

ULI Coll.

11/84

# MERRITT PERALTA



*Oakland, California*

# **MERRITT PERALTA**

## *Oakland, California*

**AN EVALUATION OF DEVELOPMENT  
POTENTIALS AND STRATEGIES  
FOR THE  
MERRITT PERALTA MEDICAL CENTER**

**NOVEMBER 24-30, 1984**



**A PANEL ADVISORY SERVICE REPORT**

ULI-THE URBAN LAND INSTITUTE  
1090 VERMONT AVENUE, N.W.  
WASHINGTON, D.C. 20005

*ULI Coll.*



# ABOUT ULI—THE URBAN LAND INSTITUTE

ULI—the Urban Land Institute is an independent research organization that conducts research; interprets current land use trends in relation to the changing economic, social, and civic needs of our society; and disseminates pertinent information leading to the best and most efficient use and development of land.

Established in 1936 as a nonprofit institution supported by the contributions of its members, ULI has earned recognition as one of America's most highly respected and widely quoted sources of information on urban planning, growth, and development.

Members of the Washington, D.C.-based Institute include land developers, builders, architects, city planners, investors, planning and renewal agencies, financial institutions, and others interested in land use.

Much of the Institute's work is accomplished through its Councils, each headed by an Executive Group of distinguished authorities:

- o Urban Development/Mixed-Use Council
- o Commercial and Retail Development Council
- o Industrial and Office Park Development Council
- o Community Development Council
- o Residential Development Council
- o Federal Policy Council
- o Development Regulations Council
- o Development Services Council
- o Small-Scale Development Council

This Panel Advisory Service Report is one of a series of research publications to further the objectives of the Institute and to make authoritative information generally available to those seeking knowledge in the urban field.

## ULI STAFF

Jerry S. Church, Senior Director, Panel  
Advisory Services  
Eric Smart, Project Director  
Bethany Brown, Editor  
Regina P. Agricola, Production Manager  
Betsy Van Buskirk, Art Director  
Christopher J. Dominiski, Artist  
Helene Youstra, Artist  
Tawanda R. Queen, Word Processing

# CONTENTS

<b>FOREWORD</b> .....	1
<b>ACKNOWLEDGMENTS</b> .....	2
<b>PANEL MEMBERS</b> .....	3
<b>PANEL'S ASSIGNMENT</b> .....	5
<b>FINDINGS, CONCLUSIONS, AND RECOMMENDATIONS</b> .....	7
<b>Merritt Peralta Medical Center (MPMC)</b> .....	8
A. Market and Economic Feasibility .....	8
B. Land Use .....	12
C. Marketing .....	15
D. Implementation .....	19
<b>Oakland Medical Center District (OMCD)</b> .....	21
A. Development Planning .....	21
B. Land Use .....	24
C. Special Markets and Policy Issues .....	27
D. Development Program .....	30
<b>Conclusions</b> .....	35
A. Summary of Principal Recommendations .....	36
<b>APPENDIX: Questions and Answers from the Report Session</b> .....	38
<b>ABOUT THE PANEL</b> .....	41

# FOREWORD

At the request of Merritt Peralta Medical Center (MPMC), a panel of ULI-the Urban Land Institute conducted an evaluation of the development potential, planning issues, and implementation alternatives for the Medical Hill area of Oakland, California. The objective of the panel was to review and comment on MPMC's plan for its medical facilities and to recommend development concepts and strategies appropriate to the surrounding area. This report records the panel's findings, conclusions, and recommendations, which were presented orally on November 30, 1984.

Founded in 1936, ULI is an independent, nonprofit research and educational organization, dedicated to improving the use of land resources. Currently, more than 8,000 firms and individuals from the United States, Canada, and nearly 50 other foreign countries are associates and members of the Institute. They include leading residential, commercial, and industrial developers, builders, realtors, architects, public and private planners, landscape architects, public officials, consultants, financial institutions, and major corporations.

This is the 132nd panel assignment undertaken by the Urban Land Institute since the program was initiated in 1947. Through the Institute's Panel Advisory Service, technical expertise is made available to requesting communities, developers, and organizations. Panel members are selected from ULI's councils.

The members of the medical center panel were selected because of their expertise and experience relevant to the problems and opportunities facing Merritt Peralta and the Medical Hill area. All panel members donated their time, effort, and expertise to the Panel Advisory Service as a personal contribution to further the Institute's work and objectives.

It is the hope of the Institute and the panel members that this report will provide the sponsor with a basis for resolving the planning and development issues raised in a manner that is beneficial to themselves and to the community.

# ACKNOWLEDGMENTS

Both personally and on behalf of ULI-the Urban Land Institute, the panel members and staff express their appreciation to Wayne E. Thompson, chair of MPMC; Gordon H. Huber, Jr., and C. Lee Emerson, respective chairs of Merritt and Peralta hospitals; Peter B. Bedford; and the other members of the Board of Directors of the Merritt Peralta Medical Center for the opportunity to assist in such a unique and challenging assignment, and for the many courtesies extended to us during our visit.

The panel particularly wishes to acknowledge the assistance both before and during the on-site assignment, of Richard J. McCann, president and chief executive officer (CEO); Cynthia M. Ulman, assistant to the president and CEO; Herbert E. Stansbury, Jr., vice president, corporate communications; Kathy Hall, assistant director of the corporate communications department; Mary Anne Shanken, communications assistant; and Nobie Onishi, Jean Weber, Arlene Brosnan, and Kathy Stimac,

of Merritt Peralta's corporate office, who arranged the panel's busy interview schedule.

The advance briefing book, prepared by Steven W. DeMello and Michael G. Malloy, was outstanding and greatly assisted the panel members in preparing for this assignment. Also, their assistance and cooperation during the panel's on-site investigations were most helpful.

The panel members' preparation of the report on site was made possible by the unflagging work of Jane Angel, Diane Williams, Carelyn Caldwell, and Debbie Doell.

The panel also expresses its appreciation to the over 70 community and business leaders for their cooperation in meeting with panel members during the on-site deliberations. Their participation enabled the panel to base its recommendations on accurate and timely information.

# PANEL MEMBERS

Charles F. Seymour, Chair  
Chairman and CEO  
Jackson-Cross Company  
Philadelphia, PA

Michael L. Bobrow  
Bobrow/Thomas and Associates  
Los Angeles, CA

Leighton H. French  
Principal  
French and McKenna Company  
Irvine, CA

James Goodell  
Principal  
The Arroyo Group  
Pasadena, CA

David N. Goss  
Director, Urban Development  
Cleveland Clinic Foundation  
Cleveland, OH

James B. McComb  
James B. McComb and Associates  
Minneapolis, MN

Donald E. Megathlin, Jr.  
Special Assistant to the President  
Beth Israel Hospital  
Boston, MA

James E. Ratner  
President  
Forest City Development Corporation  
Cleveland, OH

Joseph Straus, Jr.  
Senior Executive Vice President  
Straus Greenberg Company, Inc.  
Philadelphia, PA

William J. Waldron, III  
Vice President  
Chase National Corporate Services, Inc.  
Los Angeles, CA

Richard C. Ward  
Principal  
Team Four  
St. Louis, MO

## ULI STAFF

Jerry S. Church  
Senior Director, Advisory Services

Eric Smart  
Senior Associate, Research





Panel members Goodell and Goss are aided during site tour.



# PANEL'S ASSIGNMENT

Since 1959, the Medical Hill area has been pinpointed by the city of Oakland for development as one of the United States premier medical centers. In 1981 the city proposed a program of mixed use development with private sector leadership spanning the three hospitals, three skilled nursing facilities, associated services, and some 450 medical practitioners on the Hill. Located at the busiest freeway interchange in northern California and with adjacent Bay Area Rapid Transit (BART) service, the Hill is at Oakland's transportation crossroads, reaching far into the eastern parts of the Bay Area.

The Merritt Peralta Medical Center (MPMC), representing the merger of two of the Hill hospitals, is committed to developing a plan for its own future and for the surrounding area. In 1983 an overall strategy plan was prepared, followed by parallel efforts to plan a program of developing health services and to prepare a master site plan for the Hill community.

The ULI panel was asked to review the master plan for its realistic development

potential, its strengths and weaknesses, and its implementation. This included two major elements: (1) specific medically related projects and (2) general land use concepts.

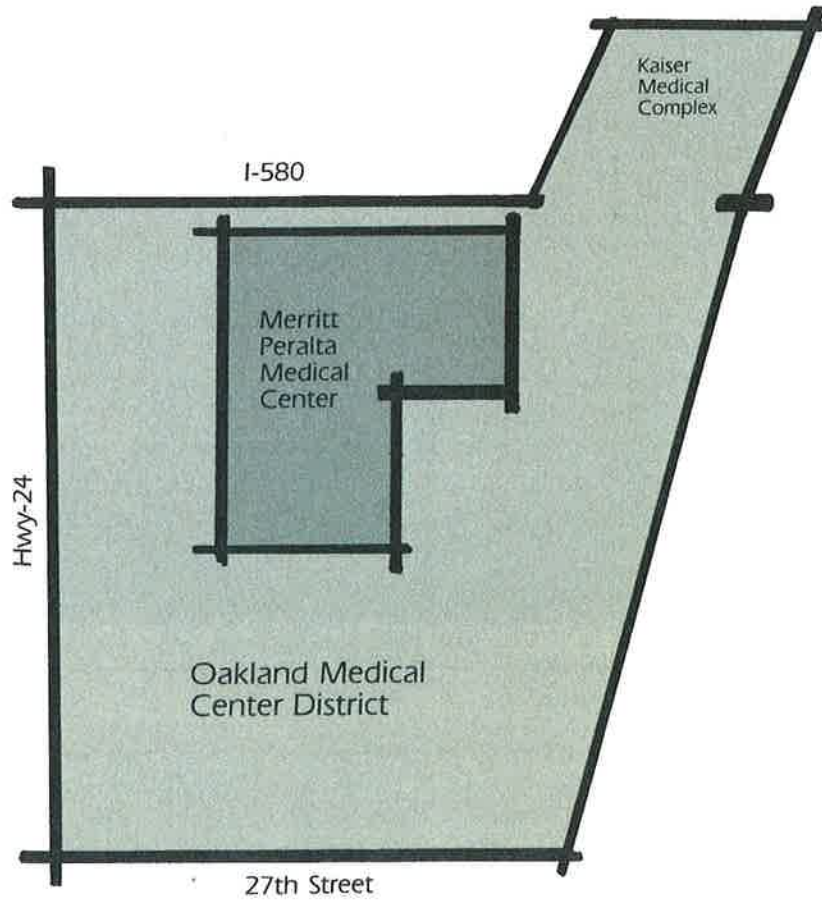
The panel divided the more specific questions into three areas: (1) demand and economic analysis; (2) land use and design; and (3) marketing and implementation. For purposes of reporting, the panel further divided the questions into two sections.

- o First is the medical uses section, particular to continuing development at MPMC, termed the micro-dimension of the study.
- o Second is the other medical and nonmedical uses section, covering the large Medical Hill area, or what the panel has called the Oakland Medical Center District. This is the neighborhood within which MPMC is located for the macro-dimension of the study.



Panel member McComb confers with MPMC's Thompson.

PANEL REPORT MAKES AREA DISTINCTIONS



# FINDINGS, CONCLUSIONS, AND RECOMMENDATIONS

The panel's investigation found that the published master plan, particularly the 27-page version given fairly wide distribution, had either created or added to a whole series of community-relations problems which must be overcome before any meaningful macro-plan can be completed and implemented. The very preliminary-sketch plan of the area, meant for discussion purposes, was so beautifully packaged as to appear to be much more definitive than it is. Both the summary report and prints of 1984, 1990, and 2004 versions of the plan for the macro-area are all, most unfortunately, titled Merritt Peralta Medical Center and not Medical Center Hill Area or Oakland Medical District, thus creating an impression that MPMC intends total control. This perception does not sit well with all of MPMC's neighbors.

The panel, therefore, believes that the plan, like this report, should not be a single

plan but should be divided into two sections. First Merritt Peralta should continue to study its own needs and perfect a viable master plan for MPMC, keeping in mind that Providence and Kaiser hospitals will be doing the same. Portions of this plan may be kept confidential until key properties are acquired. And, since obviously there is strong competition for properties on the Hill, MPMC should keep an up-to-date, current plan showing not only its ownership, but that of other major landowners as well.

Second, the upgrading of the Medical Hill neighborhood must also be addressed. However, before a plan can be adopted, a process must be put in motion to involve all of the elements of the community. The second section of this report will speak both to this process and to some of the elements that the ultimate plan might contain.



View of Peralta Hospital from Telegraph.



## MERRITT PERALTA MEDICAL CENTER (MPMC)

### A. MARKET AND ECONOMIC FEASIBILITY: MPMC

#### Acute Care

The basic strategy for consolidating and upgrading acute care facilities at the Merritt Hospital site has been carefully researched by MPMC. The ULI panel affirms the need to consolidate all acute care facilities in a new Peralta Pavilion adjacent to the existing Merritt Hospital facilities, as well as to expand related parking facilities.

The panel concurs with the high priority placed on this action; however, it suggests that the scale and phasing of the facility development program for acute care be modified in accordance with the contingency stated in the master site plan and in response to the bed-need forecasts prepared by MPMC staff rather than the NBBJ Group's projections. The assumptions used by MPMC staff should be realistic with regard to changes in community demographic patterns, in systems of health care

delivery, in the relationship of acute care to ambulatory care, in payment and reimbursement systems, and in the competitive alignment of Bay Area hospitals. In light of these trends, MPMC faces a significant challenge just in holding its present market share of acute care services. To do so should be certainly regarded as success.

The panel specifically questions, however, the underlying assumption of the full 144-bed Peralta Pavilion program. This program anticipates a 10 percent increase in the share of the East Bay market captured by MPMC and a 25 percent increase in MPMC's share of the Contra Costa market.

The panel urges that the projected short-term declines and then an evening out of patient day demand be the parameters used for facility planning. The proposed 144 bed first phase of the Peralta Pavilion requires a 150,000 patient days per year compared to the 122,000 projected to 1990. The panel suggests retaining the original program's suggestions for the basement and first floor in a new Peralta Pavilion; the panel suggests modifying the program so that the second and third floors of the pavilion building be 36-bed nursing suites, and that a fourth floor be roughed in





MPMC PATIENT DAYS & BED NEED FORECASTS

	<u>1983</u>	<u>1086</u>	<u>1988</u>	<u>1990</u>
Patient Days	123,576	119,346	120,894	122,440
Total Bed Need @ 80.5%				
Occupancy	458	406	411	417

or provided as hollow space to allow for the addition of 36 more beds some time in the future.

The panel suggests further that the structure of that facility allow MPMC in time to respond to the higher demand projections, if they do emerge: in short, allow for construction of a fifth through seventh floors of 36 beds each. Adding 72 beds in the basic Peralta Pavilion addition provides for a total bed capacity of 392. The ability to finish the fourth floor would take that number to 428; adding the additional two floors, the fifth and sixth floors, can take it to as many as 500 beds.

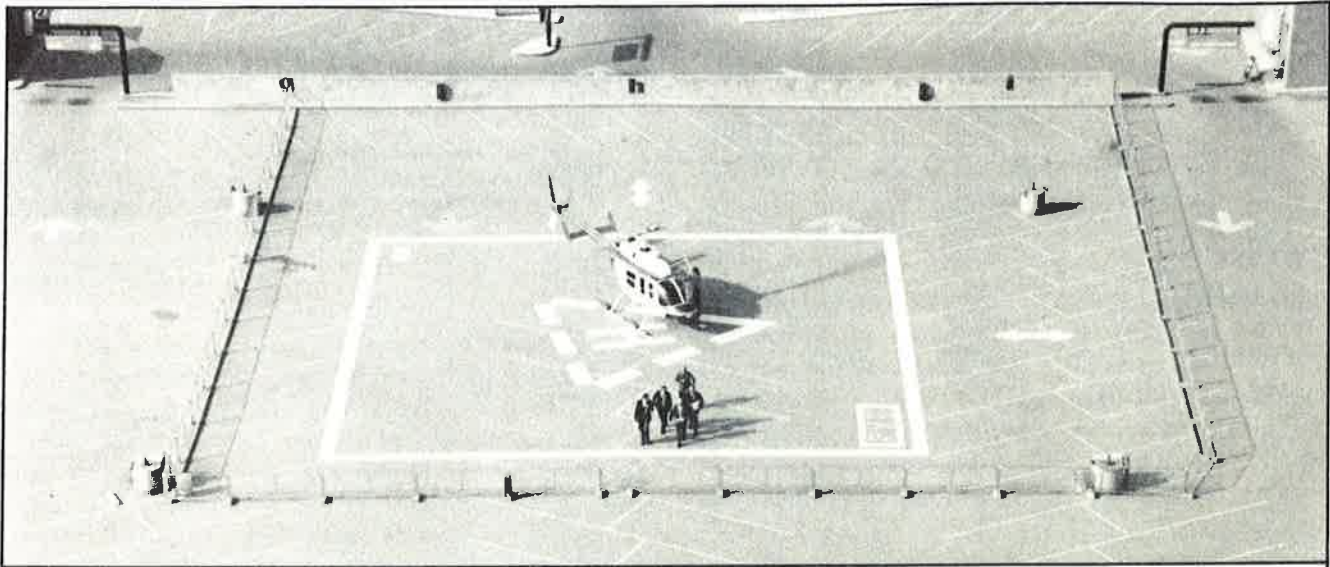
This would be a prudent, realistic development program for these facilities for acute care, yielding an important cost savings of an estimated \$14.7 million. A reduced parking program, from about 900 to 600 cars, could yield about a \$3.2 million savings, resulting in a total of almost \$18 million in savings. Deducting the \$18 million from the \$73 million price for the 144-bed facility, combined with outpatient care improvements, would reduce the program to \$55 million. The panel thinks that the financial projections can benefit from the reduced cost estimates as well.

MODIFIED PERALTA PAVILION BED CAPACITY

Existing Merritt Facility	320 Beds
Basic New Peralta Pavilion	<u>72 Beds</u>
Initial Phase, Total Beds	392 Beds
<u>Plus</u>	
Interior Finish of Fourth Floor	32 Beds
Shelled Space	<u>          </u>
Intermediate Phase, Total Beds	428 Beds
<u>Plus</u>	
Potential Vertical Addition of Fifth and Sixth Floors	<u>72 Beds</u>
Potential Total Beds	500 Beds

ESTIMATED COSTS SAVINGS

144 Bed Peralta Pavilion	\$49.0 Million
72 Bed Pavilion at 70% Cost	<u>34.3 Million</u>
Pavilion Cost Savings	\$14.7 Million
Related Parking, 900 Cars	\$11.4 Million
Reduced Parking for 600 Cars	<u>8.2 Million</u>
Parking Costs Savings	\$ 3.2 Million
TOTAL COST SAVINGS	<u>\$17.9 Million</u>



Panel members return from aerial overview.

#### Outpatient Diagnosis and Treatment

The plan for development of a major new concentration of outpatient services through the conversion of the Peralta Hospital west wing and ancillary services building is well-conceived. Steady but modest growth, which is projected for the variety of procedures and services included in this area of activity, appears to be quite realistic. Most important, it represents a response to a strong and increasingly well established trend in the delivery of health care service.

The existing Peralta facilities are well-situated to accommodate outpatient services. It is an advantage that it is not within the main acute care setting of the Merritt Peralta hospital. In this way the outpatient services area will not contribute to the inevitable congestion of the hospital setting, and it can relate more independently to physicians and patients with ties to Providence Hospital as well as to Merritt Peralta. Also, the site on 30th Street is convenient to the offices of some 300 physicians in the several blocks to the immediate south. Many of these doctors are the primary care physicians who should be the major admitters/users of the outpatient treatment facilities.

Finally, the \$12.8 million price tag appears justified for the scale and quality of

the planned facilities. Outpatient revenues are projected to be about 20 percent of those to be generated by inpatient facilities. The \$12.8 million expenditure will yield a largely new facility in a renovated structure. This compares to the need to expend about three times as much to increase the marginal capacity of acute care facilities by about 25 percent.

#### Consumer Health

Like the program for development of outpatient facilities, the plans for addressing consumer health care needs are well-founded both on the recent experience of Merritt Peralta and on emerging trends within the health care industry. Therefore, the ULI panel strongly endorses that element of the master plan which provides for improved and expanded facilities to accommodate these programs, including:

- o Occupational Health/Rehabilitation/Sports Medicine: Construction of a new facility planned on medical center-owned land at 34th Street and Telegraph Avenue;
- o Behavioral Medicine/Self-Care Center: Incorporation of center into the ground level of the planned Children's Home Society medical office building at Telegraph and Hawthorne Avenues;

- o Chemical Dependency: Relocation (to accommodate the Center for Excellence) of services to a converted medical office building on 29th Street with expansion from the current 30 beds to 40 beds initially and ultimately to a potential of 60 beds.

The absence of a capital budget or income/expense projection for each of these preceding program elements in the master plan suggests that these will be independently financed from revenues generated by each facility. The panel endorses this approach.

#### Medical Offices

The demand factors and strategies for addressing the resulting need for modern, convenient physicians' offices have been carefully assessed in the master site plan. The ULI panel endorses the conclusions and recommendations of the study, with the following qualifications:

- o Development of the first new medical office building should be undertaken jointly, generally as proposed by Victorian Associates, on the site at Webster Street and Hawthorne Avenue. However, actual development should proceed only when 50 percent or more of the space has been preleased. It should be kept in mind that the facility will likely appeal to specialist physicians who are on the staff of both Providence and Merritt Peralta. This is no minor issue because everything MPMC does outside its own acute care facility relates to doctors who are interacting with the rest of the region's medical community.

- o Consideration should be given to retaining and the consolidating physicians' offices located to the south of 30th Street rather than concentrating all new medical office buildings along Hawthorne Avenue. It is notable that this area is particularly accessible to the Merritt Peralta



outpatient facility and offers personal investment opportunities for area physicians. Also, there may be architectural qualities of certain older office buildings that are attractive and comfortable for both doctors and patients.

#### Skilled Nursing Care

From the evidence presented in the master site plan, additional skilled nursing facilities will not be justified until after 1990 because of the availability of a sufficient supply of such facilities within the larger service area. While recognizing this market reality, the ULI panel suggests that the demand and supply of skilled nursing facilities be carefully monitored to identify opportunities to provide additional nursing care facilities in the medical center area. In other words, the demand will probably grow but expansion may not be required within the next five to 10 years.

#### Center for Excellence

The potential for development of a heavy-ion accelerator dedicated to cancer therapy and medical research is a most exciting and visionary aspect of the master plan. The concept for its funding, joint development, and management with Lawrence Berkeley Laboratories has been carefully thought out. Likewise, the benefits of this facility to Merritt Peralta, to the Hill area, to the city of Oakland, and to the greater San Francisco region would be most significant. For these reasons, the ULI panel strongly endorses this element of the plan and suggests that it be given the highest priority for implementation.

#### Health Education Center

The new Health Education Center, which will be completed in December 1984, appears to be based on sound marketing principles. It will serve the existing needs of the Samuel Merritt Hospital College of Nursing while creating the opportunity for outreach programs with medical, higher education, research, and community interests in the Bay Area. This should help to reinforce the image and reality of Merritt Peralta as a multidimensional medical center.

## B. LAND USE: MPMC

The purpose of the Merritt Peralta master plan is to identify a tight, cohesive area that can serve as a unifying force in identifying a campus for Merritt Peralta. The attempt of this land use plan is to physically identify a medical campus that allows for growth.

It is not necessary to have a 1990 plan and 2005 plan. The emphasis of this plan is on incremental development and flexibility. The Merritt Peralta master plan deals with those areas that are already under the ownership of Merritt Peralta, are under negotiation, or should be considered for future acquisition.

The area is bounded generally on the east by Summit and Webster Streets, by Interstate 580 on the north, by Telegraph Avenue on the west, and 30th Street and Hawthorne Avenue on the south. All hospital uses, except for the chemical dependency program, which is residential, should be located within this perimeter. Existing facilities include the Merritt Peralta facilities, the College of Nursing, and the Health Education Center.

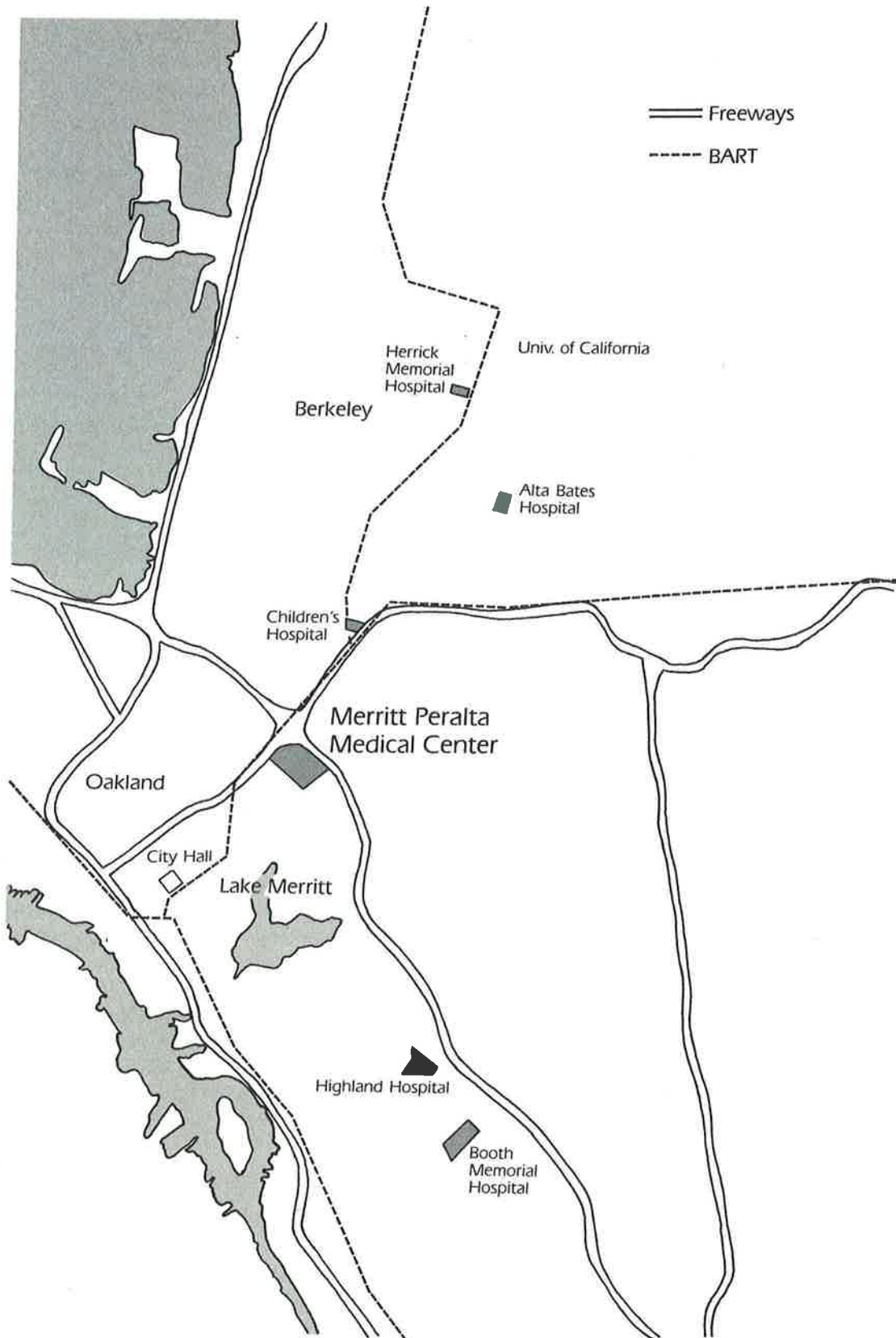
#### Existing Campus

New Pavilion and Parking Garage Facilities. Specifically, the panel concurs with the consultant's recommendation to construct a new patient tower on the site of the existing parking garage. This wing will connect with the floors of the Merritt's west wing as well as the south wing. However, due to the constraints already discussed, it is suggested that Merritt Peralta pursue a modified, less expensive version totaling 428 beds. The recommended 600 parking spaces should be constructed in the new garage that would be connected by a second-level pedestrian connector to the hospital. Furthermore, subsequent studies should aggressively pursue other options that may accomplish functional arrangements at a lower threshold of costs. The hospital should continue to explore pavilion options that leave the existing parking garage, which would save millions of dollars.

Related Medical. Within this planning district would be the conversion of the



OAKLAND/BERKELEY MAP





Panel members conducting interviews.

Peralta's west wing and ancillary building to outpatient diagnosis and treatment. The costs of the outpatient center are estimated to be \$128 million. This facility can maintain a strong tie to the medical office buildings. Outpatient activity has continued to grow at Merritt Peralta and this continued investment can create a further market base for hospital services. The recommendations for the sports medicine/occupational health, consumer health care, and other services all fall within the existing property of the Merritt Peralta campus.

Research. It is extremely important that Merritt Peralta increase and provide for research facilities. As such, the collaboration with Lawrence Berkeley Laboratories and the heavy-ion accelerator is extremely important. If approved by the National Institutes of Health, a Center for Excellence would be located on Hawthorne Avenue. This facility would have 100 patients a day. This \$70 million facility, plus \$70 million for operational costs for five years, illustrates Merritt Peralta's attempt to enter into research in a major way. This medical research facility, if funded by Congress, will be one of two such facilities in the United States and will represent an enormous entry by Merritt Peralta into the medical research field in conjunction with a famous research laboratory.

Medical Office Building. The 91,000-square-foot Victorian Associate's medical office building at Hawthorne Avenue and Webster Street is sound and should be implemented as previously discussed.

Hotel. It was proposed in the original master plan that the main tower of Peralta Hospital be renovated for hotel use. The renovation, estimated to cost \$5.7 million, could provide between 130 to 150 commercial rooms. The panel feels there is no demand for a commercial hotel at this location. In addition, the building has below-level minimum dimensions for a hotel. The renovation costs for the Peralta building dictate a room rate well above what is likely to be supported by the medically related business envisioned. However, if the Center for Excellence is approved, and if the center meets its expectations, then a modified version on a smaller scale, say 70 or 75 rooms, might be acceptable in a nearby location. Alternative suggestions for the Peralta building include elderly housing, extended care, and personal care housing.

#### Future Medical

MPMC development is severely constrained from future growth due to ownership, topography, existing buildings, and physical barriers such as interstates. But clearly



Mixed commercial uses along Telegraph.

growth is a main goal. Access to Broadway is important visually. Also, parking is needed on the east side; a planned parking garage will become more important with growth in this area.

To the west, major medical center growth should occur to Telegraph Avenue. The hospital is already attempting to buy parcels of land as it becomes available. The hospital should pursue an aggressive acquisition policy. The present uses consist of commercial services, medical office buildings, a day care center, and residences. There are some 20 parcels of property. Once acquired, on-site parking could be an interim use until medical plans are prepared. Acquisition of these parcels will provide MPMC with a good campus of sufficient size to become the outstanding medical center of the East Bay and beyond.

Acquisition of residential areas south of 30th Street or west of Telegraph Avenue for medical technology should not be pursued at this time. The area west of Telegraph Avenue is proposed for residential conservation. The area south of 30th Street should not be considered for any acquisition except for the chemical dependency program.

## C. MARKETING: MPMC

### Merritt Peralta Marketing Image

To discuss a marketing strategy for the Merritt Peralta plan, there must be improved clarity concerning what image the MPMC wants to communicate. One of the problems identified by the ULI panel is that MPMC currently has many different community images, including:

- o High-technology medical complex
- o Tertiary care center for the East Bay region
- o Health care provider for the rich/white population
- o A "caring" health care provider
- o An economic force in the community
- o A reactive "bottom-line"-oriented business
- o No community image

To facilitate marketing of the MPMC within the context of the proposed plan, it is recommended that the image of the center should be that of a "leading edge" medical technology center that provides a comprehensive array of health care services to all persons within a consumer-oriented, caring environment.



It is not recommended that the MPMC attempt to become the "tertiary care mecca" of the East Bay region. Other health care providers in the region (for example, John Muir and Alta Bates) are capable of providing most of the same tertiary care services as MPMC. Hence, this aspect of the center's program does not provide a unique marketing advantage. However, the proposed plan does provide several opportunities for promoting the recommended image:

- o The heavy-ion accelerator project is a potential one-time opportunity to establish MPMC as the predominant medical technology center in the East Bay region. Therefore, high priority should be given to ensure that this project receives the necessary federal financial support and is implemented as soon as possible. The panel believes that the successful implementation of this project will stimulate other medical technology opportunities that will allow Merritt Peralta to maintain its "leading edge" image in the community.
- o The implementation of the consumer health care services package provides the potential to market MPMC as a provider of a comprehensive array of health services to a variety of new, potential users. In addition, this package provides the

opportunity to promote MPMC as a pro-active, "caring" institution that is concerned with the health and well-being of all persons residing within its sphere of influence.

- o The Health Education Center could be utilized to help promote the "leading edge" medical technology center image by establishing a series of seminars and conferences, featuring prominent local and national medical researchers and physicians, that would relate directly to existing and proposed services offered by Merritt Peralta.

The panel is impressed with the importance of Merritt Peralta as a major employer and economic force in the community. It finds, however, that this importance is little-known outside Merritt Peralta. A special public relations program is suggested to convey this importance to the public and particularly to the city of Oakland's administration and elected officials.

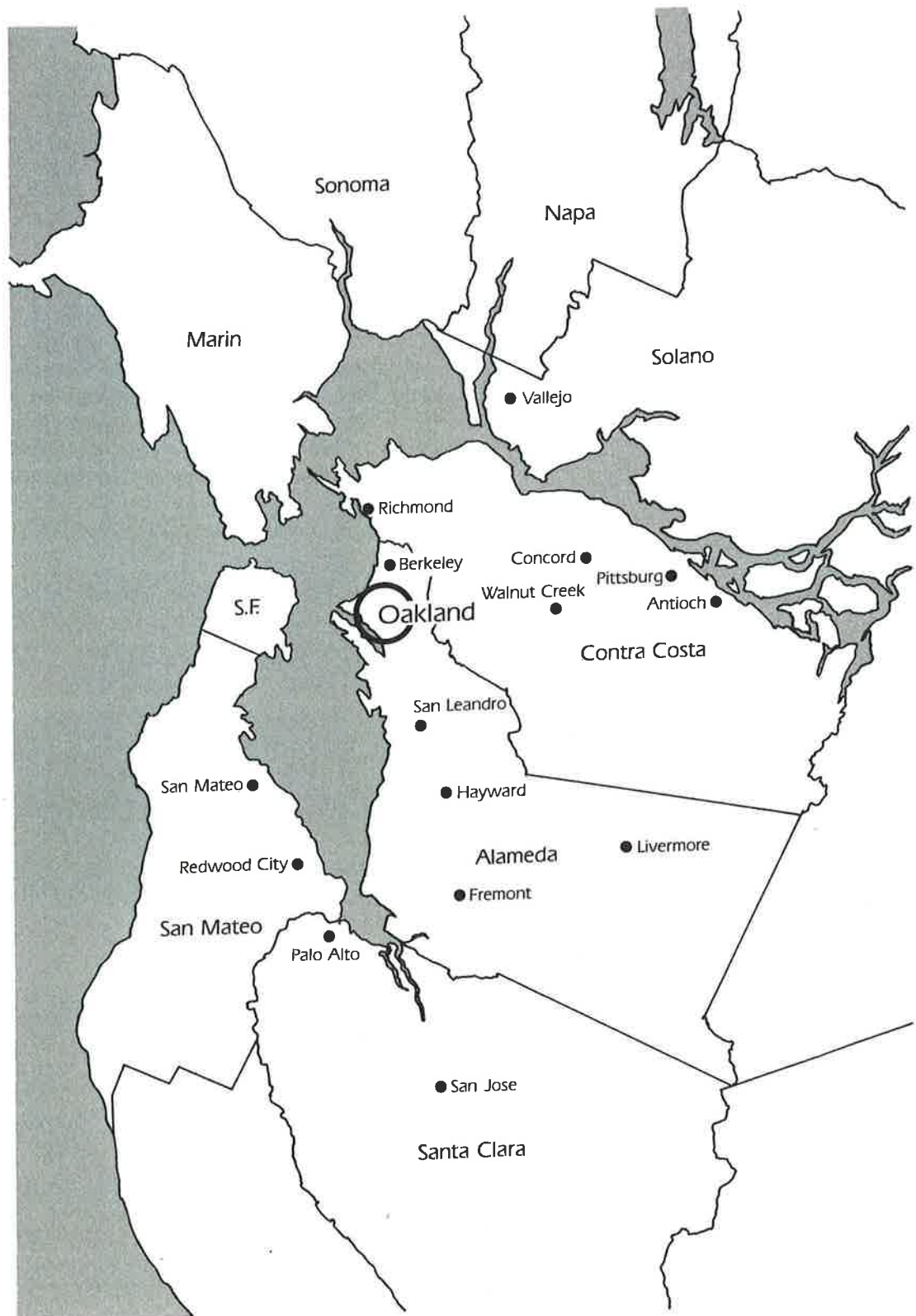
Key Markets. The ULI panel generally concurs with the MPMC strategic plan goal that the target population for the center should be elderly, mature adults (aged 45 to 64 years), adults (aged 30 to 45 years), women of child-bearing age, and employees of local businesses.



Panel members Megathlin and Straus during work session.



PRINCIPAL SERVICE AREA COMMUNITIES



For marketing the acute care and outpatient facilities, it is strongly recommended that the geographical market focus be within Alameda County, with particular emphasis on the city of Oakland and the southern portion of the county. Given the existing and projected competition within Contra Costa County, the panel does not believe MPMC can penetrate the acute care and outpatient markets well enough to justify a major marketing effort within Contra Costa county. Merritt Peralta should receive more benefit from marketing to its traditional acute and outpatient markets.

It is recommended, however, that both the Contra Costa and Alameda markets be the focal points of a major marketing effort to promote the various consumer health services. Because other health care institutions in the area are not currently aggressively providing and promoting these types of service, MPMC has a unique opportunity to capture new clients by emphasizing preventive health care.

The heavy-ion accelerator project and programs of the Health Education Center should be marketed to as wide a target population as possible to improve the local, state, and national image of Merritt Peralta.

## Marketing Strategy

### Acute/Outpatient Care:

- o Primary focus should be on capturing new market share from Kaiser in Alameda County. This can be accomplished by aggressively marketing the HEALS health maintenance organization (HMO) and the Hill Health Care Corporation to local businesses, emphasizing the cost efficiency and comprehensive service attributes of the MPMC program.
- o In instances where special tertiary care services are offered at Merritt Peralta that are not offered by certain Contra Costa health care systems, special marketing efforts might be initiated with selected Contra Costa employers. If this limited approach proves successful, a more comprehensive employer marketing program might be initiated.
- o Consideration should be given to providing additional Medical Express Centers at strategic locations throughout Alameda County to improve access to Merritt Peralta outpatient services.



Goss making presentation.

- o Promotion of the acute and outpatient services of Delta Memorial Hospital to applicable markets in northern Contra Costa County should begin.
- o As Merritt Peralta's ambulatory surgery capacity improves, as a result of the implementation of the new outpatient facility, this service should become a major feature of the marketing package.

Consumer Health Services:

- o Where applicable, satellite occupational health services and fitness, sports medicine, and behavioral medicine programs, should be established throughout the two-county area to improve access to Merritt Peralta's preventive services. Also consider incorporating these programs within existing Medical Express Centers, where appropriate.
- o These satellite facilities could also be used to assist in marketing acute and outpatient services in nontraditional market areas.
- o The joint venturing of satellite centers in Contra Costa County with John Muir and other health care institutions should be considered to take maximum advantage of market penetration in the county and to spread the financial commitment and risk. If successful, this precedent could lead to other joint venture opportunities with these entities.

Heavy-Ion Acceleration Project:

- o A new identity for this program needs to be formulated that promotes its function as well as its high-technology image. The term Center for Excellence received substantial criticism from a number of the panel's interviewees. It may well be too general to be used effectively for marketing purposes.
- o This project should be made a major focal point of all Merritt Peralta marketing efforts to promote the "leading edge" technology center image.

- o Merritt Peralta should constantly explore new technology venture opportunities, which will undoubtedly spin off from this project, to continuously enhance MPMC's high-technology image.

Health Education Center:

- o Incorporation of the proposed University of California's Extension Division into this center's building should be considered. This would increase the utilization of the facility and bring prospective clients directly to the medical campus.
- o This facility has been criticized by several Merritt Peralta physicians. However, if properly marketed, it could be a major asset for Merritt Peralta.

**D. IMPLEMENTATION: MPMC**

Organizational Issues

Merritt Peralta must, obviously, be the lead agency for the implementation of the proposed master plan. However, there are two types of joint ventures that must be continuously pursued to enhance the marketing potential of the resultant health care delivery system and to obtain financing for priority programs.

- o Coalitions of Hill physicians and facilities focused primarily within the Hill: These types of coalitions also will eliminate the duplication of equipment and the unproductive competition that currently exist on the Hill, caused, primarily, by a lack of physicians' confidence in the ability of Merritt Peralta to respond to their needs.
- o Joint ventures with other health care institutions in nontraditional new marketing areas such as Contra Costa County: These ventures could be especially important in expanding the consumer health services package throughout the region.

## Phasing

Top priority attention by the Merritt Peralta administration and trustees should be given immediately to obtaining the necessary federal grant for implementing the heavy-ion accelerator project. This effort is envisioned as the keystone project for the entire plan. Because this project will utilize land currently occupied by the Chemical Dependency Recovery Hospital, a related high priority must also be given to relocating this facility to its proposed new location at the McClure Nursing Home site.

As a second-level priority, implementation activities should begin immediately on the consumer health services facilities to take maximum advantage of a "window of opportunity" that currently exists due to the lack of aggressive competition.

Third priority should be given to developing a comprehensive education and training program for the new Health Education Center. This facility is an important marketing asset that should not be allowed to be underutilized during its start-up phase.

The fourth priority is to obtain the necessary financing so that the proposed Victorian Associates' medical office building and related parking can be constructed to eliminate the anticipated near-term shortage of adequate medical office space.

Because of the current uncertainty of the demand for the proposed acute care and outpatient service facilities, it is impossible to establish a phasing priority for these important projects. However, this should not curtail the initiation of an aggressive Alameda County marketing program to attract additional acute care users and outpatients by using the HEALS HMO and the Hill Health Care Corporation, improving existing product lines, and developing new acute care programs.

## Other Implementation Strategies

- o A critical element to the successful implementation of the Merritt Peralta plan is obtaining physician input (especially the younger, high-technology-using

doctors) into the decision-making process. A general impression has been received that Hill physicians do not know what is going on at Merritt Peralta, and this creates unnecessary anxieties and distrust. A committed physician group could be the best marketing tool for the center.

- o Before final decisions are made about the acute care and outpatient facilities/programs, health care experts should be brought to Merritt Peralta to discuss future trends in the industry with administrators, trustees, and physicians. This should help ensure that the selected programs are pro-active in content rather than reactive to current trends in the industry.
- o One MPMC staff person should be responsible for implementing the Merritt Peralta plan. This person would also secure the necessary physician input and involvement in the process.
- o More information about local competition must be found immediately. Because of limited resources, the center must be selective in its major product lines. Also these product lines should be market-driven, not totally reflective of the existing MPMC and Hill physicians' capacities and desires.
- o Health Ventures, Inc., should remain as a focal point for implementing innovative health care delivery businesses that provide new sources of revenue to the center and for creating programs and services that enhance the desired image of the center throughout the region. In addition, physicians must be provided opportunities to be active financial partners in these business ventures. This is an important aspect of obtaining a coalition of committed medical practitioners within the Merritt Peralta environment. However, a more aggressive program of soliciting private seed and venture capital resources must also be undertaken to assure adequate financial resources for desired new ventures.



## **OAKLAND MEDICAL CENTER DISTRICT (OMCD)**

Whereas the creation of an Oakland Medical Center District (OMCD) departs from Merritt Peralta's original plan, the panel believes the district and the program described will achieve Merritt Peralta's primary nonmedical objective--development of the Hill and its environment in a controlled, compatible manner. Successful development of the Oakland Medical Center District depends completely on Merritt Peralta's forging of a very different set of relationships with crucial local institutions and interest groups.

The weakness of the plan proposed to the ULI panel, and in the opinion of almost all of the individuals interviewed, is the process by which it was determined. Neither natural allies such as elected city officials and appointed staff, nor obvious potential adversaries such as Providence Hospital and local community groups were adequately consulted during the plan's preparation leaving Merritt Peralta exposed as the lightning rod for all potential opposition. The panel's concerns, therefore, in the discussion of the Oakland Medical Center District are directed more at implementing a process than at outlining a specific plan.

### **A. DEVELOPMENT PLANNING: OMCD**

Although the panel found a generally positive attitude about development of the Hill, the absence of a consistent and sustained political communication and education program has created an atmosphere not conducive to enhancing Merritt Peralta's relationship with the broader community. The hospital currently appears to lack a staff member with demonstrated skills and experience in negotiation and community relations, both of which are vital to the center's effective participation in any coalition. An individual with these abilities should be installed immediately as Merritt Peralta's link in the redevelopment process.

Rather than acting as sole initiator of all actions for nonmedical development, Merritt

Peralta should become one of many groups influencing the patterns of development. Only if viewed as a product of a broad community consensus can the eventual redevelopment plan pass over the political hurdles in its path.

The major assumption underlying the implementation program is that the existing plan is only suggestive. As long as generally acceptable land use designations are agreed upon, the priorities and timing, and hence, the addition or deletion of any single or group of nonmedical development uses, present no major threat to or adverse implications for Merritt Peralta's primary medical mission.

The hospital must meet with legitimately interested groups, both before requesting official designation of this redevelopment area and constantly throughout the formulation of the plan. These groups, and Merritt Peralta's current status with them, are as follows.

#### **Providence Hospital**

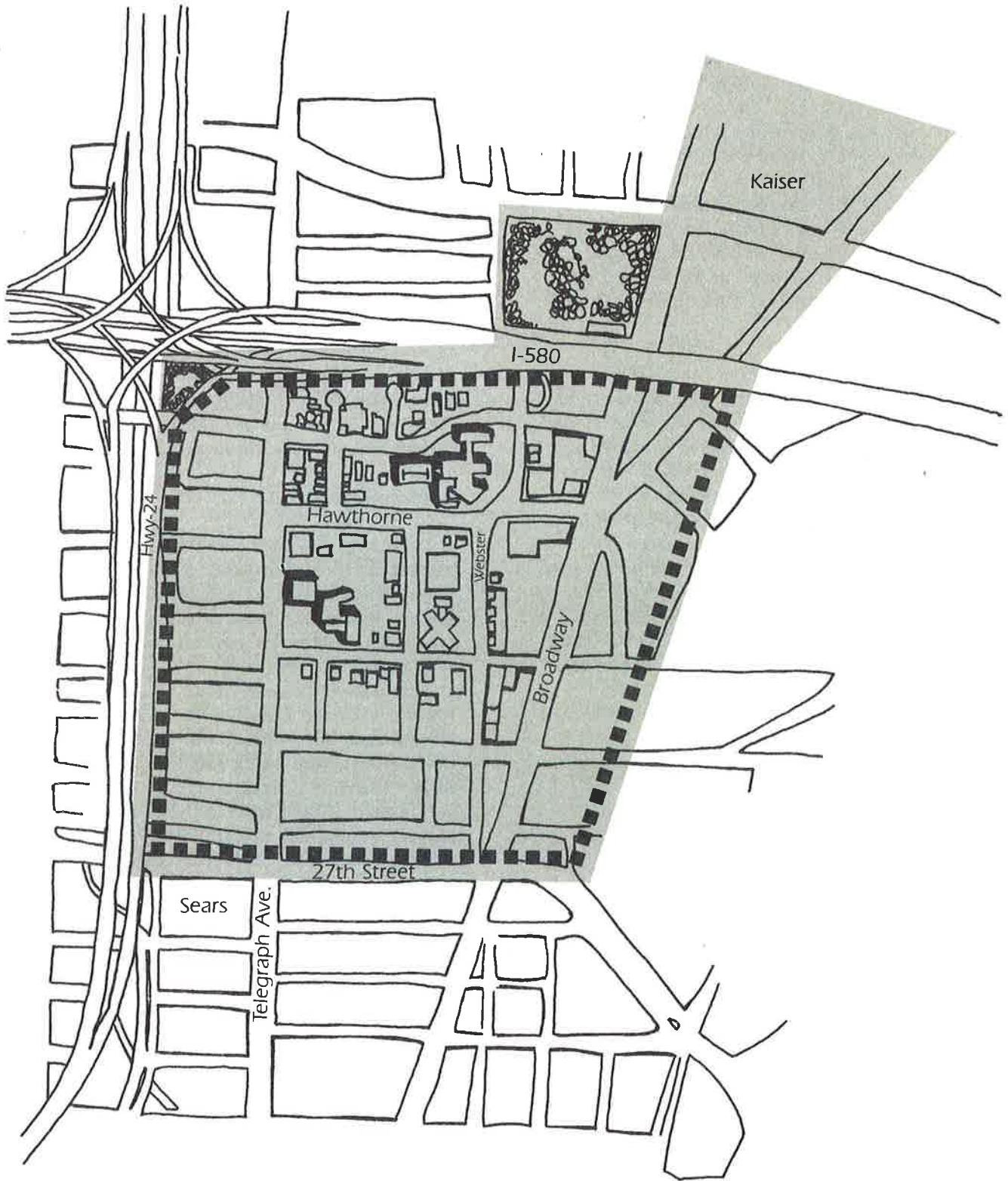
This is the most vocal and adamant opposition group and poses a great political threat unless it joins the process. Despite efforts by Merritt Peralta's staff, an almost complete breakdown of communication appears to have occurred. An effort will have to be made at the highest trustee level to establish liaison with the Board of Sisters of Providence. By assuring the Providence board that Merritt Peralta is not inextricably bound to any specific plan and will be only a participant rather than the sole shaper of the plan, Providence's concern about domination by Merritt Peralta may be alleviated.

The importance of constantly and publicly reaching out to the Sisters cannot be overemphasized because, in the event they refuse to join the process, they will not be able to claim that they were ignored, and the force of their potential opposition is blunted.

#### **Elected City Officials**

The mayor and especially the Oakland City Council are natural allies who appear, from the interviews, to be generally supportive of development on the Hill, despite a clear feeling of having been largely ignored during

PROPOSED OAKLAND MEDICAL CENTER DEVELOPMENT DISTRICT





New addition to Providence Hospital.

planning efforts to date. Merritt Peralta is fortunate that elected officials, who in any cities play to the loudest complainers, are so positively inclined about the program. Involving a broad coalition of neighborhood groups in the process should alleviate any lingering political anxieties of these officials.

For this group as well as for all others in the community a prime motive behind the process is the creation of jobs. That goal, which is notably absent in the rationale for Merritt Peralta's current plans, more than any other must underline the marketing of the process and will become MPMC's most important sales asset.

#### City Staff

The Office of Economic Development and the Planning Department will be the prime movers in determining the district's final plan and in convincing the council to accept the recommendations. The panel's interviews indicate that city staff have a positive

attitude about this process and would support finding methods of qualifying part of the Oakland Medical Center District as a blighted area. An indication of how uninvolved this group has been in the creation of the current plan is their ignorance of the most rudimentary items required for any redevelopment, such as a concrete count of the number of current jobs on the Hill and an analysis of current infrastructure.

#### Community Groups

A whole variety of local community groups will seek to be, and should be, brought into the process. Job creation will again be the primary focus for these groups. The fact that the names of the most important of these groups appear nowhere in the briefing book clearly demonstrates how completely the community representatives have been excluded from the planning process. Furthermore, inclusion of the Oakland Chamber of Commerce and similar business groups will lend legitimacy to the process and plan and will be critical to successful implementation because these



institutions will be asked to provide financial assistance through loans and participations.

#### Institutions with a Physical Presence on the Hill

These include churches, synagogues, and major business interests. Despite their ignorance of the plan and the fact that their futures will be so heavily affected by the adoption and implementation of the plan, representatives of these institutions reacted positively to development of the Hill. They should be brought into the process as early as possible.

Merritt Peralta should meet on a continuous basis with representatives from all of these parties during the redevelopment process. MPMC's representatives should clearly state to all concerned that Merritt Peralta's primary interest is in assuring that development occur in the Oakland Medical Center District, rather than defining what, when, where, and how such development does occur.

All institutions in the district, including all of the hospital's related care facilities, religious, and educational institutions will benefit from a common medical center district identity and common improvement strategy. The key components of the medical center district's plan will include:

- o A district-wide land use and development program to supersede current zoning and to guide future development decisions.
- o A redevelopment program to create the mechanism to stimulate and finance approved projects and improvements.
- o A specific implementation process for the program and plan.

## B. LAND USE: OMCD

It is apparent that a comprehensive approach to the problems of the Oakland Medical Center District is necessary. A district-wide land use and development strategy can supersede current zoning regulations. The panel has

identified five major land use categories that should form the basis of the redevelopment plan.

#### Medical

This category involves the acute care facilities and other major hospital facilities of the existing major hospitals, including Merritt Peralta, Providence, and Kaiser, and basically includes existing property ownership of those hospitals.

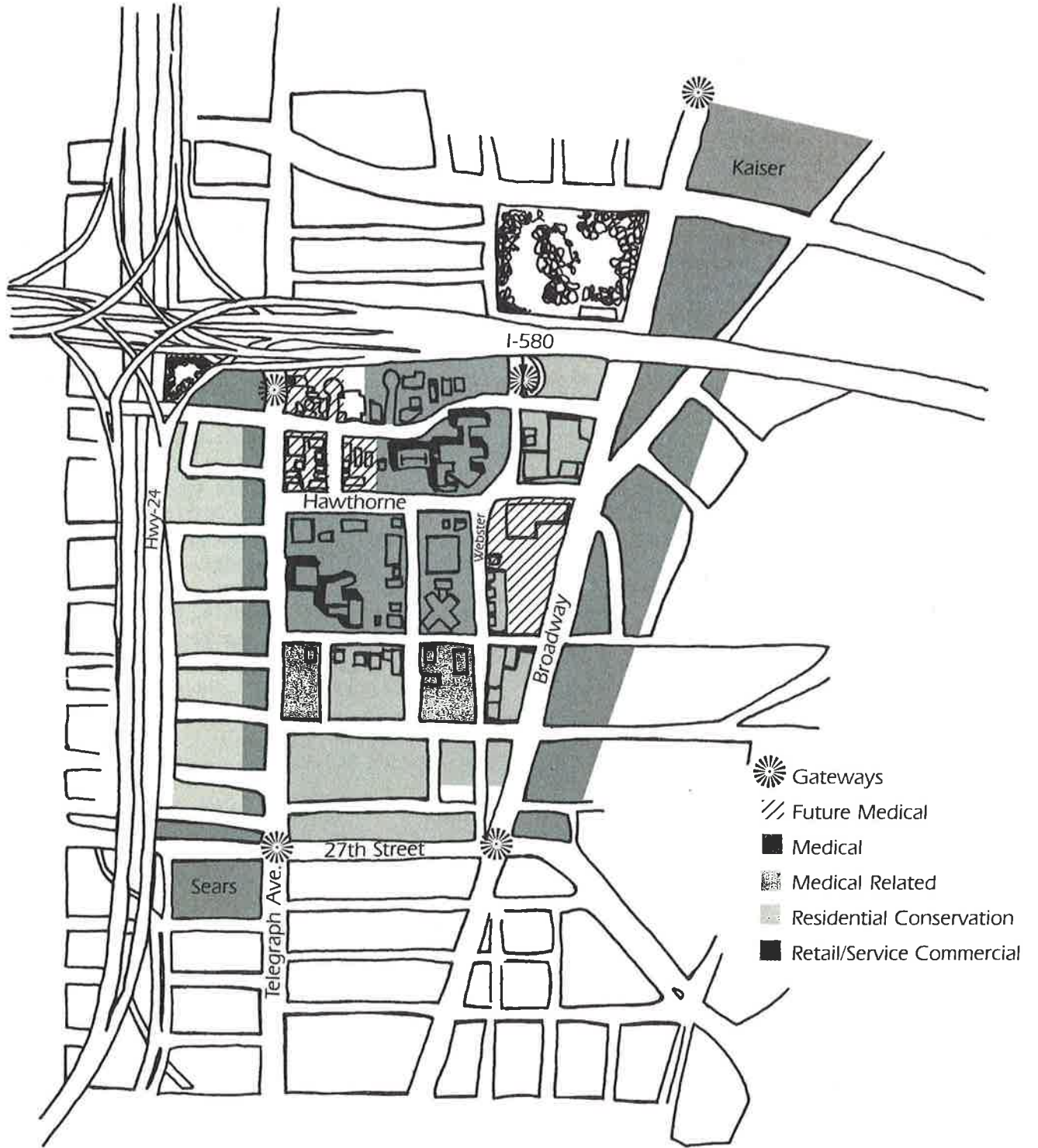
Future Medical. This involves areas of future medical expansion along Telegraph Avenue and Broadway. Merritt Peralta and Providence, do not have much frontage on the major traffic arterials; correcting this would accommodate that visual need. Since there are several charming Victorian properties within this expansion along Telegraph Avenue, consideration should be given to relocating these structures where feasible within the OMCD.

Medical Related. The uses envisioned south of 30th Street and north of Hawthorne Avenue include medical office buildings, apartments, and commercial uses. This area can also provide along parking, convalescent hospitals and homes, personal care housing, and skilled nursing and well elderly persons' facilities.

This is a stable area and, basically, any improvements would take place through the private sector. Hospital facilities should not be developed here. Nonconforming uses should be encouraged to find other locations. These include automobile and related facilities.

#### Retail/Service Commercial

This would include local service commercial, medical offices, car sales along Broadway, banks, retail establishments, restaurants, churches, and synagogues. Some good commercial uses are already buttressed by Sears. There are no basic nonconformities in this area. Over time, city efforts should be made to consolidate automobile seekers in a modern car sales district to optimize the city's automobile-related revenue potentials.



## Residential Conservation

This would include all of the single- and two-family residential housing, apartments, hotels, condominiums, and group housing to the west of Telegraph Avenue. This represents a needed housing stock, especially for the significant health care provider population which deems proximity to area hospitals important.

## Zoning

The new development plan should supersede current zoning.

## Public Improvements and Identity Program

The image of the OMCD can be improved in many areas to create a campus/district of singular identity. These improvements should be complemented by upgrading general infrastructure capacity (need to determine requirements), establishing a circulation plan to define automobile and pedestrian patterns, and attending to security considerations covering the entire area.

Hawthorne Avenue. Consideration should be given to creating a landscaped plaza along Hawthorne Avenue and possibly to widening the

street at the eastern end to give it an urban boulevard effect. It is important that Merritt Peralta be psychologically linked to Broadway and that visual access be provided. This is also an excellent location for off-street parking facilities and for the growth expected in the eastern part of the Merritt Peralta campus.

Gateway Signs and Fountains, Benches and Landscaping. Entrance signs to the OMCD are suggested at the intersections of 34th and Webster, Broadway and MacArthur, and Broadway and Telegraph at 27th and 34th Streets. An urban design consultant should prepare these public improvements in an attempt to better identify the area and its institutions. Emphasis should be placed on amenities, such as landscaping and benches.

Landscaped Urban Plazas. The original plan suggests a major plaza at Hawthorne Avenue and Webster Street. These improvements are necessary and would give Merritt Peralta a campus feeling. The panel concurs but does not think it need be that large, given the tremendous demand for land. Also a series of mini-parks, providing shade, seating, and other pedestrian amenities, should be scattered throughout the district and provided in conjunction with significant development or



The Panel recommends direct medical related frontage on Broadway.



redevelopment projects. Special efforts should be made to space the mini-parks at relatively short distances from each other to provide rest stops for elderly persons and others to overcome difficult topography.

## **C. SPECIAL MARKETS AND POLICY ISSUES: OMCD**

### Med-Tech

The creation of a viable medical technology (Med-Tech) development area will necessitate a continuing reinforcement within the private sector that the district is a "leading-edge" medical community. Involvement with the Lawrence Berkeley Laboratories and the location of the University of California's Extension Division campus would substantially reinforce this image. A continuous monitoring of the private sector for companies that could be more effective in obtaining their corporate goals by locating a portion or all of their operations in proximity to the medical center district is required. Individual company requirements could be met with outright land sales/leases and build-to-suit transactions involving developers or district-affiliated entities. After initial acceptance of the concept, speculative development should be promoted. Financing for these types of activities would follow conventional real estate practices.

The actual locating of a medical research park in the district is very exciting and alluring for Oakland, particularly since a medical research park does not currently exist in the Bay Area. Such a park can create considerable jobs and tax base, although it may also be beyond the district's reach. It is suggested that this type of use be handled by special permit in the retail service and commercial district and in the medical-related zone. The district should be prepared to encourage these uses, although land requirements may pose difficulties. The zone to the west of Telegraph should not be pursued at this time. In the future a research park at this location may become desirable and necessary.

### Medical Office Buildings

Medical office buildings are presently located in about 60 different structures and represent an inefficient use of land in an area of intense demand. Although nothing can be done about the 60 buildings already developed, some haphazardly, such development can be prevented or curbed in the future. It may be prudent to aggregate many of the small medical office structures into one consolidated building, resulting in demand for another medical office building of about 100,000 square feet. Such a facility, however, will require large land assembly, which will result, in turn, in possible vacancies of small and/or converted medical office buildings.

The gradual elimination of many obsolete medical office buildings can free up badly needed land. Economies of scale can allow for quicker diagnostic services within the buildings housing medical offices. A minimum lot size of about 10,000 to 15,000 square feet is necessary to ensure the proper development of office buildings and to prevent haphazard and underutilized development. Off-street parking requirements are also needed. Medical office buildings should be special permit uses in all three of the medical zones.

### Housing

The area suggested by Merritt Peralta for market-rate housing development is gradually being converted to medical office and medical-related space by the private sector. It is unlikely that this trend can be halted effectively. There appears to be a questionable demand for market-rate housing in the area at the present time, since other areas of Oakland are perceived as more suitable for this use. Although low and moderate housing could succeed in this location, there does not appear to be any compelling reason for its location in the district.

The existing housing, located west of Telegraph Avenue, is the logical portion of the development area to satisfy the potential need for a politically attractive residential increment. To upgrade these properties, this area could be incorporated within the redevelopment area, thereby possibly qualifying



Suggested residential conservation area between Telegraph and Highway 240.

for low-interest financing (mortgage revenue bonds) for existing owners, through the city's housing authority, to rehabilitate their own dwellings. Other potential forms of financing include community development block grant funds and commercial bank community-oriented subsidy (low-interest) loans. Initial catalytic investment by members of the MPMC may be required to assist in the initiation of a positive program of community improvement. Additionally Merritt Peralta should be prepared to purchase other properties as they become available, both to assure that this area evolves as a viable and attractive neighborhood and to offer a positive amenity for the MPMC and the OMCD.

#### Hotel

At present, there is an apparent low demand for overnight lodging in the medical center district. The construction of the Center for Excellence and the associated heavy-ion radiation treatment center will increase the demand for overnight lodging within the medical center complex. At that time, the medical center will need a lodging facility where rooms can be dedicated to support the heavy-ion treatment center. Based on the experience in other medical centers, the

lodging facility should provide rooms in the moderate-to-budget range of the lodging spectrum. Because of the need for a moderately priced lodging facility, the physical form of the hotel should be low rise, lowering construction costs and resulting in lower room rates.

Development of a lodging facility within the district should be delayed until funding has been approved for the Center of Excellence. Hotel construction and opening date should be phased to coincide with the opening of the Center of Excellence, and the hotel should be located on a site adjacent or convenient to the Center of Excellence. The site should be large enough so that the lodging facility can be a low-rise structure. The exact size and design of the hotel should be subject to a market study conducted at the time the hotel's construction is proposed. A national operator should be sought to operate the hotel. Preferably, this operator should have experience operating hotels in a medical environment.

#### Retail Development

Employees, patients, visitors, and residents of the OMCD will provide support for

retail businesses in the area. These retail uses should be located where they can capitalize on the purchasing power of the aforementioned groups and on the vehicular traffic passing through the area.

The Sears store, located at Telegraph Avenue and 27th Street, contains 150,000 square feet of gross building area and approximately 78,000 square feet of selling area. The store is one of the higher-volume stores in California and has a high proportion of better trade, according to its manager. However, this is viewed as an isolated phenomenon from Sears' point of view. Although the store is slated for remodeling and improvement, the priority for the upgrading or the capital budget involved may not be as great as indicated locally. Some modest satellite retail sites might possibly feed off the traffic generated by a revitalized Sears store; however, there does not appear to be a significant opportunity for specialty retail site of the 100,000-square-foot magnitude anticipated by the Merritt Peralta plan.

The city does not appear particularly supportive of a retail expansion that would detract from the retail areas located elsewhere in central Oakland. There may be an opportunity to consolidate or to provide better retail locations for existing neighborhood- and community-based shopping facilities that would be more consistent with city objectives.

The automobile dealers located along Broadway would like to relocate to buildings and locations more suitable for automobile dealership operations. The car dealers believe they cannot be relocated without public participation in the relocation process, because some of the franchise agreements limit the moves to within one mile of the present location. While the city staff appears supportive of the automobile dealers' efforts or interest in relocation, city policymakers do not see relocating the automobile dealers as a high priority. In addition, those governmental agencies with land available that could be used for automobile dealerships view the car industry as a low job generator and are not



Sears store awaiting remodeling.





Relocating the auto dealers along Broadway appears to be a low priority for the city.

anxious to have the dealerships relocated to the available area. The car dealerships do produce significant sales-tax revenues for Oakland.

The neighborhood- and community-based retail outlets that can be developed in conjunction with the district should be located along Broadway. These activities, which would primarily be convenience retail, restaurants, and associated destination retail, should be located in the ground-floor spaces of the medical technology or medical office buildings along Broadway. These uses can also be incorporated in the retail buildings vacated by the automobile industry. The amount, type, and timing of retail development along Broadway and around Sears should be confirmed by market studies. The primary focus for retail should be the relocating and upgrading of existing businesses in the area that can serve the district and yet retain the existing population-based clientele.

#### University Extension

As previously mentioned, the panel strongly endorses the concept of the University of California's Extension Division having a

presence in the OMCD complex. However, the Grant High School building may not be available for this purpose on an exclusive basis. Some sentiment exists in the Oakland Public School System that Grant be used as a medical technology school to prepare high school students and other community residents for medically related careers. Incorporation of this concept, if properly handled, should enhance the center's image as a good neighbor and a team player.

#### D. DEVELOPMENT PROGRAM: OMCD

Two concepts form a basis for the implementation of the development strategy described so far. These include the establishment of a redevelopment project area and creation of a development corporation. Taken together they should go a long way in establishing a campus environment for the Oakland Medical Center District.

#### Redevelopment Area

Establishing a redevelopment project area is perhaps the most important implementation tool available to stimulate development and

revitalization activity in the district. Properly implemented, it provides numerous potential benefits to the major institutions in the district and greatly enhances the likelihood of Merritt Peralta's district-wide development objectives being achieved.

Specifically, a formal redevelopment district designation enables Merritt Peralta to address its long-term facility needs, primarily through its ability to assist in projects if negotiations and all else fails. An established district can generate tax-increment financing to service bonds dedicated to district improvements. It can work to provide land write-downs, interest rate reductions, infrastructure, and potential contributions of funds to district management promotion and marketing through the development corporation.

This mechanism gives Merritt Peralta the maximum ability to influence development patterns through a properly constructed advisory board with standards clearly prescribed in the redevelopment plan itself. In other words, Merritt Peralta has the best chance of influencing development through this process.

Redevelopment will establish new land use and development standards and will supersede the current zoning regulations that are a restraint to modern development. Merritt Peralta should be a principal catalyst in initiating the redevelopment planning process in conjunction with Oakland's City Council. Merritt Peralta, however, must be careful not to be perceived as the dominant party.

Land use designations within the project area outside the hospital zones should be flexible, allowing for a wide range of health care and other supportive uses. Development standards mandating projects of the highest quality should be included in the plan.

Oakland has developed aggressive affirmative action objectives for those receiving assistance that will no doubt be applied to Merritt Peralta projects. The package typically requires a strong affirmative action program; minority business participation in all facets of development, including professional services and construction; direct assistance to minority businesses in the area; and minority equity participation in a general partner capacity in individual projects.



Panel member Ward narrating presentation.

The panel feels that the first three city requirements are appropriate, and if reasonably conceived and administered, they should provide no significant constraint to development. However the fourth, equity participation, seems an unreasonable requirement. Most minority businesses have insufficient capital to invest in this manner and insufficient reserves to contribute "sweat equity." Community-serving nonprofit institutions should not be subjected to this provision.

There are numerous ways that Merritt Peralta can contribute to the city's affirmative action and community-serving objectives that would be less onerous to Oakland and more in line with what Merritt Peralta does best. Two examples indicate a different approach: providing assistance in establishing and staffing of Grant High School, as desired by the school board and some city council members; or, creating a mechanism for providing community-based medical services to low-income neighborhoods in Oakland. A medical clinic could be staffed by charitable dollars provided by Merritt Peralta. This would enable Merritt Peralta to provide a needed community service in an area of expertise. These types of programs would allow Merritt Peralta to generate broad community support and may well result in primary and tertiary referrals to the medical center.

#### Development Corporation

The second major component of the district-wide implementation strategy is the creation of a development corporation. The task of initiating and sustaining dialogue among the Hill's health care institutions, which are naturally competitive, and between representatives of the area and the city is essential if the area's development and revitalization are to occur.

At present, the city does not see the Hill as a priority, and city staff more than once expressed problems in providing support to one institution if the support to others in the area is not joined in the same cause. To date there appears to have been little, if any, meaningful dialogue. A formal, third-party entity may be essential if Merritt Peralta's broad objectives are to be achieved. Nonprofit

development organizations have often proved to be effective vehicles in planning, discussing, and successfully implementing real estate projects.

The basic mission of the corporation would be to create a revitalized medical center district and to act as a coordinating body for activities of common interest to the constituent members. This mission is implicit in the Merritt Peralta conceptual statement. The governing body of such a corporation should include the leadership of Merritt Peralta Medical Center, Providence Hospital, and, ideally, Kaiser Hospital as well. City business and civic leaders and the neighborhood of the Hill should also be represented.

A development corporation's functions could include:

- o Serving as a forum for debate, negotiation, planning, and dialogue.
- o Participating in formulation of a redevelopment plan and acting as the primary advisory group to the city relative to the plan's implementation.
- o Actively promoting and marketing the district to prospective developers and tenants and acting as coordinator to assist in developer negotiations and in project processing and approvals.
- o Possibly contracting with the redevelopment agency to undertake many day-to-day functions of the redevelopment process, such as land acquisition and other predevelopment activities.
- o Possibly becoming an active development partner, or fee participant, in certain projects.
- o And, very important, coordinating among district institutions to foster community service programs.

There are many possibilities. The local circumstances--the desires, skills, and needs of the major participants--will ultimately shape the effort.



OAKLAND MEDICAL CENTER DEVELOPMENT CORPORATION

GOVERNING BOARD

- O MERRITT PERALTA MEDICAL CENTER
- O PROVIDENCE HOSPITAL
- O KAISER MEDICAL CENTER
- O BUSINESS AND COMMUNITY LEADERS
- O RELATED HEALTH CARE INSTITUTIONS
- O RELEVANT COMMUNITY LEADERS

POTENTIAL FUNCTIONS

- O PLANNING FOR REDEVELOPMENT
- O REDEVELOPMENT PROJECT AREA COMMITTEE
- O PROMOTION AND MARKETING OF THE DISTRICT
- O DEVELOPMENT COORDINATION
  - Developer Negotiations
  - Assist in Processing
- O CONTRACTED DEVELOPMENT FUNCTIONS
  - Land Acquisition
- O ACTIVE DEVELOPMENT PARTICIPANT
- O COMMUNITY SERVICE PROGRAM COORDINATION

STAFFING

- O EXECUTIVE DIRECTOR AND SUPPORT
- O VOLUNTEERS
- O PROFESSIONAL CONSULTANTS

POTENTIAL FUNDING SOURCES

- O HOSPITAL FUNDS
- O PUBLIC FUNDS
- O FOUNDATIONS FOR DESIGNATED PROGRAMS
- O FEES FOR DEVELOPMENT SERVICES

EXAMPLES FROM OTHER CITIES

- O UNIVERSITY CIRCLE, INC., CLEVELAND
- O DOAN CENTER, INC., CLEVELAND
- O WASHINGTON UNIVERSITY MEDICAL CENTER REDEVELOPMENT CORPORATION, ST. LOUIS
- O UNIVERSITY CITY SCIENCE CENTER, INC., PHILADELPHIA
- O GOOD SAMANTHA MEDICAL CENTER, PHOENIX
- O ST. LOUIS UNIVERSITY MEDICAL CENTER

Staffing. The corporation should have a skilled and well-paid executive with support staff. Such expertise can come to the corporation on a volunteer basis if its board is skillfully constructed. Funds should be set aside for professional services for key projects and functions.

Funding. The corporation can only succeed with adequate and sustained funding. The executive should not be overburdened with the time-consuming problem of chasing survival

funds. The hospitals should serve as a primary source. Merritt Peralta may well need to take the lead in providing essential support. Supplemental funds would include redevelopment contributions, block grants, or, possibly, fees tied to development services.

The history of nonprofit development corporations spans 20 years. There are no shortage of failed efforts, but there are outstanding examples, many formed upon circumstances very similar to those that exist on the Hill

POSSIBLE FUNDING

CAPITAL SOURCES

USES

- |  |  |
|--|--|
| 1. MERRITT PERALTA'S CREDIT<br>O Notes (Lower Floater, Variable Rate)<br>O Bonds | VARIOUS  |
| 2. TAX INCREMENT BOND  | LAND ACQUISITION WRITEDOWN<br>INFRASTRUCTURE, GARAGE<br>PUBLIC IMPROVEMENTS                  |
| 3. TAX ASSESSMENT BOND   | INFRASTRUCTURE, GARAGE<br>PUBLIC IMPROVEMENTS  |
| 4. INDUSTRIAL REVENUE BONDS  | GARAGE, MEDICAL TECH   |
| 5. HOSPITAL BOND   | HOSPITAL, RELATED MEDICAL USES   |
| 6. COMMERCIAL BANK<br>O Construction Loan<br>O Private Placement                 |  |
| 7. INSURANCE COMPANY   | VARIOUS, PRIMARILY INCOME PRODUCING  |
| 8. SYNDICATIONS  | VARIOUS, PRIMARILY INCOME PRODUCING  |
| 9. FOUNDATIONS   | COMMUNITY HEALTH SERVICE<br>HEALTH CARE EDUCATION  |
| 10. MAINTENANCE DISTRICT ASSESSMENTS   | MAINTAIN DISTRICT IMPROVEMENTS (e.g.,<br>LANDSCAPE, ETC.)                                    |
| 11. URBAN DEVELOPMENT ACTION GRANT   | MEDICAL TECH, PARKING<br>RETAIL HOTEL, GAP FINANCING<br>RELATED COMMERCIAL MEDICAL           |
| 12. HOUSING DEVELOPMENT ACTION GRANT   | POTENTIAL FOR HOUSING PRESERVATION<br>AREA   |
| 13. GDBG (INCLUDING SECTION 108 LOANS)   | INFRASTRUCTURE HOUSING RENOVATION,<br>PUBLIC AMENITIES PARKING,<br>COMMERCIAL REHABILITATION |
| 14. MORTGAGE REVENUE BONDS   | ELDERLY HOUSING  |

## CONCLUSIONS

To make a point, the panel takes issue with the wording of two statements, which appear on page 2 of the panel's advance kit, that boast that Merritt Peralta "successfully completed its task in four months," and that "upon completion of the strategic plan," two complementary planning efforts were undertaken.

A strategic plan is never completed. One version of the plan may be converted to writing at a point in time, but the planning process goes on, anticipating predictable changes and adjusting to unpredictable changes.

Merritt Peralta is urged to continue the process by updating its plans frequently and regularly and by including a maximum amount of flexibility. MPMC must recognize that the history of most hospitals is one of not only continually changing equipment, but also of periodically jacking up the beds and running new buildings in around them. Merritt Peralta should not paint itself into a corner with its 1990 plan, 2005 plan, or any plan. Know that change is the only certainty, and allow for it!

Second, unless the rules change, patients are admitted to hospitals by doctors, not by clergy, contributors, administrators, or board members (or even marketing departments). Most doctors have privileges at several hospitals and can exert considerable influence on admissions. The panel notes the rather modest perception of involvement in Merritt Peralta's plans by members of the medical staff, and urge a substantial expansion of this very important input.

Third, Merritt Peralta needs to settle on a well-understood goal. The mission statement in the strategic plan is not the same as the one presented in the slide show given to the panel, which, in turn, was somewhat different than the concepts contained in the panel's advance kit. On the theory that Merritt Peralta is still evolving an appropriate mission statement, here is one for consideration drawn from the panel's remarks:

Merritt Peralta Medical Center is a "leading edge" technology center that provides a comprehensive array of health care services to all persons, within a consumer-oriented, caring environment.



MPMC representatives listening to panel's report.



## A. SUMMARY OF PRINCIPAL RECOMMENDATIONS

### Merritt Peralta Medical Center

- o Merritt Peralta is unlikely to achieve an increase in market share sufficient to support the proposed \$73 million new pavilion program.
- o A scaled-down \$55 million version (which could be expanded at a later date when and if feasible) appears possible, and should now receive more intensive study.
- o The heavy-ion accelerator project should receive the highest priority and marketing attention.
- o The Merritt Peralta plan should be as flexible as possible. It should not be publicized in any detail until any necessary land acquisitions are completed. Merritt Peralta, Providence, and Kaiser will have their own private master plans. But each plan must be compatible with the overall plans that must be developed for the Oakland Medical Center District.
- o Increased attention to Merritt Peralta's community-relations and staff-relations programs seems vital.
- o The conversion of the Peralta Tower to a hotel lacks market support. Other uses for this building such as nursing, step-down nursing, or housing for the elderly seem more viable.

### Oakland Medical Center District

- o A new planning and development process must be developed to revitalize this area.
- o The organization responsible for the process should involve Merritt Peralta, Providence, Kaiser, residents of the area, civic and community groups, and both the administrative and legislative arms of the city.
- o Market support within the area may develop for Med-Tech, personal care housing, a

low-rise, modestly priced motel, and some additional medical office space.

- o Inadequate market support is apparent for market-rate housing, a higher-priced hotel, or for much retail space.
- o Four general land use areas are suggested: Medical and future medical, medical related, retail/service commercial, and residential conservation.
- o A variety of methods of financing are available for viable projects in this area.



# APPENDIX

## QUESTIONS AND ANSWERS FROM THE REPORT SESSION

Question: Does the panel have any comments about the city of Oakland and the general direction that it's taken?

Answer: The panel's perception of Oakland is that it's one of the most sophisticated and aggressive cities relative to economic development; the panel heard time and time again that the city just didn't know the impact of the Hill on the local economy. The city would be a lot more receptive and aggressive if it knew something about the nature of Merritt Peralta employment. Overall, Oakland has made tremendous progress. Oakland's strategic location in the region is beginning to pay off.

Question: Please describe further the medical development districts in St. Louis.

Answer: There are six institutions related to Washington University Medical Center. It taxes each member of the organization for common purposes. It did embark on a major redevelopment program in 1973 that is pretty much completed today. The organization as a whole has spent about \$2 million over that time in net subsidy to development.

St. Louis University has done the same thing with five medical institutions. The alliance is not quite as strong as the Washington University alliance, and the progress has not been quite as fast or as great. They're in a tougher neighborhood.

Relative to OMCD [Oakland Medical Center District], there are both defensive and offensive reasons for Merritt Peralta joining together with Providence and Kaiser. An offensive one is, if you want to rebuild your neighborhood, you can't do it alone. The legal mechanism for doing it requires participation by those institutions, and you've got to find some way to get together. If you can't get together, you cannot simply ignore them. You cannot realize the potential of the Hill area unless the two institutions, and even Kaiser, are pulling for this, in competition with the rest of the world.

Question: How could physician involvement in the planning process be increased?

Answer: The panel noted rather modest involvement of the Merritt Peralta medical staff in the planning. We have the same problem in a hospital in Philadelphia. Each month the head of a department is invited to be the guest at the hospital's board meeting to discuss any matters he chooses to present, to make recommendations, suggestions, etc. It's important that you listen to them, even though the staff also has to listen to you.

It seems that there are two camps at Merritt Peralta: One group, the younger doctors own space throughout the hill and feel like they're not quite sure what's going on; they feel like they might be getting caught in a crossfire between the hospitals; and others, generally older, are more well-informed and have a bigger established stake in one or the other of the institutions.

Question: The for-profit sector sees as a great weakness in the nonprofit sector the endless consensus building that has to be done. Some people in the hospital get concerned about how long it takes to do what appears to be right while the competitors in the for-profit sector are marching on.

Answer: You're basically talking about a difference between medical business strategy and development strategy, which the panel is talking about here. From a business point of view, a health care system has to find the mechanisms to make quick decisions and be competitive. That's a different animal from the development system. The panel has said that an aggressive posture should continue with regard to planning for long-term facility needs. Do it in your self-interest because it's your institution that you're charged with maintaining. But the panel is suggesting that when you look beyond those needs into the broader area, you've got to do it in coalitions, or they'll beat you back; they'll be threatened.

Question: Is the corporation the beginning point for involving the community in this whole process?

Answer: To put forth a positive effort is an important first step. It may be creating a



third-party mechanism that establishes a different posture than you're perceived as having right now. Lay out the proposal and see where it goes among these organizations. In moving toward that, you must solve the problem of communicating with Providence Hospital. You're going to have to try other ways of doing that. This corporation very badly needs the cooperation of Providence in it, so don't wait for the corporation to solve your relationship with Providence. Work on that right away. You have to focus on the areas where your interests converge, not where they diverge, and they certainly converge on the future of the neighborhood in which both institutions are located. They converge in delivering health care to certain segments of this city. If a dialogue could be started with Providence on how you can work together in exploring some of these new types of health delivery systems, a meaningful dialogue might ensue. Perhaps discussions should be instituted or attempted to be instituted at different levels. Don't be too quick to formalize the corporation. You have to develop some informal relationships, maybe all around redevelopment, maybe in other areas, with this varied constituency until you redefine who are the stakeholders in that development area. The key is, Who's got the interest . . . Who, in the moment of truth, is going to be there and fight for what is right in the area collectively? It takes a long time to identify the key characters. This is a time for quiet diplomacy.

Question: If our two institutions cannot get cooperation, maybe we have to take a different approach?

Answer: You have to proceed differently if you can't get cooperation in any way. You may have to pull back and define a smaller area of redevelopment planning that will probably not be much different from the area defined for your medical center's expansion. To get others to not block you, you'd have to define, with their concurrence, their sphere of influence, because if you don't define their sphere of influence they can block you politically.

In meeting with the city council, the panel got the sense that the members understood the problems you've had in communicating with Providence. It is very important that the city see your attempts to try and bring this thing together, because ultimately you may not want to reduce the area of the community that you

should attempt to get secured in a redevelopment program area. You've got to show that you've exhausted every possible means of bringing the principals into the process.

Another thing is common interest. A common interest that you and Providence share is that at the moment you're competitors seeking whatever land comes on the market, so that, in essence, an artificial auction is created on your part and on theirs to gobble up property as it becomes available. If you can build bridges where your interests converge and develop a mutual confidence on a slow, upward path, you can come to grips with some of these other decisions.

Question: What about improving a relationship with industry?

Answer: It's fundamental to a private institution's survival to have that kind of involvement in its activities in terms of board membership and in terms of efforts to try to relate your long-term R&D [research and development] program to private industries. As you do your marketing, your people ought to establish a better and closer relationship with employers than you've ever had before; it's just an economic necessity. A very critical thing is, if you can get the civic involvement of principal industry figures in your leadership, it really opens some doors in the industrial corporate world.

Question: The panel's uniform acceptance of the heavy-ion center is impressive. What about the downside?

Answer: The people at Lawrence Berkeley Laboratories have to know what they're doing. They've got a reputation that's pretty hard to beat; you've got one of the biggest coups if they're willing to take their technology and put it in Oakland. And if the federal government is willing to invest more than a \$100 million in the area, it's going to give you a new image in the community that you've never had before. The panel cannot imagine any institution in the United States that the University of California would come to saying, "I've got a hundred million dollar project that's going to be on the leading edge of technology," that would say, "No." Get the grant, and then market the hell out of it for about three years, even before it's built.

The panel did consider two downside risks. One is that the operating budget requires somebody to be thinking about what happens

after the five years are up. The other possibility is that community residents might suddenly decide this thing is going to emit radiation. Both of those are real issues that have to be considered, but they are overwhelmed by what the heavy-ion center can do for you.

Question: Are there other alternatives for the Peralta Pavilion, other than in the location of the current parking structure?

Answer: The panel spent a lot of time looking at all the planning that's been done, and couldn't find any. Still there may be some alternative to the way recommended. You have to spend some dollars on a real schematic study.

Question: The importance of the road frontage on Broadway as a marketing opportunity was mentioned several times. Do you have any suggestions for what type of things might be put on that frontage to maximize the marketing advantage?

Answer: Certainly one of the things was widening Hawthorne Avenue and opening up a vista. It's an excellent location to make a major building statement that would identify you and draw people in. It could be an excellent office building site with ground-level retail. Providence's plan to build a home for the elderly is a very good move for you. It brings a medical identity out to Broadway.

Question: Say a little bit more about the suggestion that Merritt Peralta back off from it's proposal for medical research on Telegraph, between Telegraph Avenue and the highway.

Answer: The panel thinks it's a premature to move in that area. If you had the resources, the panel would encourage you to pick up properties as they become available there, manage them, and be a good landlord. It's not a slum. In the long run, the property may not remain residential. You should guide its destiny, and you should not let it go into something that might not be complementary to you at the time, but it has to be handled in a very careful way.

# ABOUT THE PANEL

**CHARLES F. SEYMOUR** is chairman and CEO of Jackson-Cross Company, a diversified realtor organization based in Philadelphia, with offices in Wilmington, Delaware, and Washington, D.C. He has personally been active in brokerage, management, development, and financing, as well as in appraising and counseling.

Seymour is a trustee of ULI. He serves on the boards of the Greater Philadelphia Chamber of Commerce, the Urban Affairs Partnership, the Old Philadelphia Development Corporation, the Philadelphia Industrial Development Corporation, the Mayor's Housing Advisory Committee, the Methodist Hospital, Indepro Corp., Industrial Valley Title Co., and the Federal Reserve Bank of Philadelphia. He is a past president of the American Institute of Real Estate Appraisers. He also holds the CRE designation of the American Society of Real Estate Counselors.

Seymour has served on eight previous panels for ULI.

**MICHAEL L. BOBROW** is founder and president of Bobrow/Thomas and Associates (BTA). He is the director of design for the firm and the chief operating officer. Since the inception of BTA in 1972, Bobrow has been responsible for the planning and/or design of significant institutional facilities. Bobrow is a licensed architect in the states of California, Colorado, Louisiana, Oregon, and Washington, and has national certification with the National Council of Architectural Registration Boards.

Bobrow was formerly the acting senior architect for the Office of the Surgeon General, U.S. Air Force, Washington, D.C., and director of architecture for Medical Planning Associates, Malibu, California. He also served as the founder and coordinator for the Health Facilities Design Program at UCLA School of Architecture and Urban Planning. He maintains a faculty position in the Graduate School of Public Health. He was recently appointed co-chair of the American Institute for Architects' committee on Architecture for Health Special Task Force for Capital

Reimbursement and serves as its Washington, D.C., liaison.

**LEIGHTON (TONY) FRENCH** is a partner in the development firm of The French & McKenna Company located in Irvine, California. French has been in the development business for seven years concentrating primarily in research and development facilities and mid-rise office buildings. Before creating his own firm, French was associated with Coldwell Banker & Company for 13 years, serving as a vice president in the Orange County area.

**JAMES GOODELL** is the founding principal of the Arroyo Group, Pasadena, California, a multidisciplinary consulting firm providing architectural, urban design, planning, and development services to a broad array of public and private clients throughout the Southwest. He is a general partner for several commercial and residential development projects. His work has focused on formulation and implementation of development plans and strategies for downtowns, major institutions, and redevelopment areas.

Goodell is actively involved with ULI, serves on the board of Pasadena Development Corporation, is past president of Pasadena Central Improvement Association, and advises numerous nonprofit agencies on property and development matters. He has taught at the University of Pennsylvania and continues to lecture at universities and professional associations.

**DAVID N. GOSS** is currently the director of subsidiary management and urban development for the Cleveland Clinic Foundation (CCF). The primary responsibilities of this position are (1) generally managing of CCF's for-profit subsidiaries, (2) ensuring maximum return on CCF's considerable land investments adjacent to its main campus that are not being used for institutional expansion, (3) representing CCF staff in a public-private partnership to redevelop a large inner-city area on the east side of Cleveland, and (4) assisting CCF



management in the creation of new for-profit ventures.

Before joining the CCF, Goss spent 13 years in the public transportation industry, the last seven of which he was the assistant general manager of the Greater Cleveland Regional Transit Authority.

JAMES B. MCCOMB is principal of James B. McComb & Associates based in Minneapolis. The firm is active in market research and financial feasibility analysis for all types of real estate development including large mixed-use developments. In addition, the firm is involved in financial packaging with public sector funds for urban developments.

DONALD E. MEGATHLIN was, at the time of the panel, assistant to the president of the Beth Israel Community Development Foundation, a subsidiary of Beth Israel Hospital in Boston. The foundation is presently acquiring additional properties for development of medical office buildings, parking, hotel, and retail commercial uses. Megathlin is now a senior associate with Economic Research Associates in Boston.

Megathlin has over 25 years of experience in real estate development, planning, public approval process, and consulting. He has been a city planning and development consultant to over 30 communities, primarily in New England. He served as director of planning and development for the city of Portland and was then appointed by the governor of Massachusetts to head the Boston Metropolitan Area Planning Council.

Megathlin has served as a consultant to several developers on office buildings and is currently a real estate consultant to the Vanderbilt University Medical Center. He is currently a member of the Greater Boston Real Estate Board.

JOSEPH STRAUS, JR., is senior executive vice president of Strouse, Greenberg & Co., Inc., a real estate investment development and brokerage firm. He is also chairman of Strouse Greenberg Realty Investments. He is a trustee of MassMutual Mortgage and Realty Investors; a member of the American Society of Real Estate Counselors; a director of the National Realty Committee; a trustee of the Urban Land Institute; chairman of Rolling Hill Hospital,

Philadelphia, Pennsylvania; trustee of United Hospitals Inc., Philadelphia, Pennsylvania; and member of the executive committee of United Hospitals, Inc.

JAMES RATNER, president of Forest City Development, Inc., since 1975, is responsible for all new commercial properties--shopping centers, office buildings, and mixed-use projects. As president, Ratner supervises all development activities, including site development, leasing, management, and financing. The company's regional development offices in Boston, New York, and Los Angeles also report to Ratner.

WILLIAM J. WALDRON, III, is vice president/division executive, Chase National Corporate Services/Real Estate Finance, responsible for managing Chase Manhattan Bank's real estate office in Los Angeles. Current commitment levels are \$1.3 billion and cover regional shopping centers, office buildings, office/industrial parks, residential and land acquisition, and development throughout the country United States.

RICHARD C. WARD is a principal and co-founder of Team Four, Inc., a multidisciplinary planning, design, and development consulting firm based in St. Louis. He participates in and oversees all industrial and commercial development projects as well as financial and market feasibility studies. Current representative projects include Missouri Research Park being developed by University of Missouri and St. Louis University Medical Center Business and Research Park. In addition he advises a number of urban medical centers on the redevelopment of areas surrounding their facility including the Washington University and St. Louis University Medical Centers in St. Louis and the Good Samaritan and St. Lukes Medical Centers in Phoenix, Arizona.

