reuse existing Medical Office buildings such as the building at 25 N. 14th Street.

These recommendations emphasize taking action now that addresses the current need for access to primary and urgent care while continuing to work collaboratively in addressing the longer term actions related to the issue of hospital services. These recommendations are not part of the guiding principles that would be used in the evaluation of future land use proposals on the subject site.

Community Support Recommendations

While the SAC was able to come to near consensus on their 51 strong recommendations, there were 3 items that were important to many SAC members that did not have the support of the property owner, HCA. The SAC decision making framework provided the opportunity for the SAC to make Community Support Recommendations on items where HCA was not supportive but there was otherwise broad and deep support among the stakeholders. The majority of SAC members, excluding HCA, made three Community Support Recommendations, as described below. Because the property owner did not agree to them, these items are not part of the guiding principles that should be considered in the evaluation of future land use proposals.

1. **Zoning Historical Use** - The historical use of the site and value as a community asset should be strongly weighed in considering any zoning changes.

2. **Land Value** - All of the site should be allowed to revert to uses consistent with the land use recommendations of the Stakeholder Advisory Committee (mixed use residential and retail) only if the contribution of the property owner and other resources available are sufficient and in place to support the health care recommendations of the Stakeholder Advisory Committee. (primary/urgent care)

3. **Land Reservation for a Hospital** - In addition to land required for a Primary/Urgent care facility, land should be set aside or reserved for a future hospital.

ANALYSIS

Staff Recommendations

The SAC's strong recommendations may be implemented by means of the five recommended actions at the beginning of the memo. These recommendations are further described below. Implementation of these actions primarily requires actions by the City Manager's Office, the Redevelopment Agency and the Department of Planning, Building and Code Enforcement. Staff recommends these actions as the best approach to implementing the strong recommendations of the SAC.

1. **Joint City-County Health Care Planning Taskforce.**

The City should invite the County to create a joint City-County Taskforce as recommended by the Stakeholder Advisory Committee including all the major health care providers; Regional, O'Connor, Kaiser, Valley Medical, etc. to work collaboratively on health care facilities and hospital services issues facing downtown and the City and County.

The provision of health care services and identification of hospital sites is a regional issue that affects a broad stakeholder base. Therefore, discussion of specific hospital sites and long term strategies for health care services is most appropriate at the regional level involving the groups described above. The SAC has requested the City engage the County and other private healthcare providers to establish a Taskforce and explore long term strategies for the provision of health care services and medical facilities including future hospital services. This would require that the City allocate staff and resources to support this effort.

As recommended by the SAC, the Taskforce process would include an analysis of:

- Future demand for health care services
- Current and future capacity of existing providers
- Risk posed to existing health care system by any new hospital

The intent is to ensure that the eventual Taskforce recommendations strengthen the existing health care system and are based on a realistic assessment of demand and capacity. The work of this Taskforce will need to be coordinated with the recommendation described below to identify sites for future hospital/medical uses as part of the General Plan Update.

2. **Development of Goals and Policy via General Plan Update.**

In response to SAC's recommendations to identify the best sites for future hospital/medical uses, staff confirms that the General Plan Update process includes the development of goals and policies related to the provision of health care services and facilities to serve the existing community and projected future growth to 2040. The General Plan Update process will include economic and demographic analyses of the future composition of the City's population and workforce in developing policies related to the establishment of a healthy community and public well-being in San Jose. However, the General Plan Update process does not address specific sites within the City for healthcare facilities and services or other public uses. The development of healthcare goals and policies would occur during Phase II of the General Plan Update process, scheduled to begin in 2009.

3. **Guidelines for Reuse of SJMC.**

With regard to the SAC land use recommendations only, staff supports the implementation of these recommendations as guiding principles when evaluating future development on the Former San Jose Medical Center site. These recommendations would supplement, but not replace, other applicable City policies and design guidelines related to development on the site.

4. **Potential Sites for Primary and Urgent Care Services Located Downtown.**

   The Redevelopment Agency would explore sites in Redevelopment Project Areas for the potential expansion of primary and urgent care services downtown in line with the SAC recommendations. Staff would report back to the Agency Board on potential sites within 180 days and prior to approval of any land use changes on the site.

   The Redevelopment Agency would evaluate various sites located in Redevelopment Project Areas including the reuse of the Medical Office Building at 25 N 14th Street and an expansion of the SJSU student health center and would make recommendations regarding their feasibility either as stand alone or simultaneous projects.

5. **Negotiation with HCA.**

   The City Manager's Office has initiated discussions with HCA regarding the development of their property. In these initial discussions, HCA expressed a willingness to contribute to and support expanding access to primary and urgent care services in the downtown. As an active participant in the SAC process, HCA was instrumental in crafting and supporting the final recommendations for health care and land use. In fact, one of the health care recommendations approved by HCA states that HCA "should provide meaningful support that facilitates a viable plan for a new/expanded primary/urgent care clinic serving downtown."

   Pursuant to these recommendations, the City Manager's Office has begun negotiations with HCA, initiating the process with a letter suggesting that as first step, the City and HCA craft a mutually agreed upon Memorandum of Understanding (MOU) that sets out the expectations of the development of the site and outlines HCA's voluntary contribution to and participation in expanding health care services downtown. This MOU would form the basis of a subsequent binding agreement that would describe the supported development of the HCA property and the extent and timing of HCA's contribution. Under this recommendation these negotiations would continue and would need to meet the needs of both parties.

   In addition to the above, in response to the SAC, staff has developed a collaborative relationship with a number of non-profit health organizations interested in expanding primary and urgent care services in downtown San Jose. Key members of this emerging partnership for downtown healthcare include Gardner Family Health Network, San Jose State University, The Health Trust and a major non-profit health care provider in Northern California. The members of this partnership are working to identify and explore opportunities for expanding access to health care in downtown San Jose.

Taken together, these five recommendations would implement the SAC's set of strongest recommendations.

EVALUATION AND FOLLOW-UP

The action items necessary to implement the SAC recommendations involve the City Manager's Office, the Redevelopment Agency and the Department of Planning, Building and Code Enforcement. The implementation of each item would take place according to separate timelines. The City Manager's Office will facilitate coordination with the County government. The City Manager's Office and Agency staff will manage the negotiations with HCA. Agency Staff will explore sites in the Redevelopment Project Areas that would be acceptable locations for expanding primary care and urgent care in the Downtown. PBCE staff will develop General Plan goals and policies as part of the Envision San Jose 2040 work plan. City staff will provide individual status reports on the various action items separately, with recommendations for next steps as needed.

Implementation of the action items requires associated costs for staff time, material and resources. Future requests for necessary funding to support such efforts would be brought forward for consideration and approval by the City Council and Redevelopment Agency Board. Precise costs will depend upon the scope of activity directed by the City Council.

Pending Demolition Permit Request

On January 16, 2007, HCA filed a Planned Development Permit application (File No. PD07-008) to demolish 10 of 11 buildings on the San Jose Medical Center site. Staff has since determined that completion of an Environmental Impact Report (EIR) is necessary to study the environmental impacts of the proposed demolition prior to taking action on the proposed demolition application. Staff anticipates that the public draft of the EIR will be available in Spring 2008. The Planning Director will make a decision on the demolition request after the City Council considers the final SAC recommendations.

POLICY ALTERNATIVES

Not applicable.

PUBLIC OUTREACH/INTEREST

The SAC process and resultant recommendations are considered of significant public interest and as meeting both Criterion 2 and Criterion 3 below. A significant effort was undertaken to involve the community in the process and keep them informed of the results.

- ☐ **Criterion 1**: Requires Council action on the use of public funds equal to $1 million or greater.
- ✓ **Criterion 2:** Adoption of a new or revised policy that may have implications for public health, safety, quality of life, or financial/economic vitality of the City.
- ✓ **Criterion 3:** Consideration of proposed changes to service delivery, programs, staffing that may have impacts to community services and have been identified by staff, Council or a Community group that requires special outreach.

Public notification of the 17 SAC meetings followed the City's Public Outreach Policy and included an initial public notification mailed to properties within 1,000 feet of the SJMC site and announcements on a customized City website dedicated to the SAC process. Information related to the process, including public correspondence received, is posted online at: http://www.sanjoseca.gov/planning/sjmc.

In addition, staff maintains an email distribution list that includes all SAC members, SAC meeting attendees, and the Thirteenth Street, Five Wounds/Brookwood Terrace and University SNI Neighborhood Advisory Committee members. Prior to each SAC meeting, the meeting agendas are posted at the City Hall meeting bulletin board on the first floor of the Council Wing as well as the Calendar of Events on the City's website. The process included a community meeting on October 17, 2007 that had an attendance of over 100 community members. The public outreach effort for the community meeting included all of the above and a 4" x 8" legal advertisement in the Mercury News. Other community organizations engaged in the public outreach efforts included the San Jose Chamber of Commerce and the East Santa Clara Street Business Association.

Comments raised by the public during the SAC process were included as part of the SAC discussions and reflected in the draft recommendations.

COORDINATION

The preparation of this memo was coordinated with the Department of Planning, Building and Code Enforcement, the Office of Economic Development, the City Attorney's Office and the Agency's General Counsel.

FISCAL/POLICY ALIGNMENT

The SAC recommendations are consistent with applicable General Plan Major Strategies, goals, and policies.

COST IMPLICATIONS

The cost implications of these recommendations are not fully known at this point in time. As staff returns to council with the work product resulting from these recommendations they will include specific cost implications.

CEQA

Not a Project.

DEBRA FIGONE
City Manager

HARRY S. MAVROGENES
Executive Director

Attachments

1. Stakeholder Advisory Committee Final Recommendations
2. Stakeholder Advisory Committee Roster
3. Health Care Consultant Recommendations to SAC, dated October 11, 2007 – Henry W. Zaretsky (Health Care Consultant)
4. Health Care and Land Use Recommendations Summary Report, February 25, 2008 – Terry Bottomley (Land Use Consultant)
5. City Council Memorandum on Community Engagement Framework, dated March 20, 2006

For questions please contact Kip Harkness, Senior Project Manager, at (408) 535-8501.