

**Former San Jose Medical Center
Health Care and Land Use Recommendations Summary Report
February 25, 2008**

I. Introduction

Background

The former San Jose Medical Center (SJMC) is located at 675 East Santa Clara Street in the "Central" area of San Jose, approximately 1 mile east of Downtown and ½ mile northeast of the campus of San Jose State University. The San Jose Medical Center opened in 1923 and served the greater Downtown San Jose area for 81 years, until its closure in 2004.

SJMC facilities included 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; 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 (HCA), a for-profit health care provider then known as Columbia/HCA. HCA relocated programs to other HCA-owned hospitals in the area in 1998, with obstetrics relocated to Regional Medical Center of San Jose and geriatric-psychiatric programs relocated to Good Samaritan Hospital.

In 2004, HCA gave 90-days notice and then closed the SJMC facility, three years ahead of its previously-stated schedule. SJMC's remaining payer mix was not conducive to profitability, and of nine total buildings on the campus, six were acute care facilities subject to the seismic upgrade requirements of SB 1953, the "Hospital Facilities Seismic Safety Act." These buildings included the main hospital and additions to that structure.

Closure of 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 include elderly and low-income residents, particularly those without access to an automobile. Local hospitals that have absorbed displaced patients include the Santa Clara Valley Medical Center (SCVMC), O'Connor Hospital, and Regional Medical Center; Regional does not currently accept Medi-Cal patients.

Closure of SJMC has also had negative effects on land use in surrounding areas, particularly nearby medical-related properties and businesses that provided ancillary services and physician office space. The vacant SJMC site is considered an eyesore by nearby 13th Street Neighborhood residents and merchants in the local E. Santa Clara Street Neighborhood Business District (NBD). The success of efforts to revitalize E. Santa Clara Street and to support local residential property values are affected by the disposition of the SJMC property.

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Just prior to 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. The study concluded that there was a need for certain types of health care services in Downtown San José to replace those lost with SJMC. In response, the City Council authorized a Request for Qualifications (RFQ), encouraging interested parties to submit proposals for re-using the San Jose Medical Center site for locally-oriented medical and health care services. Responses were not satisfactory, and in April 2006 the Council authorized creation of a Stakeholders Advisory Committee (SAC) to assess health care and land use options, and to develop a consensus-based land use plan for re-development of the site.

The *Former San Jose Medical Center Study Recommendations* area incorporates:

- a) the 11.1-acre former medical center campus site, bounded by East St. John Street on the north, East Santa Clara Street on the south, N. 17th Street on the east, and N. 14th Street on the west;
- b) a 1.1-acre SJMC-related parking lot located across East St. John Street to the north, between N. 16th and N. 15th Streets, and;
- c) the 0.2-acre Fire Station #8 site, located to the southeast across East Santa Clara Street at the corner of S. 17th Street.

Overall Study Objectives

The study was intended to produce work that would be shared with the community over a multi-month period, affording the community the ability to fully review potential health care and land use alternatives. Health care analysis included examining the potential for a comprehensive outpatient health services facility and the viability of future expansion into a full service hospital. The study was also intended to investigate opportunities for including a diverse range of housing and to address other economic and social issues that the wider community advocates.

The anticipated outcome was is a series of recommendations for the long-term redevelopment of the HCA property that the City would utilize in reviewing any proposal by HCA for reusing the property. Additionally, the study will explore the revitalization opportunities along the East Santa Clara Street corridor near the HCA property.

Health Care Study Objectives

1. Assess the viability of developing a comprehensive, outpatient health services facility including an urgent care clinic to address the immediate and pressing health care needs of the greater downtown population and meet the basic, low-cost health care needs of the surrounding neighborhoods. This should include a range of options as to type and size of facility.

2. If a health services facility is viable, examine the viability of future expansion of the facility into a full service hospital.
3. Investigate the opportunities of including a continuing care retirement community.
4. If appropriate, work with staff to identify other potentially viable long-term health care facility sites within the downtown area.



Site Aerial Map

Land Use Study Objectives

1. Examine the potential of a comprehensive outpatient health services facility and the viability of future expansion into a full service hospital.
2. Investigate the opportunities for including a diverse range of housing, including a continuing care retirement community.
3. Identify a 5+/- acre area at the Former SJMC site for future expansion into a comprehensive medical facility/hospital (including a helipad) to serve the future medical needs of the projected populations in the greater Downtown area as identified by the Zaretsky Study.

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4. Identify other potentially viable long-term health care facility sites within the greater Downtown area.
5. Assess the relocation of Fire Station #8 and its incorporation into the SJMC site.
6. Assess land use alternatives enhancement and support of the East Santa Clara Neighborhood Business District.

The Study Process

The Stakeholder Advisory Committee (SAC) 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, proceeding 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 in mid-October, 2007.

SAC meetings were open to the public and noticed accordingly. Meetings were facilitated by City of San Jose staff, with supporting analysis and assistance from health care and land use consultants as needed. 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 "not recommended," to "general agreement," to "strong recommendation," to "strongest recommendation."

The SAC's recommendations are summarized below and described in detail in Chapter III.

Principal Study Recommendations

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

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- ❑ Fire Station #8 Location
 - Should be located based on operational needs (and therefore east of the creek)
- ❑ Future Site 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*

*Note: These land use recommendations would support the development of the site as a new urban neighborhood with significant opportunity for retail. Since the time these recommendations were made, it appears that development directly along E. Santa Clara Street will likely be constrained by a newly proposed alignment for the BART line (to avoid the bridge pilings). This will require some adjustments in the originally contemplated urban form of the site to accommodate the same density of development.

- ❑ Taking into account the northern tunnel alignment, the recommended form of development would be:
- ❑ Along the frontage of E. Santa Clara to the maximum feasible within the constraints of the easement and tunnel, (roughly one level underground parking and four levels of development above ground)
- ❑ In the middle section of the site at a higher density (and the highest on the site) to accommodate the density displaced from Santa Clara Street by the easement and tunnel.
- ❑ In the northerly section of the site in a manner that steps back into the adjacent residential neighborhood.

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 25 N. 14th Street.

These recommendations emphasize acting now to address the current need for access to primary and urgent care while continuing to work collaboratively to address the longer-term issue of hospital services.

Community Support Recommendations

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While the SAC was able to come to near consensus their 51 strong recommendations, there were three items that were important to many SAC members but that did not have the support of the property owner, HCA. The SAC decision making framework provides the opportunity for the SAC to make Community Support Recommendations on items where HCA is not supportive but there is otherwise broad and deep support among the Stakeholders. These three items are presented below in their entirety.

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 divert 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.

II. Existing Conditions and Options

A. Health Care

Local Health Care Facilities

Health care facilities that remain to serve the local community since closure of SJMC include the following:

- *Good Samaritan Hospital*: a general acute-care facility with a licensed bed capacity of 429; located in southwest San Jose; private for-profit entity; does not provide emergency services.
- *O'Connor Hospital*: a general acute-care facility with a licensed bed capacity of 358; located in west San Jose; private not-for-profit entity; does not provide emergency services.
- *Regional Medical Center of San Jose*: a general acute-care facility with a licensed bed capacity of 204; located in east San Jose; private for-profit entity; provides emergency services.
- *Santa Clara Valley Medical Center*: a general acute-care facility with a licensed bed capacity of 524; public not-for-profit entity operated by the County of Santa Clara; provides emergency services.

Regional Medical Center and Valley Medical Center both have plans for major renovation and expansion. Regional Medical Center's plans call for an increase of from 19 to 172 beds by 2013; Valley Medical Center's plans call for an increase of 49 beds by 2013.

The *Gardner Family Health Network* operates a number of primary clinics in the vicinity, including the Gardner and St. James Health Centers, both of which are located within the Downtown area.

Local Health Care Needs

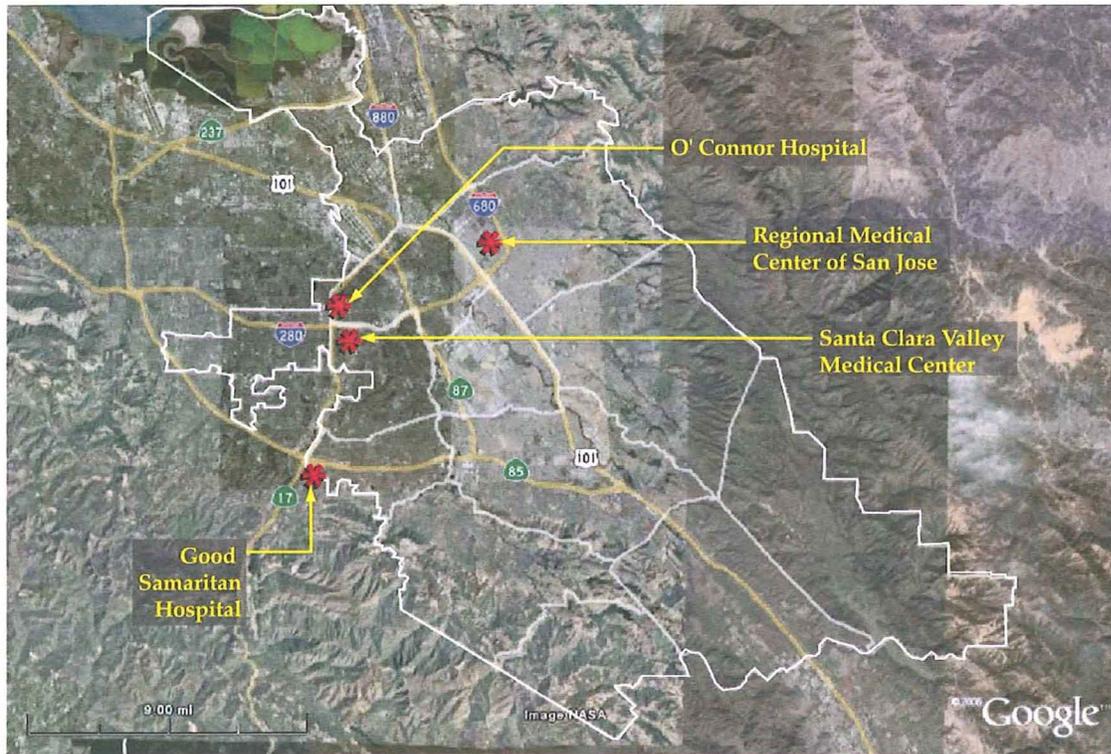
The abrupt closure of San Jose Medical Center in late 2004 left a gap in health-care services readily accessible to residents of the Downtown area. This gap is comprised of:

- (1) General-acute-care beds;
- (2) A trauma center;
- (3) An emergency room;
- (4) Non-emergency outpatient services formerly provided at SJMC; and
- (5) An unknown number of physicians with offices near SJMC that elected (or will in the future elect) to move to locations adjacent to other hospitals.

The plan on the part of SJMC's owners (HCA) was to consolidate services (including the trauma

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center) at Regional Medical Center, some 2.5 miles away. While from health-planning and economic perspectives this plan makes sense, it still represents a worsening in the status quo for many downtown residents. For those residents in need of care without ready access to private transportation it represents a hardship.



Locale San Jose Hospitals

Trauma Center. Of the five components of the gap identified above, the loss of the trauma center should create fewer problems than the loss of other services. A more comprehensive Level I trauma center is available at Santa Clara Valley Medical Center, some 7.3 miles away, with the former SJMC Level II trauma center relocated to Regional. Thus, there are two trauma centers within a 7.3-mile radius of the SJMC site.

General Acute-Care Beds. The loss of general-acute-care beds represents a greater loss in than the trauma center in terms of facility size, but is of less urgency than the loss of the other services. The primary reasons are:

(1) During its last few years of operation, SJMC had an occupancy rate of approximately 33 percent. Approximately one third of its patients resided in the downtown area, and among hospitals serving the downtown population, SJMC had the third ranking market share;

(2) While the Downtown population is likely to face a bed shortage in a few years, planned increases at Regional and available beds at O'Connor Hospital and Valley

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Medical Center could accommodate Downtown needs until 2015-2020, assuming beds at all these hospitals are available to all patients, regardless of their financial sponsorship; and

(3) Most-frequently-used health services are emergency-room visits and other outpatient services, either in hospital outpatient departments, clinics, or physicians' offices. The SJMC emergency room and outpatient clinic no longer exist, and many physicians have relocated to the Regional or O'Connor campuses.

A complicating factor is Regional's cancellation of its Medi-Cal contracts with the California Medical Assistance Commission (CMAC), covering the senior and disabled Medi-Cal beneficiaries, and with the Santa Clara Family Health Plan and Blue Cross Medi-Cal plan, covering mainly families and children. Thus, Regional's beds do not replace all those lost from SJMC's closure. Rather than improve the health delivery system, which the promised consolidation could have accomplished, the local delivery system was harmed. Non-emergency Medi-Cal inpatients are now diverted mainly to O'Connor and Valley Medical Center, causing distortions and adverse economic effects. If there is no reasonable promise of a reversal of this status, the consolidation of services and capacity at Regional cannot be considered an adequate substitute for a Downtown hospital.

Emergency Services. The loss of the emergency medical service at SJMC represents a greater loss to the community than the loss of inpatient capacity. While emergency rooms at nearby hospitals are available to patients with emergency medical conditions regardless of payer source, Downtown patients will have to travel a greater distance. An emergency service cannot be freestanding; it must be part of a hospital. Without building a new hospital, the next best thing is establishing an urgent care clinic on or near the SJMC site. To avoid distortions, the clinic must accept Medi-Cal patients, and not discriminate according to payer source when referring patients to hospitals. It should not be allowed to refer Medi-Cal patients to one hospital and private-insurance patients to another.

Non-Urgent Primary Care. Non-urgent outpatient capacity is also an important gap to be filled. At a minimum, this would involve a primary-care clinic that accepts all patients in need of service without regard to payer source. The clinic should include a clinical laboratory and x-ray capabilities. As suggested for the urgent care center, referrals for specialty care and inpatient care should not distinguish between sources of payment. Ideally, the urgent care center and the primary care clinic would be under the same sponsorship, to enable efficient use of ancillary services, such as lab and x-ray. While including specialty care would be beneficial to the community, especially the elderly and chronically ill, establishing a multi-specialty group is a major undertaking.

Health Care Provision Options

The highest priority for serving Downtown's health care needs is establishing a primary care clinic and urgent care center, ideally under the same management and in the same facility.

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These facilities should not discriminate on the basis of payer source in treating patients and/or referrals for specialty and hospital care. (There is currently an urgent care clinic, Bay Area Urgent Care, located across the street from the SJMC site at 696 E. Santa Clara Street. However, this clinic does not accept Medi-Cal.)

Establishing these facilities may require a capital subsidy, which could be provided by new high value development on the SJMC site. A new primary care and urgent care clinic could be constructed on the SJMC site or could be located off site. A potential alternative location could be the "Chavez medical office building" located next door at 25 N. 14th Street; this building, however, is in need of updating and refurbishing. The following array of options are listed for consideration, with no specific recommendations offered at this time:

(1) Facilitate development of the primary care and urgent care clinics, on- or off-site, and allow the remainder of the site to divert to non-health-care development, with the intention of tapping the increased value of the site to provide a sufficient subsidy for the clinic's development.

(2) Designate sufficient space for a small urban hospital. This could be costly without a hospital operator in place. The longer the site is vacant, the greater the cost to the property owner and to the City. The most feasible configuration from a health-system perspective may be construction of a satellite hospital of a large, out-of-area tertiary-level medical center, such as Stanford. This type of facility would be a primary-care hospital for the community and a "feeder" to the primary medical center.

Given the local demographics and payer mix it is doubtful that a freestanding hospital is feasible. To-date, no major hospital operator has come forward expressing interest in developing a new facility on the site. If one did, it could potentially force Regional to abandon its expansion and seismic upgrade plans, which could force it to close by 2013-15. Worse, the new hospital could also then abandon its plans, creating a critical shortage of health care services in the area.

Given the health care findings, options, and risks described above, the following program of potential actions was identified for SAC review and consideration.

- Develop a primary care clinic, accepting all patients in need of care without regard to financial sponsorship, and an urgent care clinic should be established on, or near, the current SJMC site.
- Reserve an appropriate site for a new hospital in an area readily accessible to Downtown residents and future residents of areas expected to experience considerable growth.
- Establish a health planning process guided by the City and County and involving consumers and providers. In addition to advising on a new hospital site and the type of hospital to be constructed, the health care planning process would monitor and publicize the performance of San Jose hospitals in meeting community needs.

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The pros and cons of this program are summarized below.

Program Pros

1. Puts the City on record acknowledging that additional hospital capacity will be needed by 2020 to meet the acute-care (in-patient) needs of the Downtown population.
2. Encourages the City and the County to establish a health care planning process.
3. Encourages existing local hospitals to take steps to address acute-care needs to preclude a future potential competitor.
4. Encourages a potential hospital operator to come forward.
5. Not designating a site for a new hospital could encourage local hospitals to maintain a capacity shortage to increase their negotiating leverage with private health plans and Medi-Cal.
6. Not designating a site could encourage local hospitals to expand capacity just enough to discourage entry of a new hospital, but not enough to adequately meet community needs. (This could happen even if a site is designated.)
7. If the new hospital site were adequate and in an appropriate location, it could meet needs of North San Jose as well as Downtown (see Land Use section, below). This could accelerate the hospital's development.
8. Targeting North San Jose in addition to Downtown could improve the financial feasibility of a new hospital and enable development of a larger, more comprehensive hospital.
9. If the new hospital site is not the SJMC site, conflict with the SJMC property owner and a potential stalemate over development of a possible new clinic would be avoided.
10. Monitoring local hospitals' performance regarding access for uninsured and Medi-Cal patients could provide local providers an incentive to act in the public interest.
11. A health care planning process offers the City of San Jose an opportunity to integrate health planning with land use planning to improve the health of its residents.

Program Cons

1. If the current SJMC site is designated for development of a new hospital, conflict with the property owner is likely to preclude development of clinic and urgent care center on the site.

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2. If another hospital site is designated, it could discourage non-hospital medical-related projects (e.g., medical office building, lab, x-ray) on the SJMC site, since potential providers and investors may prefer to locate near a new hospital and medical campus.
3. Restoration of health care access for former SJMC consumers could be compromised if the location of a new designated site is not convenient to the greater Downtown area.
4. Designation of a specific site could discourage existing hospitals from making capital investments that would improve health care at their facilities.
5. If the health care planning process does not commence shortly after designation of a new hospital site, momentum could be lost and pressures could mount to allow other uses of this site.

B. Land Use

Site Features, Context, and Land Use Designations

Site Features. The former SJMC study area consists primarily of the campus “superblock,” which extends along E. Santa Clara Street between N. 17th Street on the east and N. 14th Street on the west. Former acute-care buildings are concentrated on the west portion of the site, with supporting office and parking areas to the east. An ancillary 1.1-acre parking lot site is located to the north across E. St. John Street. A small triangular “green” is located at the southeast corner of the site adjacent to N. 17th Street. These areas are outlined on the “Site Subareas Map” on the following page.

The SJMC campus contains nine identifiable buildings/additions, developed in response to San Jose’s growth over the course of the 20th century. These buildings include the original 1923 hospital structure, as well as the “Oaks Building” addition, the 1980 “Rad Lab” building on E. Santa Clara Street, and the original San Jose IBM computing facility, located on E. St. John Street between N. 15th and N. 16th Streets. Buildings range in height from one-story – i.e., the former IBM building – to the five-story original hospital structure. Most buildings range between three and four stories. All of the campus buildings are vacant, except the Rad Lab, and the site is surrounded by protective chain link fence.

The campus superblock interrupts the local area street grid, with 15th and 16th Streets both terminating at the site. This protects residential areas to the north from through-traffic, but also blocks pedestrian and bicycle movement through to E. Santa Clara Street.

Local Context. Coyote Creek and Roosevelt Park are approximately 200 feet and 300 feet east, respectively, from the former SJMC campus. Frontage properties east across N. 17th Street are owned by the San Jose Water Company. West across N. 14th Street is the 10-story “Chavez medical office building,” which incorporates a parking structure as well as first-floor medical commercial space. The surrounding block contains smaller-scale medical-related office buildings and associated surface parking areas. Two- and three-story medical office buildings are also located along the southerly frontage E. Santa Clara Street across from the SJMC site. Rents in these medical office buildings have declined and vacancy rates have increased since the closure of SJMC; e.g., vacancy in the Chavez building is estimated to be approximately 50%.

To the north across E. St. John Street are the single-family residential properties of the 13th Street Neighborhood. This large neighborhood area extends both north and south of E. Santa Clara Street, and contains many attractive older Victorian- and Craftsman-style homes. The 13th Street Neighborhood is part of the greater “Northside” area, home to San Jose’s oldest neighborhood association.

The *13th Street Neighborhood Improvement Plan* (2002) contains a number of goals and objectives related to the SJMC site. These include the following:

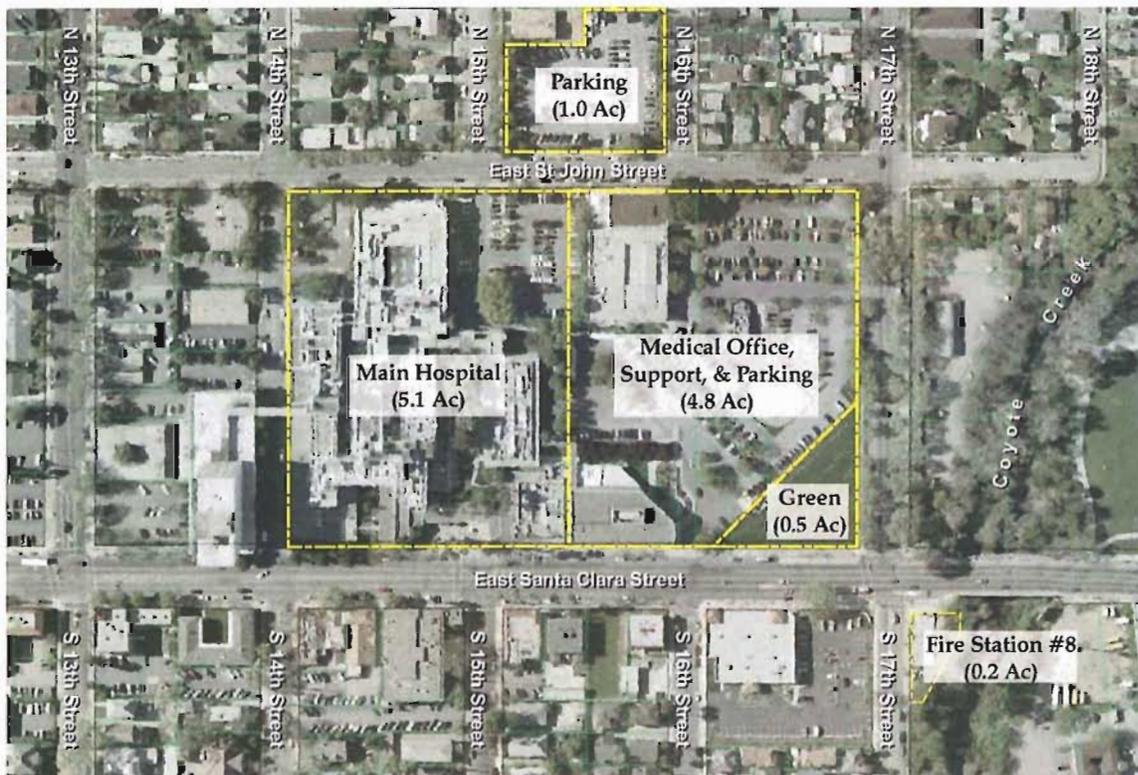
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- **Plan Goal 4:** Reinforce the economic health and vibrancy of the Santa Clara Street Corridor that recognizes the city's vision a "Main Street" while protecting neighborhood resources adjacent to the corridor.

- **Public Environment Policy:** Preserve San Jose Medical Center or equivalent downtown medical services.

- **Priority Action 6:** Ensure the Availability of Full-Service Hospital Facilities, Particularly Trauma Center Services, with the Greater Downtown.

- **Priority Action 10:** Encourage Infill of Small Residential Vacant Lots with Historic Buildings or Appropriately Scaled and Designed Projects that Maintain the Character of the Neighborhood.



Site Subareas Map

The SJMC site is located within the boundaries of the "East Santa Clara Street Neighborhood Business District (NBD)," which extends from 24th Street on the east to 7th Street on the west. Though the majority of frontage properties are commercial, storefront buildings and businesses are concentrated east of the SJMC site between 17th and 24th Streets. The E. Santa Clara Street NBD has been a designated City of San Jose Redevelopment Project Area since 1988, and revitalization efforts continue throughout the district. Recent efforts included renovations of

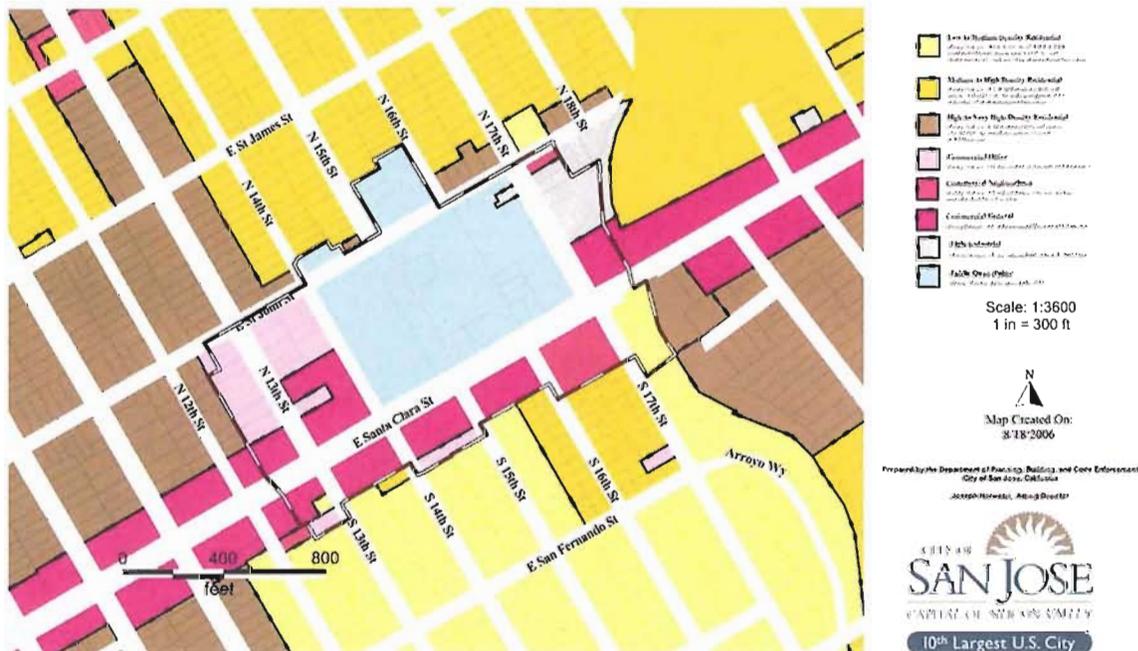
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Roosevelt Park and Horace Mann Elementary School, and over 80 storefront and building façade upgrades.

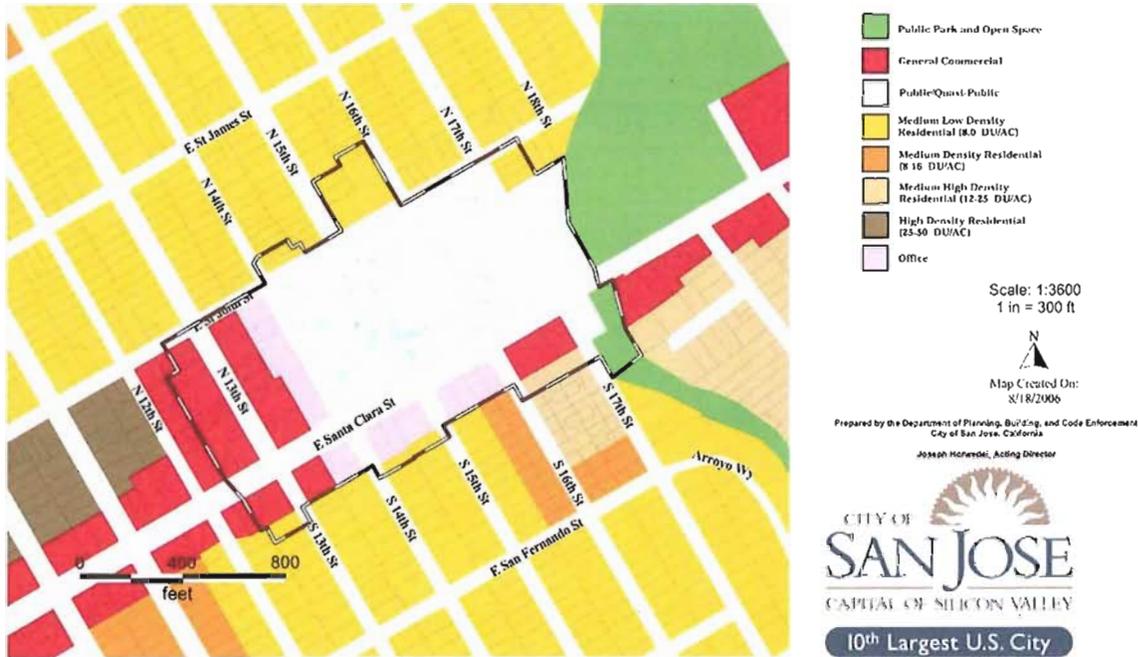
Closure of the San Jose Medical Center has had negative effects on land uses and properties in adjacent areas. The SJMC was an “anchor” land use that supported smaller nearby medical offices and pharmacies, and the market support for these businesses no longer exists. The site’s vacant buildings and chain link-fenced perimeter creates a negative visual impression along E. Santa Clara Street, further depressing rents and the value of nearby commercial properties. The site’s appearance also negatively affects nearby residential properties, especially those across E. St. John Street to the north. The absence of medical professionals and SJMC visitors to the area has reduced the number of patrons for local shops and restaurants within district as well.

General Plan and Zoning Designations. The *San Jose 2020 General Plan* and zoning ordinance both designate the former SJMC site for “Public/Quasi-Public” land use. The General Plan designates the surface parking site north of E. St. John “Medium-Low Density Residential;” zoning designates the site “Public/Quasi-Public.”

The General Plan designates frontage properties across from the site along E. Santa Clara Street and along the west frontage of N. 14th Street for “Office.” Properties to the east and west along E. Santa Clara Street are designated “General Commercial.” Zoning designates all E. Santa Clara Street properties for “Commercial General.” Land use designations are indicated by General Plan and Zoning maps provided on the following pages.



Zoning Map



General Plan

Land Use Options

A principal objective of the *Health Care and Land Use Study Recommendations* process was to evaluate a range of potential land use scenarios. Initial land use options identified by the Stakeholders Advisory Committee (SAC) are described below, and the general pros and cons of each are summarized. Based on SAC review and discussion, all of these options include designation of the parking lot site on the north side of E. St. John Street for infill single-family residential development.

Concept 1 - All Hospital/Health Care - This concept preserves the existing “Public/Quasi-Public” designation for the entire 11-acre superblock bounded by East St. John, East Santa Clara, N. 17th and N. 14th Streets. The goal of this concept is re-use of the entire site for a new hospital/health care facility, similar in function to the former San Jose Medical Center.

Pros (+) and cons (-) are:

- (+) Maintains anchor use for ESC Street health care-oriented businesses
- (+) Significant new investment/facilities would support land values and surrounding investment
- (+) Transit and walk-in accessibility for Downtown community; reduces length of vehicle trips
- (+) Supports local medical office businesses, building occupancies
- (-) Scale of development, traffic could impact nearby residential properties

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- (-) Creates large gap in ESC Street commercial frontage
- (-) Facility type not geared to take advantage of proximity to Coyote Creek open space
- (-) Could block through-access from neighborhood to ESC Street
- (-) Hospital/health care land use not guaranteed by P/Q-P land use designation
i.e., site could remain vacant or be developed with non-health care use

Concept 2 – Hospital/Health Care and Seniors Housing - This concept preserves the southerly half of the SJMC site for Public/Quasi-Public land use and designates the northerly half-block for seniors-related housing. Based on SAC discussions, this could be a Continuing Care Retirement Facility (CCRC) or seniors housing without a health care component.

The goals of this concept are to: a) provide for a new hospital/health care facility on-site, b) accommodate local demand for seniors living facilities, and c) buffer neighborhood areas to the north with a residential frontage along E. St. John Street. This concept provides for through-block pedestrian- and bicycle-only access along the alignments of 15th and 16th Streets, connecting neighborhood areas north of the site to East Santa Clara Street while protecting them from cut-through traffic.

Pros (+) and cons (-) are:

- (+) Same as Concept 1
- (+) CCRC could benefit from proximity to Health Care
- (+) CCRC is a quiet, low trip-generating use; i.e., could accommodate significant density, support ESC Street businesses if a mix of independent living and life care residences.
- (+) CCRC could benefit from proximity to Creek, park
- (+) Supports local medical office businesses, building occupancies

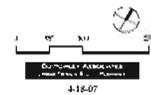
- (-) Depending on design/orientation, CCRC may not be best complement to single family on E. St. John Street
- (-) Hospital sirens, noise, service could impact CCRC
- (-) Potential for redundant services depends on how the two development types are programmed
- (-) Requires demolition of all site facilities to proceed; may be difficult to phase
- (-) Hospital/health care land use not guaranteed by P/Q-P land use designation
i.e., site could remain vacant or be developed with non-health care use

Concept 3 – Hospital/Health Care, Townhouse Residential, Frontage Mixed-Use - This concept retains the P/Q-P designation for a 5-acre area in the southwest portion of the block adjacent to the Chavez medical office building. The goals of this concept are to: a) provide for a new hospital/health care facility on-site, b) incorporate residential development complementary in scale to adjacent neighborhood areas, and c) provide for locally-oriented commercial and residential use along E. Santa Clara Street. Similar to Concept 2, this concept provides for through-block pedestrian- and bicycle-only access along the alignments of 15th and 16th Streets.



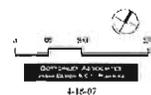
Concept 1

SAN JOSE MEDICAL CENTER SITE - LAND USE STUDY
CITY OF SAN JOSE



Concept 2

SAN JOSE MEDICAL CENTER SITE - LAND USE STUDY
CITY OF SAN JOSE



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Pros (+) and cons (-) are:

- (+) Same as Concept 1
- (+) Townhouse residential a good complement to nearby single family
- (+) Potential to phase east third of site independent of rest (independent of demo, etc.)
- (+) Residential/commercial mixed-use development (MXD) helps animate ESC Street, promote business activity, etc.
- (+) Townhouse, apartment residents benefit from proximity to Creek and park
- (+) Supports local medical office businesses, building occupancies

- (-) Hospital noise, transition, etc, similar to Concept 2
- (-) Corner MXD site may be small for stand-alone project
- (-) Hospital/health care land use not guaranteed by P/Q-P land use designation
i.e., site could remain vacant or be developed with non-health care use

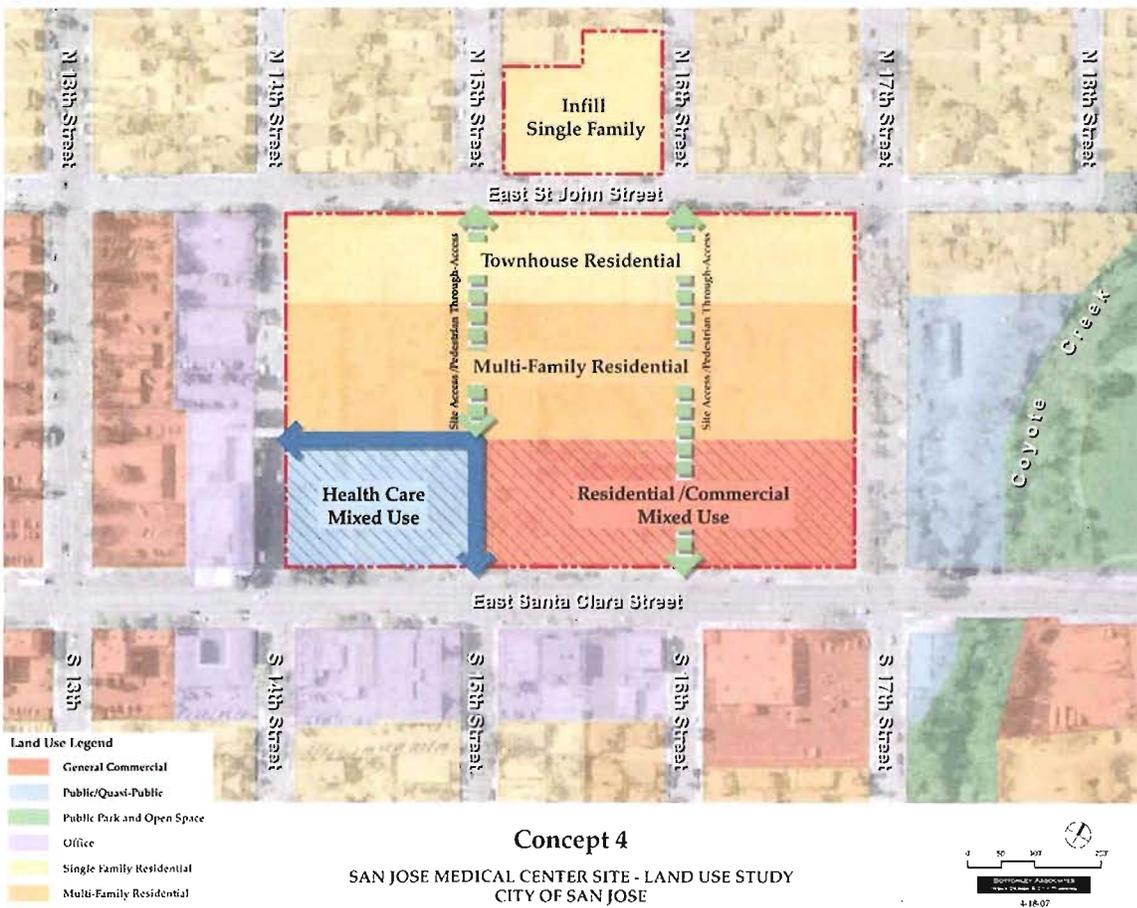
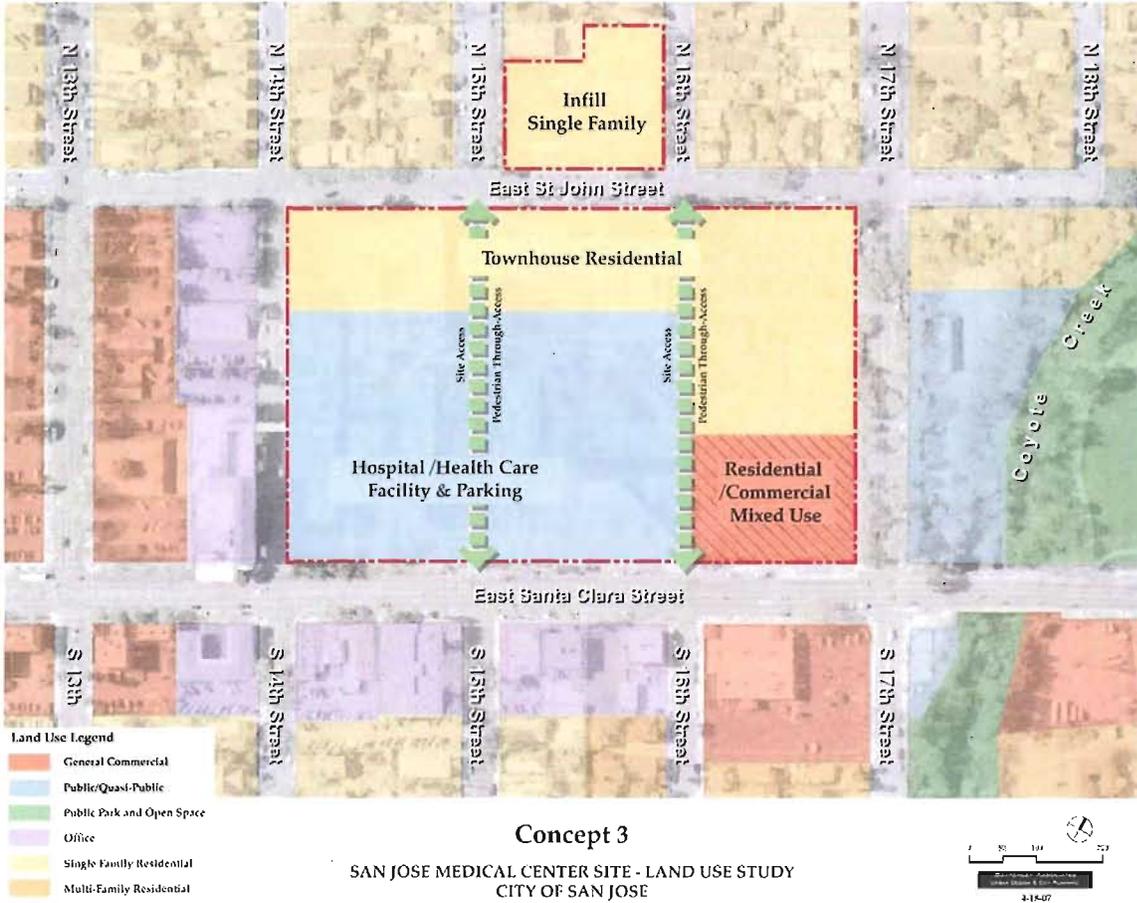
Concept 4 – Mixed-Use Frontage w/Health Care, Stepped-Density Residential - This concept provides for health care use on a one- to two-acre area at the southwest corner of the site. It is assumed the health care use would include primary and urgent care clinic facilities in a multi-story, street-fronting building, perhaps with additional medical office space. Mixed residential-over-storefront commercial development extends east along the E. Santa Clara to N. 17th Street. Building heights would step down from south to north, with residential-over-commercial along E. Santa Clara, to multi-unit residential development mid-block, to townhouses along E. St. John Street.

The goals of this concept are to: a) provide for a new health care facility in the near term, b) incorporate significant residential development that supports revitalization of the E. Santa Clara NBD, and c) strengthen the NBD frontage on E. Santa Clara Street. Similar to Concept 2, this concept provides for through-block pedestrian- and bicycle-only access along the alignments of 15th and 16th Streets.

Pros (+) and cons (-) are:

- (+) Maintains health care use; similar benefits but reduced from Concept 1
- (+) Stepping down intensity from frontage to the north/neighborhood area, allows for mix of housing types, variety of incomes, tenants, etc.
- (+) Expanded commercial w/MXD more developable, will strengthen ESC Street NBD
- (+) Similar housing/variety benefits to Concept 3
- (+) Potential to incorporate clinic in continuous NBD frontage
- (+) Offers significant market-based potential for property development, from which subsidy of clinic may be derived.

- (-) Similar to other concepts with transition use impacts, but reduced
- (-) Full-service hospital not envisioned



Concept 4a – Mixed-Use Frontage w/Stepped-Density Residential, Health Care on Alternate Site - This concept designates an alternate site, such as the Chavez office building or other nearby property, for community-oriented clinic facilities. Similar to Concept 4, mixed residential-over-storefront commercial development would extend along the E. Santa Clara from N. 14th to N. 17th Street. Building heights would step down from south to north, with residential-over-commercial along E. Santa Clara, to multi-unit residential development mid-block, to townhouses along East St. John Street.

Pros (+) and cons (-) different from Concept 4 are:

- (+) Implicit assumption that funding and operator for a community clinic on-site has been established
- (+) Offers most market-based potential for property development, from which subsidy of clinic may be derived

Concept 5 - Land Bank - This concept designates the entire 11-acre superblock for City acquisition; it is assumed that the General Plan designation for the site would remain "Public/Quasi-Public." The goal of this concept is to actively promote development of a Downtown-oriented hospital and supporting medical facilities that reflect current demand and potentials for future Downtown growth.

Pros (+) and cons (-) are:

- (+) Maintains flexibility, future potential for Downtown hospital and supporting health care facilities
- (-) In the meantime, vacant, deteriorating facility continues to negatively impact land values, rents, and tenants; significant negative impact on adjacent neighborhood and NBD
- (-) The cost for acquisition of the entire site very high; this would be a speculative investment for very specific land use(s)

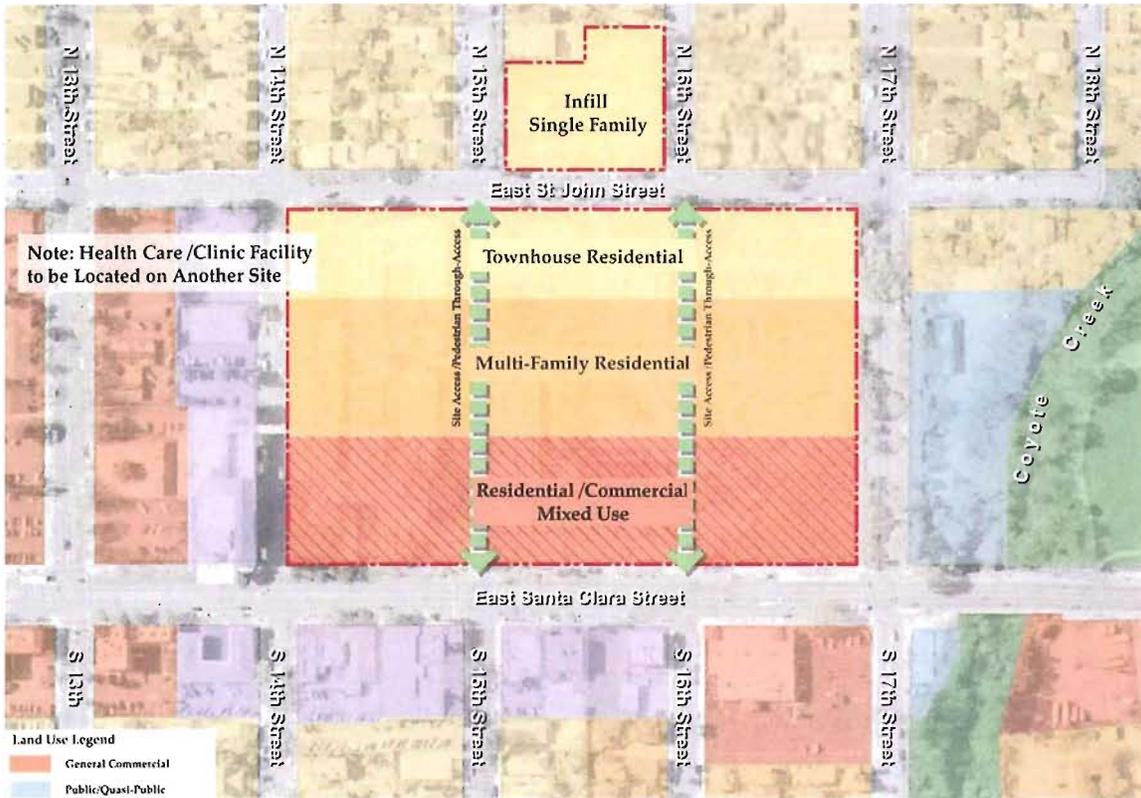
Concept 6 – Partial Land Bank - This concept designates the westerly 3.5 acres for City acquisition, with the remainder of the site designated for frontage mixed-use and "stepped density" residential per Concept 4. The goals of this concept are to: a) actively promote development of a small, Downtown-oriented hospital on-site, and, b) provide housing and frontage commercial to support revitalization of the NBD.

Pros (+) and cons (-) are:

- (+) Similar to Concepts 3 and 4 re: variety of housing types
- (+) Similar to Concept 4 re: benefits MXD frontage

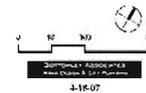
ATTACHMENT 4

- (-) Smaller land bank area reduces negatives of vacant land associated with Concept 5.
- (-) Costs for land acquisition, speculative investment for very specific land use(s)



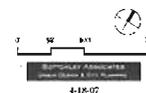
Concept 4a

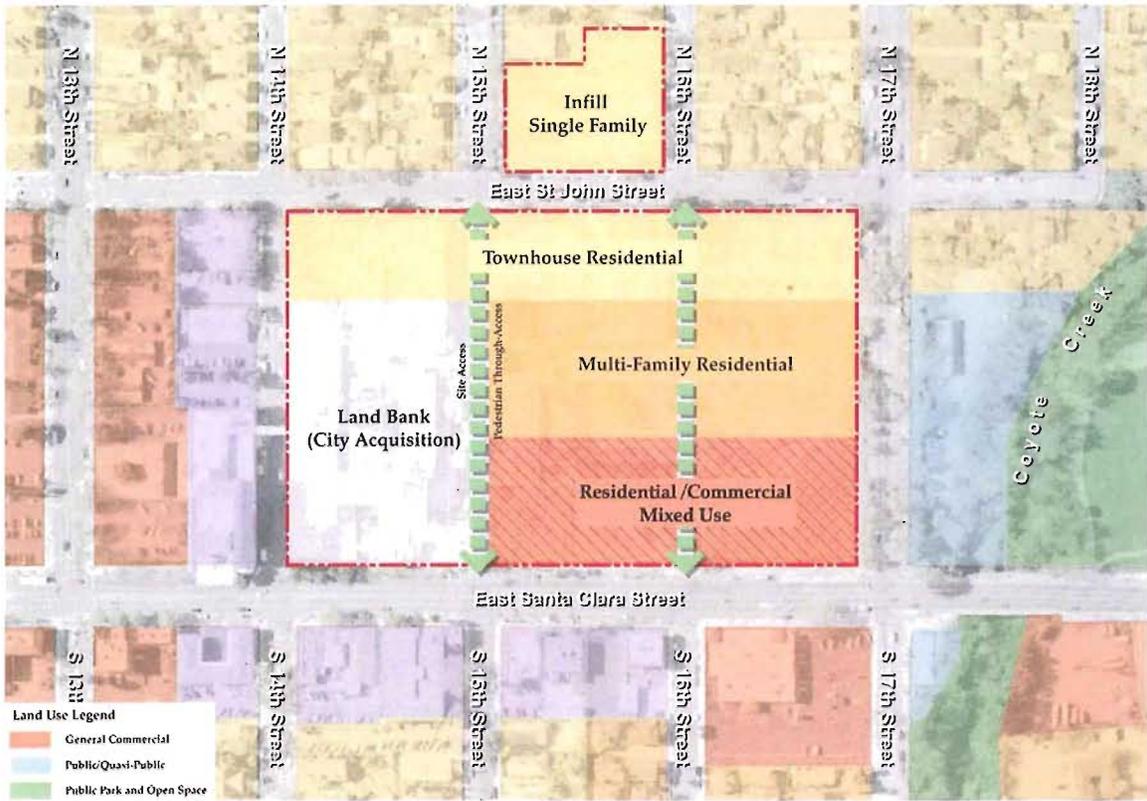
SAN JOSE MEDICAL CENTER SITE - LAND USE STUDY
CITY OF SAN JOSE



Concept 5

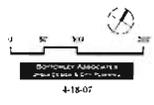
SAN JOSE MEDICAL CENTER SITE - LAND USE STUDY
CITY OF SAN JOSE





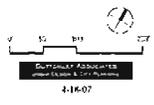
- Land Use Legend**
- General Commercial
 - Public/Quasi-Public
 - Public Park and Open Space
 - Office
 - Single Family Residential
 - Multi-Family Residential
 - Pedestrian Way

Concept 6
 SAN JOSE MEDICAL CENTER SITE - LAND USE STUDY
 CITY OF SAN JOSE



- Land Use Legend**
- General Commercial
 - Public/Quasi-Public
 - Public Park and Open Space
 - Office
 - Single Family Residential
 - Multi-Family Residential

Concept 6a
 SAN JOSE MEDICAL CENTER SITE - LAND USE STUDY
 CITY OF SAN JOSE



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Concept 6a – Health Care w/Land Bank - This concept is a hybrid of Concept 6 and Concept 4. It designates a one- to two-acre area at the southwest corner of the site for primary and urgent care clinic facilities in a multi-story, street-fronting building, plus land bank/acquisition of additional land along N. 14th Street for expansion of health care facilities at some point in the future. Similar to Concept 4, mixed residential-over-storefront commercial development extends east along the E. Santa Clara to N. 17th Street. Building heights would step down from south to north, from residential-over-commercial along E. Santa Clara, to multi-unit residential development mid-block, to townhouses along East St. John Street.

Pros (+) and cons (-) are:

- (+) Similar to Concepts 3 and 4 re: variety of housing types
- (+) Similar to Concept 4 re: benefits of mixed-use frontage
- (-) Smaller land bank area reduces negatives of vacant land associated with Concept 6.
- (-) Full-service hospital not envisioned
- (-) Costs for land acquisition; a speculative investment for very specific land use(s)

Potential Effects of Land Reservation for a Hospital

Four of the land use concepts considered by the Stakeholder Advisory Committee (Concepts 1, 2, 3, and 5) include reserving all or part of the 11-acre SJMC site for construction of a new hospital and associated medical facilities. Based on the City Council's initial direction for the land use study, a minimum hospital site land area of 5 acres has been assumed. Though it is not unusual to find urban hospitals on relatively small sites, HCA maintains that 5 acres, and even the entire 11-acre site, would be too small for the type of new campus facility that hospital providers would want to develop.

The analysis of local hospital capacities and expansion plans contained in the Zaretsky Study, and a subsequent update by Dr. Zaretsky, indicates that demand for hospital beds would not support construction of a new hospital (minimum 150 beds) until from 2015 to 2020. Until at least 2015, then, land reserved for a hospital on the former SJMC site would remain vacant. Even with land reserved expressly for development of a new hospital there is a considerable risk that a future operator may prefer to construct a new facility in a different location, within future growth areas, closer to major highways, on a larger site, or based on other factors outside the city's control.

The upside benefit of reserving land for a hospital is the possibility of re-establishing the SJMC site as the focus of health care for the greater Downtown area, with associated benefits for surrounding residential and commercial properties. The downside risk is the effects of a large vacant site on the surrounding East Santa Clara Street Neighborhood Business District (NBD) and adjacent single-family residential areas. Vacant property generally has a negative relative effect on the value of adjacent occupied properties, even if the vacant property is adequately

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maintained. From a land use standpoint, the effect of reserving land at the former SJMC site for a future hospital – either as the result of City policies that prohibit competing land uses, or through outright City acquisition – are therefore likely to be negative.

Due to the speculative nature of the use for which the property is being held, surrounding properties, particularly medical office- and commercially-zoned properties along the East Santa Clara Street frontage, could be expected to be especially impacted by the likely long-term nature of the vacancy. If prospects for development of a hospital were strong, surrounding property owners and tenants could be expected to invest accordingly, particularly on the local medical office-related sites. With near- and medium-term development prospects doubtful, however, increasing vacancies on nearby sites can be expected, depressing land values on surrounding commercial and residential properties. The upside benefits of reserving land for a hospital are not likely to affect local land uses in the near term, while the downside impacts are real, current, and would likely continue.

Pressure for changes to land use designations for adjacent from medical-office to other land uses that have more market support, such as residential, retail/commercial, or larger-scale office, could be expected. New development that would accompany these changes may or may not be consistent with the community's vision for the E. Santa Clara Street NBD. Of particular concern is the viability of storefront commercial development, the characteristic NBD land use. A consistent storefront frontage along both sides of a street is generally required for a successful NBD. Retaining all or a significant portion of the former SJMC as vacant property could be expected to deter this form of development across E. Santa Clara Street and/or on remaining portion(s) of the former SJMC site itself. Residential land uses are sensitive to views and the surrounding environment generally, and proximity to a large, long-term vacant site could be expected to deter this land use as well.

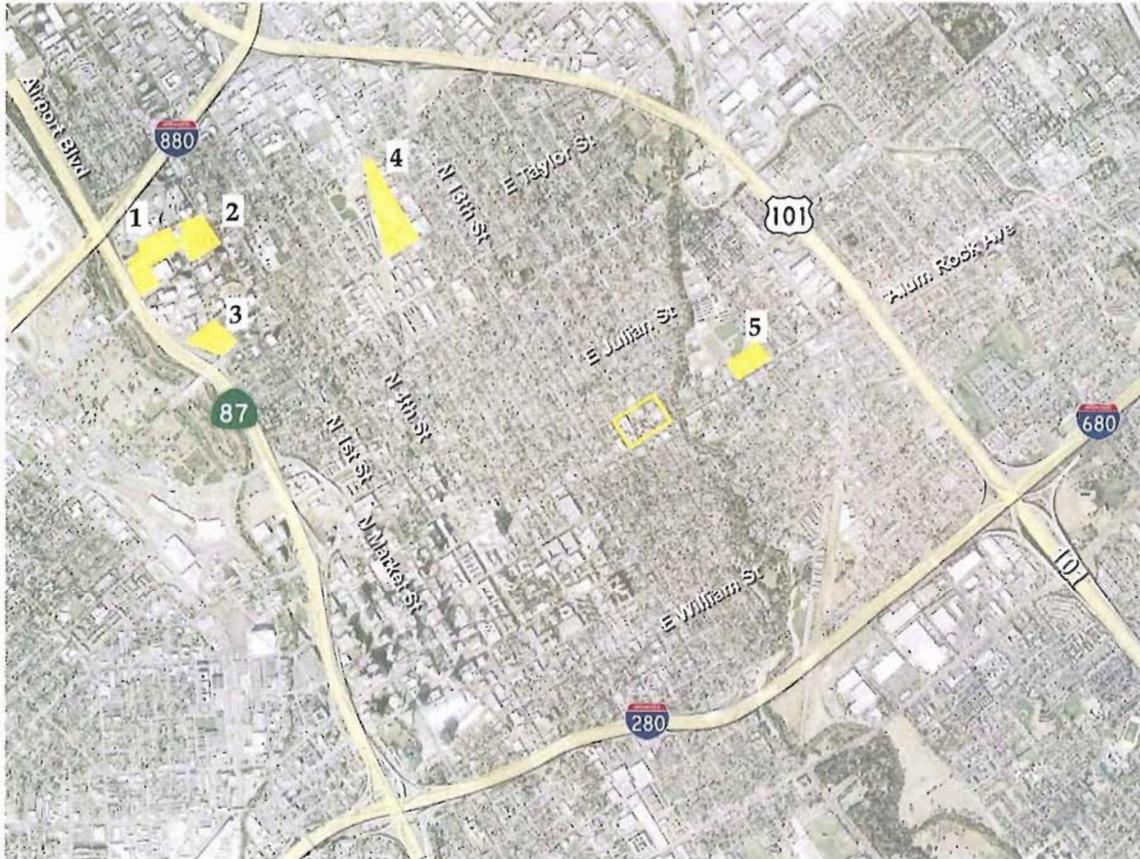
Other Potential Hospital Sites Studied by the SAC

At approximately 11.1 acres, the former SJMC site appears large enough to accommodate a new urban hospital containing up to 150 beds, ancillary medical services and associated structured parking. For the purposes of evaluation, City of San Jose staff compiled a list of other vacant, privately-owned parcels 5 acres or greater in size, and a list of Redevelopment Agency-owned parcels indicating existing use and/disposition (but not size). There are approximately 144 vacant privately owned sites, though many of these are not located in places appropriate for a hospital. Only 8 sites are designated "Transit Corridor Residential (20+ DU/AC)" in the General Plan, with close proximity to existing transit services. Many of the sites are in outlying, industrial, or low-density residential areas; a number of these are planned for future large-scale development (see next section). Of the 48 Agency-owned properties, almost all are committed to future development projects.

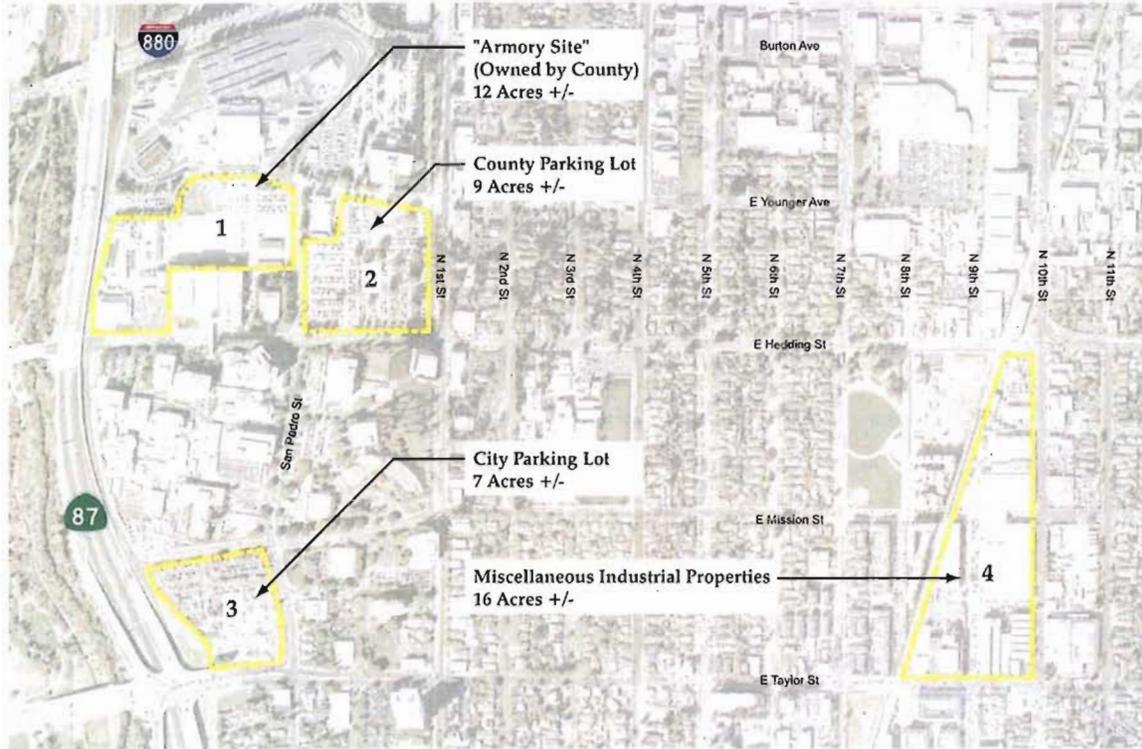
Among the better situated Downtown area sites are: a) the 12-acre County-owned former Armory site adjacent to North 1st Street; b) the 7-acre City-owned parking lot site adjacent to the

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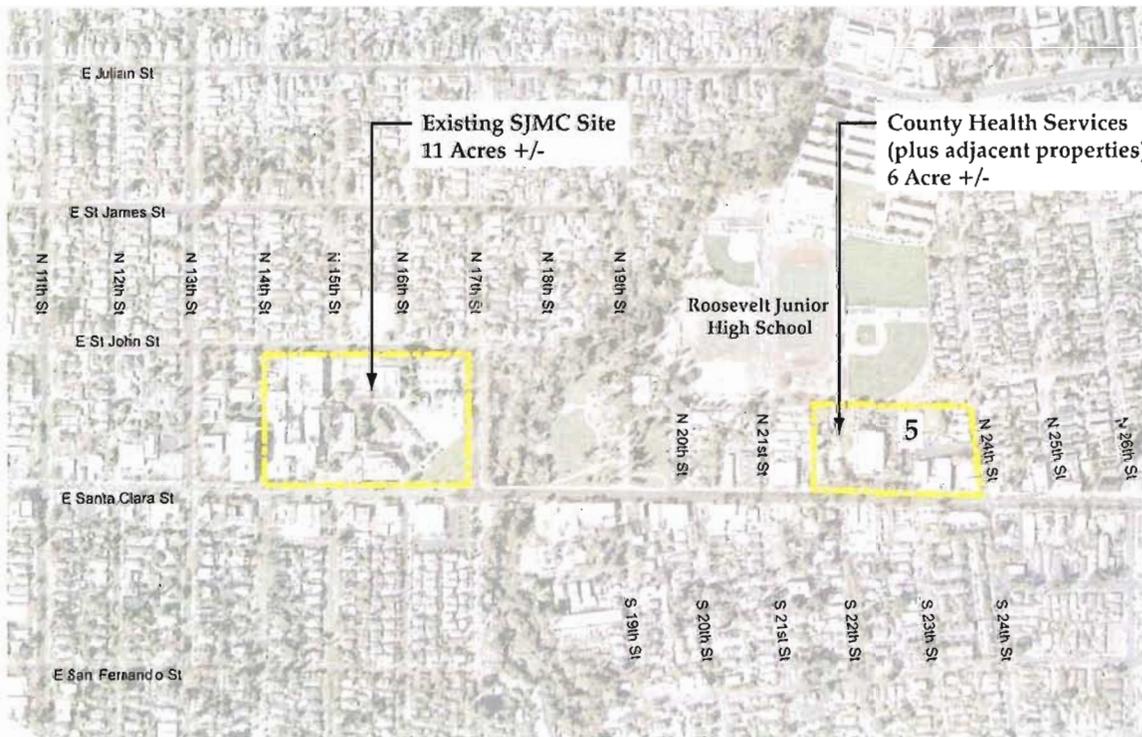
former City Hall along North 1st Street, and; c) the 6-acre former County Health Services site and adjacent properties on E. Santa Clara Street between North 21st and North 24th Streets. Similar to the former SJMC site, these sites are designated "Public/Quasi-Public" by the General Plan. Frontage properties adjacent to the former County Health Services site contain commercial buildings and the local Portuguese Hall, and are designated for "General Commercial" use.



Potential Downtown Area Hospital Sites



Downtown Area Sites – North



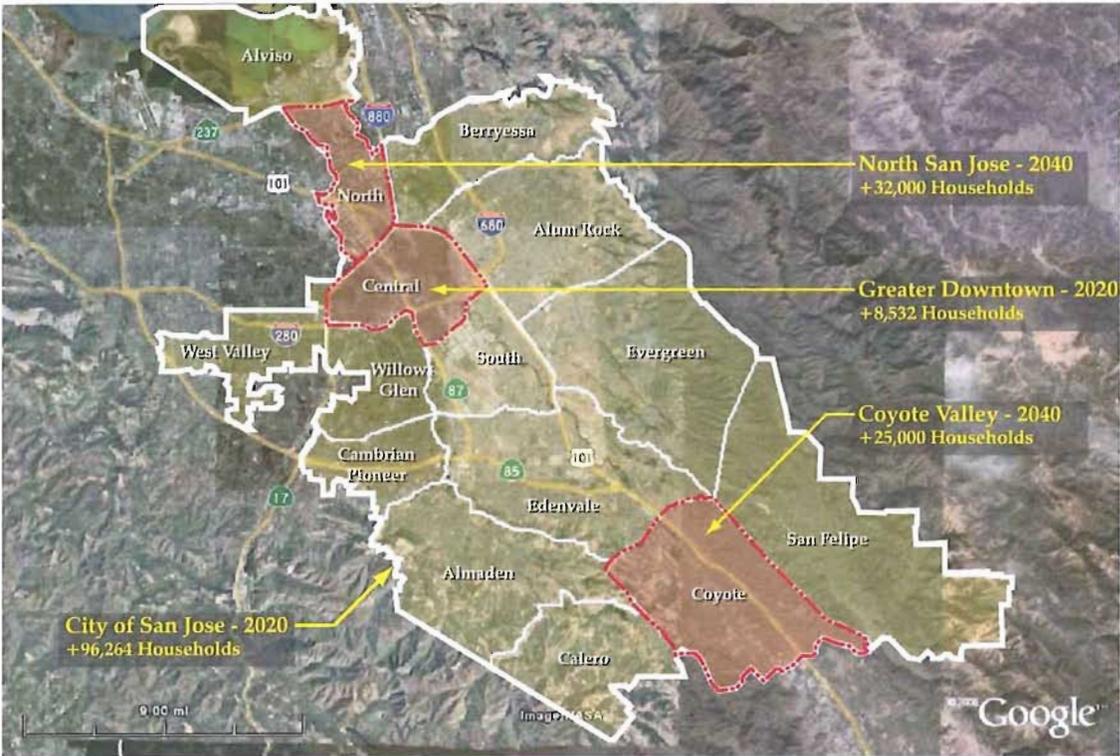
SJMC and County Health Sites

Future City Growth and Hospital Demand

Greater Downtown ("Central") San Jose experienced dramatic population growth over the past 8 years, with approximately 6,800 new households added to the area between 1999 and 2007. In large part, this growth was due to concerted efforts by the City and the Redevelopment Agency to encourage new, higher-density residential development in proximity to Downtown's transit and commercial services. By the year 2020, the City estimates that San Jose as a whole will add approximately 96,000 households, or approximately 192,000 new residents (average two residents per household). Of this amount, 8,500 households, or 9%, are anticipated within the Greater Downtown area.

Based on a rule-of-thumb demand of 2 hospital beds per 1,000 residents, overall City growth could be expected to generate demand for up to 384 beds by 2020, or the equivalent of two 150+ bed hospitals. A significant portion of this demand may be met by expansion of existing facilities, as noted previously. With growth of approximately 17,000 residents (i.e., demand for 34 beds), Downtown growth alone, however, would not be likely to support development of a new hospital.

Most of the City's future growth is expected to occur in the North San Jose and Coyote Valley areas. At build-out, each of these areas would be the size of a small city. By the year 2040, North San Jose is anticipated to contain up to 32,000 new households, or 64,000 new residents. Coyote Valley is anticipated to contain up to 25,000 households, or 50,000 new residents. Given likely demand for at least one more hospital by 2015-2020, it would be appropriate to plan for it in one of the two areas in which the most additional population growth is anticipated, and where parcel size is not as constraining a factor. Each of these areas has different factors to consider. North San Jose is planned for the most growth, and a hospital located to serve both that area and Downtown would seem logical. Less growth and density is anticipated for Coyote Valley, however South San Jose is currently under-served geographically, with existing hospitals located in the northern and western portions of the city.



San Jose Growth Areas