

**Tacoma, Washington**  
**American Lake VAMC: Construction of New Specialty Care Building 201**

*Funding of \$94,340,000 requested in this FY 2021 budget will provide for construction of Building 201, a new outpatient clinic.*

*This project constructs a new outpatient facility, renovates Building 18, and includes all necessary site work, a parking expansion, and the demolition of ancillary buildings in the footprint of the new building.*

**I. Budget Authority:**

Total <u>Estimated Cost</u> \$110,600,000	Available Through <u>2020 Request</u> \$16,260,000	2021 <u>Request</u> \$94,340,000	Future <u>Request</u> \$0
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**Detail of Project Phases**

The project phase being requested this year is the construction of the outpatient clinic and the associated site work. Design was funded in FY 2009. Building demolition preceding new construction, the renovation of Building 18, and construction documents for the renovation of Buildings 81/81AC were funded and authorized in FY 2016. The project elements documented in previous budget submissions related to Building 81/81AC are being executed using seismic funding. The table below provides more details on the phases being requested this year.

**Project Phases Included in the FY 2021 Request**

Phase/Description	Total Est. Cost (\$000)	Gross Square Feet (GSF)		Authorized (\$000)	Appropriated (\$000)
		Renov.	New		
Construction of Building 201: Outpatient Clinic	\$94,340	0	76,125	\$0	\$0

The table below provides details on all phases in this project, listed by the fiscal year funds were requested and then by phase. Major construction project funds are required to be appropriated and authorized.

**Total Project Scope (Sorted by Fiscal Year and Phase)**

Phase/Description	Total Est. Cost (\$000)	Gross Square Feet (GSF)		Authorized (\$000)	Appropriated (\$000)
		Renov.	New		
<b>FY 2009</b>					
Design	\$7,352	0	0	\$0	\$5,260
<b>FY 2016</b>					
Renovation of Building 18, Site Preparation for Building 201, and Construction Documents for Renovation of Buildings 81/81AC	\$8,908	19,651	0	\$16,260	\$11,000
<b>FY 2021</b>					
Construction of Building 201: Outpatient Clinic	\$94,340	0	76,125	\$0	\$0
<b>American Lake Totals</b>	<b>\$110,600</b>	<b>19,651</b>	<b>76,125</b>	<b>\$16,260</b>	<b>\$16,260</b>

**II. Priority Score:** FY 2015 – 0.4712

Major Construction projects are funded based on their priority ranking and on their ability to award construction contracts in the current fiscal year.

**III. Description of Project:**

This project is located at the American Lake Division of the VA Puget Sound Health Care System (VAPSHCS) and constructs a 76,125 gross square feet (GSF) seismically-safe modern outpatient medical facility (Building 201) to accommodate functions being relocated out of seismically-deficient Building 81 (circa 1947 main hospital building). The new building will house ambulatory Specialty Care, Ancillary and Diagnostic services, and necessary support services. Site work, parking expansion and demolition of ancillary buildings in the footprint of the new building is included. Building 18 will also be renovated to accommodate select functions being displaced out of the buildings being demolished.

Subsequent renovations completed using seismic funding will seismically upgrade Building 81 and fully renovate all interior spaces therein. The renovations will also include the adjacent Building 81AC as it will be impacted by the structural improvements associated with Building 81.

**IV. Alternatives to Construction Considered**

***Status Quo:***

The status quo alternative would maintain the services at the original, antiquated, 70-year-old American Lake facilities. The original design and layout of these facilities do not permit VA to provide healthcare services in an operationally efficient manner. The campus is a nominee for the National Register of Historic Places, which limits any potential improvements to the building

footprint for inpatient care through building additions and alterations. Recurring maintenance costs for underutilized buildings place an additional burden on VA. This alternative would not address any facility condition and current or projected workload deficiencies, and would not correct seismic deficiencies at the facility, which makes it the least preferred alternative.

***Alternative 1: New Construction and Renovation (Preferred Alternative)***

This alternative would construct a new 76,125 GSF multi-story ambulatory medical building, renovate Building 18, expand parking, and demolish several ancillary buildings on the existing American Lake campus. The new building would house ambulatory care functions for specialty care, outpatient surgery and support services, would be built to Leadership in Energy and Environmental Design (LEED) Silver standards and would meet historical, architectural, security and life safety standards. The proposed new building would address significant improvements in space planning, functional layout, patient privacy, wayfinding, staffing efficiencies, and utility services to meet current and projected gaps associated with workload and space. Due to the expected improvements in satisfaction for both patients and employees, this alternative is the preferred alternative.

***Alternative 2: Renovation***

In this alternative, Building 81 (96,577 GSF) would be renovated to correct seismic and life safety deficiencies. The interior of Building 81 would be totally renovated to accommodate Primary Care demand and improve space planning, functional layout, patient privacy, wayfinding, staffing efficiencies, and utility upgrades. However, renovation alone of Building 81 cannot mitigate the overall space gap, nor provide space to accommodate the necessary Specialty Care or Ancillary and Diagnostic spaces to meet demand. Furthermore, the renovation of Building 81 has been removed from the scope of this project, because it will be completed using seismic funding. For these reasons, this alternative is not the preferred alternative and has been excluded from the quantitative analysis below.

***Alternative 3: Lease***

In this alternative, VA would lease an approximately 70,945 net usable square feet (NUSF) (equivalent to the approximately 95,776 GSF required for this project) facility in the vicinity of the American Lake VAMC to provide the same Primary Care, Specialty Care, and support services that would be provided in the preferred alternative. Although VA services would occupy space that meets all seismic and life safety standards, this alternative would likely disrupt the continuity of care currently offered at the existing campus. A leased facility may not be located proximate to the existing campus and patients may be required to travel between multiple points of care for treatment. In addition, this alternative is not cost effective, relative to the preferred alternative. For these reasons, this alternative is not the preferred alternative.

***Alternative 4: Contract Out***

This alternative would involve contracting out existing services in Building 81, which include Primary Care, Emergency Services, Women's Health and Geriatric Care; Specialty Care including Cardiology, Dermatology, Gastroenterology, Podiatry and Urology; Ambulatory Surgery and Recovery and Sterile Processing and Distribution; all ancillary services for Pharmacy, Radiology,

Laboratory and Pathology; all diagnostic services for Electrocardiogram (EKG), Electroencephalogram (EEG), CAT Scan (CT) and Dexascan. There may not be sufficient, qualified private healthcare providers in the Tacoma, WA area to absorb the current and projected Veteran workload. In addition, this alternative would not provide for the correction of seismic deficiencies or the renovation and reuse of Building 18 and may be more costly and result in a loss of quality and control over Veteran healthcare. For these reasons, this alternative is not the preferred alternative.

***Alternative 5: Acquisition of an Existing Facility through Purchase***

This alternative proposes to purchase an existing facility in the local community that is suitable for renovation and to accommodate all project requirements in the same manner as the new construction alternative. However, high-level market research and interviews with local VA planners has indicated that a suitable facility for possible acquisition and subsequent renovation that would meet all project requirements in the same manner as the preferred alternative does not exist in the delineated market area (10-mile radius of the American Lake VAMC) of the proposed project. Therefore, this is not a viable option and has been excluded from the quantitative analysis below.

***Alternative 6: Collaboration with DoD for a Joint Facility***

This alternative proposes to lease a new facility, with the Department of Defense (DoD) as a sub-lessee. This alternative would address all project requirements in the same manner as the preferred alternative. However, according to VHA’s Office of Interagency Health Affairs - Office of VA-DoD Coordination, there are currently no facility sharing opportunities in the vicinity of the proposed project. Therefore, this is not a viable option and has been excluded from the quantitative analysis below.

**V. Analysis of Costs (discounted dollars in thousands)**

	Acquisition*	Ancillary Services**	Equipment and Other Items	Total Life Cycle	Total # of FTEE	Net New FTEE
Status Quo	\$14,816	\$3,383,700	\$0	\$3,398,516	471	N/A
New Construction and Renovation	\$121,039	\$3,148,331	\$39,603	\$3,308,972	525	54
Renovation	N/A	N/A	N/A	N/A	N/A	N/A
Lease	\$29,159	\$3,171,394	\$39,603	\$3,240,155	525	54
Contract Out	\$74,027	\$4,838,530	\$0	\$4,912,557	0	(471)
Acquire an Existing Facility	N/A	N/A	N/A	N/A	N/A	N/A
VA/DoD Collaboration	N/A	N/A	N/A	N/A	N/A	N/A
Other (if applicable)	N/A	N/A	N/A	N/A	N/A	N/A

\*This is the total estimated cost for construction/renovation projects or build-out (special purpose renovations) for leases, in discounted dollars.

\*\*This is defined as operating expenses and supplies (recurring costs from the cost-effectiveness analysis template)

**VI. Analysis of Benefits**

The preferred alternative, New Construction and Renovation, delivers the best benefit to VA by reusing an existing asset (Building 18) and constructing a new building to house care and services currently provided in the seismically deficient Building 81, the existing concrete frame main

hospital at the American Lake VAMC. As discussed in the previous section: Status Quo does not address any of the existing facility deficiencies or current and projected workload gaps; Lease would negatively impact the continuity of care; Contract Out could result in a loss of quality and control over Veteran health care; and the Renovation, Acquire an Existing Facility, and VA/DoD Collaboration alternatives are not viable. This project will allow VA to continue delivering world-class health care to Veterans in a modern, seismically safe environment of care. By building a new outpatient care building to house patients currently treated in Building 81, this project mitigates numerous seismic concerns and life safety risks.

The relocation of existing services from Building 81 to the newly constructed Building 201 will allow for a subsequent renovation and necessary seismic corrections of Buildings 81 and 81AC. Building 81 currently serves as the primary health care delivery site and provides all the core medical services of Primary and Specialty Care, surgical procedures and ancillary services on this campus. Building 81, with unreinforced concrete masonry infill walls, was built in 1947 and poses a life-safety risk to patients. Building 81 is on the VA priority ranking list of seismically Exceptionally High Risk (EHR) Buildings and is classified as mission critical by VHA and VISN 20.

The New Construction alternative, with total life cycle costs of \$3.3 billion, would be the best solution to support VA's strategic goals and objectives and close gaps identified by the SCIP process. As VA has already begun planning for this alternative, the proposed project would also enable VA to achieve service and mission goals and objectives sooner than the other alternatives.

The proposed projects align with the following VA Departmental Strategic Goals:

1. Easy Access and Greater Choice
  - VA understands Veterans' needs throughout their lives to enhance their choices and to improve customer experience
  - VA ensures Veterans are informed of, understand, and can get the benefits, care, and services they earned, in a timely manner
2. Excellent Customer Service and Highly Reliable and Integrated Care
  - VA has collaborative, high-performing and integrated delivery networks that enhance Veteran well-being and independence
3. Improved Trust, Accountability, and Transparency
  - VA is always transparent to enhance Veterans' choices, to maintain trust, and to be openly accountable for its actions
4. Transform Business Operations
  - VA's infrastructure improvements, improved decision-making protocols, and streamlined services enable VA to adapt to changing business environments and Veteran needs

## VII. Demographic Data\*

	<u>2017</u>	<u>2022</u>	<u>2027</u>	<u>2037</u>	Change (2017-2037)
Veteran Population	379,415	351,717	325,768	282,220	-25.6%
Enrollees	143,543	157,323	163,600	162,400	13.1%

\*Data reflects the VISN 20, Western Washington market.

## VIII. Workload\*

	<u>2017</u>	<u>2022</u>	<u>2027</u>	<u>2037</u>	Change (2017-2037)
Ambulatory Procedures	89,609	115,917	135,532	158,697	77.1%
Ambulatory Services	1,183,509	1,575,310	1,874,641	2,239,515	89.2%
Mental Health Stops	67,951	81,134	76,952	69,803	2.7%
Mental Health Services	215,034	286,238	352,603	465,318	116.4%

\*Data reflects workload for VISN 20, Western Washington market; Pharmacy and Laboratory and Pathology Stops are excluded.

## IX. Schedule – This Phase

Award Construction Documents	February 2019
Award Construction Contract	September 2021
Complete Construction	June 2024

## X. Project Cost Summary of the Chosen Option

New Construction:	76,125 GSF	\$53,634,000
Renovation:	19,651 GSF	\$4,312,000
Demolition:	22,854 GSF	\$594,000
Other Construction Costs:		
Pre-Design Development Allowance		\$4,879,000
Total Other Costs (Utilities, etc.)		\$25,016,000
<b>Subtotal Estimated Base Construction Cost</b>		<b>\$88,435,000</b>
Other Non-Construction Costs:		
Construction Contingency		\$4,617,000
Technical Services		\$8,844,000
Impact Costs		\$0
Construction Management		\$235,000
Site Acquisition		\$0
Utility Agreements		\$0
<b>Subtotal Estimated Base Costs</b>		<b>\$102,131,000</b>
Inflation Allowance / Locality Adjustment		\$8,469,000
<b>Total Estimated Cost</b>		<b>\$110,600,000</b>

## XI. Operating Costs of the Chosen Option

<b>Present Facility</b>	
Square Footage Involved	Building 18: 19,651 GSF
Current FTE	975
<b>Total Operating Costs<sup>1</sup></b>	<b>\$124,593,214</b>
<i>Ancillary Services</i>	\$12,092,292
<i>Personnel Services</i>	\$112,500,922
<i>Other Recurring Costs</i>	N/A
<b>Proposed Project</b>	
Square Footage Involved	New Construction: 76,125 GSF Renovation: 19,651 GSF Demolition: 22,854 GSF
Net New FTE	54
<b>Incremental Operating Costs<sup>2</sup></b>	<b>\$6,900,547</b>
<i>Ancillary Services</i>	\$669,727
<i>Personnel Services</i>	\$6,230,820
<i>Other Recurring Costs</i>	N/A
<b>Total Operating Costs<sup>1</sup></b>	<b>\$131,493,761</b>
<b>Non-Recurring Activations</b>	<b>\$31,108,426</b>
<i>Furniture, Fixtures &amp; Equipment (FF&amp;E)</i>	\$24,886,741
<i>Non-Recurring Support</i>	\$6,221,685

<sup>1</sup>Operating costs recur on an annual basis for resources (including staff) necessary to support services to be provided from the space being built or remodeled.

<sup>2</sup>Incremental operating costs are net of present facility. These are not indicative of the total operating costs for the project at completion.