

THE REDEVELOPMENT AGENCY OF THE CITY OF SAN JOSE

MEMORANDUM

TO: REDEVELOPMENT AGENCY BOARD	FROM: HARRY S. MAVROGENES EXECUTIVE DIRECTOR
SUBJECT: SEE BELOW	DATE: JANUARY 13, 2009

INFORMATION

SUBJECT: POTENTIAL PRIMARY AND URGENT CARE EXPANSION
DOWNTOWN

On March 18, 2008, the City Council and Agency Board approved a series of actions related to the former San Jose Medical Center Site (Hospital Corporation of America "HCA" site). These actions set a framework for the eventual development of the HCA site. The Council and Board also requested that the Agency explore sites within Redevelopment Project Areas for potential expansion of primary and urgent care services in the downtown. This memo provides an update on that work.

Indications are that there are now viable opportunities to both expand primary and urgent care services in the downtown and also allow for the appropriate development of the HCA site. Potential expansion of primary and urgent care services can be broken down into four components: the potential expansion of the Gardner Family Network Health Clinic, the development of the HCA site itself, the discussions related to the location of the San Jose State University Health Clinic, and discussions with other potential downtown nonprofit health care providers. The status of work on these four components is summarized below.

GARDNER FAMILY HEALTH NETWORK CLINIC EXPANSION

The most significant opportunity to increase primary and urgent care services in the downtown appears to be through the potential expansion of the Gardner Family Network Health Clinic (Gardner). The potential expansion would include the acquisition and rehabilitation of a currently underused 10-story medical office building located adjacent to the HCA site. The concept would result in Gardner relocating to this facility and providing both expanded primary care and new urgent care services accessible to low-income clients.

The expansion of Gardner was recommended by the Stakeholder Advisory Committee and City Council. This recommendation was based both on Gardner's ability to serve a broad range of low-income clients and on the County's assessment of the nonprofit's stable financial situation. The Redevelopment Agency has been working with Gardner to explore the potential of expanding the services provided at the downtown St. James clinic by focusing on the potential reuse of the 10-story Medical Sciences Building located at 25 North 14th Street, immediately adjacent to the HCA site. The analysis has included understanding costs associated with potential acquisition, seismic upgrade, the rehabilitation of the building, and tenant improvements.

Santa Clara County health care planning staff was on the Stakeholder Advisory Committee and supported the potential expansion of Gardner as a way of strengthening the County's health care safety net. Subsequently, the County embarked on an effort to strengthen the health care system through a General Obligation bond, placed on the ballot as Measure A. The City Council formally supported Measure A and indicated a desire to link this funding with the effort to address the primary and urgent care needs downtown.

On November 5, 2008, Santa Clara County voters passed Measure A with approximately 78% approval. The approved bond provides funding of \$790 million for significant upgrades to Valley Medical Center and \$50 million for downtown health facilities to offset those lost with the closure of San Jose Medical Center. The County has not formally committed the \$50 million in funding but County staff has indicated that this is a potential source of funding for the mutually desired expansion of Gardner.

The Agency has funded the analysis undertaken to date and has included \$300,000 in the Agency's FY 2008-09 Capital Budget (Merged Area – Downtown Healthcare Facilities) to begin necessary predevelopment work on this project to maintain forward movement on implementation. Staff is currently working with their counterparts in the County to analyze the economics for the expansion of Gardner's primary care and urgent services care in the downtown.

HCA SITE:

HCA is in the process of completing a private Request for Proposals on the HCA site to assess market interest. The initial results of this process suggest, not surprisingly, that due to the current turmoil in the real estate and financial markets the current value of the HCA site has diminished significantly since the conclusion of the Stakeholder Advisory Committee Process. To facilitate the potential development of the site, HCA has been discussing the development of a

Memorandum of Understanding between the City and HCA regarding the future development of the HCA site, together with the potential of HCA financial support for expanded health care services in downtown San Jose. Specifically, HCA has indicated a desire to contribute to Gardner's expansion by providing significant support to certain aspects of the expansion that Measure A would be unable to fund.

Staff has established a series of meetings with HCA to work through the details of a recommended Memorandum of Understanding for City Council consideration.

SAN JOSE STATE UNIVERSITY HEALTH CLINIC:

In addition to the work with Gardner, the City and Agency were in discussions with San Jose State University about the potential for an enhanced University Health Clinic. San Jose State University was considering several options near the University for enhancing health care services for students, including the possibility of a potential partnership with a nonprofit provider. However, the University has decided not to pursue these options and instead plans to develop a new health care center on campus. This new center will provide high quality facilities for the University community, but will otherwise have no direct impact on health care in the downtown.

OTHER POTENTIAL HEALTH CARE PROVIDERS:

Other health care providers have indicated interest in locating facilities in downtown San Jose. Staff continues to explore these opportunities and will report additional information if there are any significant developments.

In conclusion, I am pleased to report that, given the results of the work undertaken since March 2008; it appears that there is now a viable opportunity to expand primary and urgent care services in the downtown and also to allow for the appropriate development of the HCA site. Staff will continue to work toward these goals and will continue to update the Agency Board as work with the County, Gardner, and HCA progresses.


HARRY S. MAVROGENES
Executive Director