



Developments

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H e a l t h c a r e R e a l E s t a t e

Strategy ▲ Program Management ▲ Development ▲ Capital

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More than one life

Hospital sites can be creatively adapted to new uses

New hospitals are increasingly being built across the country to replace outdated and aging facilities, leaving the question of what to do with existing campuses.

Adaptive reuse — the transformation of vacated hospitals and related buildings into renovated, refurbished structures for new, productive uses — is a challenge for hospitals that plan to relocate to greenfield sites.

The leap from old to new hospital uses runs the gamut from senior housing to schools. Recycling old hospitals into new uses can make as much economic sense as starting from scratch, but there are limitations. Aging facilities can be expensive to retrofit and even more costly to demolish, because they may contain environmentally sensitive materials that require abatement procedures.

One caveat: Hospitals should know that when they decide to vacate existing facilities, the old campuses are likely to be considered “impaired” assets from an accounting standpoint. The designation could result in a “write-down” of the assets’ value. The resulting diminished value can affect hospitals’ performance ratios and thus their ability to obtain attractive financing.

Recycling old hospitals into new uses can help hospital officials gain political and community support for the construction of new facilities on greenfield sites, especially when hospital boards donate existing buildings, land or both, or transfer ownership for a nominal value.

“Hospitals should not look so much at the economic value of the real estate but instead at how they can use their facilities as political and community capital to garner support for their replacement projects,” says Mike O’Keefe, a vice president of development at

AMDC. “By donating or transferring ownership of their facilities for productive community uses, they will be better positioned to rally the community around their new campuses.”

The value of that support cannot be underestimated. Hospital closures are inherently prone to controversy, especially when their proposed replacements are far away from existing facilities. Communities are typically concerned that closures will negatively affect access to healthcare and be detrimental to local businesses and property values.

“It’s absolutely necessary to bring all stakeholders into the planning of any reuse project from the start to ensure they fully understand the issues and the opportunities offered,” says Al Aardsma, AMDC’s Western Region vice president. “Failing to communicate can alienate the community and send a message that the organization is working backward from a solution.”

Delays, uncertainties and a lack of consensus from the various parties involved can be expensive for hospitals. Vacated buildings incur carrying costs such as maintenance and security, thereby draining a hospital’s financial resources.

AMDC plays a key role as a champion in leading the process and ensuring a successful transition for hospital sites to new uses with minimal delays. The company supports the development of a steering committee with stakeholder representation such as community leaders, hospital boards, doctors and residents to identify adaptive reuse opportunities and the potential cost implications.

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The new Platte Valley Medical Center in Brighton, Colo., will be built about three miles from the existing campus.

More than one life *continued from page 1*

AMDC also helps determine the cost benefit of retaining departments on an existing campus, such as urgent care, outpatient services or back-office support.

For a more detailed assessment, AMDC partners with consultants who will provide a highest-and-best-use analysis that looks at the financial feasibility of redevelopment proposals, design and construction costs, comparable reuse strategies and other factors.

AMDC is helping Platte Valley Medical Center in Brighton, Colo., consider what to do with its existing campus when it builds a replacement hospital on a greenfield site about three miles away. Among the options being considered are senior housing, a federally qualified health clinic, a library and a health sciences education center.

“We brought in a qualified urban planner who will help establish the value of the asset and potential alternatives, as well their economic impact,” Aardsma says. “The detailed analysis will allow the hospital to make an informed decision about the disposition of its real estate.”

Another adaptive reuse project is under way at Metropolitan Hospital in Grand Rapids, Mich. AMDC is managing the development of a state-of-the-art replacement hospital about eight miles away. The existing facility will be demolished to make way for a medium-density residential development that will be deemed an “enterprise zone.” That means first-time homeowners will be eligible to receive tax breaks and reduced mortgage rates. Meanwhile, a medical office building on the existing site will remain open to serve the community.

“The financial incentives for home buyers make this arrangement unique,” says Dave Brown, senior project manager at

“Hospitals should not look so much at the economic value of the real estate but instead at how they can use their facilities as political and community capital to garner support for their replacement projects. By donating or transferring ownership of their facilities for productive community uses, they will be better positioned to rally the community around their new campuses.”



The replacement Metropolitan Hospital in Grand Rapids, Mich., will be a state-of-the-art facility that incorporates green design.

AMDC. “At the same time, the hospital is reaffirming its commitment to deliver quality healthcare to the residents, thereby retaining the medical office building.”

A hospital in another area is eyeing creative reuse options, including a regional training center for health sciences or medical response personnel.

Earlier, AMDC helped a community hospital in rural Ohio with adaptive reuse strategies. In that case, AMDC identified several potential reuses, including a rehabilitation hospital, senior housing, administrative offices and warehouse facilities for the local school district and a university student dormitory.

“One of the main considerations with this hospital was that a lot of physicians owned medical office buildings around the hospital,” O’Keefe says. “We determined that a rehabilitation hospital would be the best adaptive reuse as it would: 1) support physicians and local businesses staying in the area, 2) maximize the value of the property for the health system our client was planning to join and 3) be a new source of revenue for the community. It was a winning proposition for all stakeholders involved.”

What’s an appropriate redevelopment strategy for one hospital may not work for another. Each facility should weigh its own unique situation to take advantage of development opportunities and gain the necessary support to ensure its success.

Appropriate adaptive reuses for hospitals may include:

- ▲ Senior housing, including assisted-living facilities and nursing homes
- ▲ Psychiatric, rehabilitative or specialty care facilities
- ▲ Training centers for health sciences and medical response personnel
- ▲ College dormitories
- ▲ Business incubators
- ▲ Community/civic resource centers that host art exhibits, senior activities and other similar functions

AMDC profiles

We recently expanded our internal leadership at AMDC to better assist healthcare organizations with their real estate needs. Please welcome:



Catherine Anderson

Vice president of business development

When healthcare organizations think about expanding their facilities, Catherine Anderson wants AMDC to be top-of-mind — every time.

“I plan to enhance AMDC’s competitive standing by introducing current clients to our new capabilities, as well as sharing our full range of services to prospective clients,” says the new vice president of business development. “It’s important that organizations are aware of the full breadth and depth of AMDC’s expertise.”

Anderson joined AMDC Feb. 1 and brings with her a wealth of healthcare real estate experience. Her most recent background includes seven years at Ernst & Young in Chicago as a senior manager in both the Health Sciences Advisory Services and Real Estate Advisory Services groups. Anderson advised clients in healthcare real estate concerns on a national basis.

“I find it very rewarding to help healthcare organizations meet their strategic goals and grow in ways that mitigate their financial risks and increase their value at the same time,” she says. “I look forward to sharing that experience with clients at AMDC.”

Anderson previously was director of business development and leasing at Palomar Pomerado Health in San Diego for a little more than three years. In that position, she helped establish new business ventures, including negotiating and implementing managed service organization agreements between Palomar Pomerado Health and its physician partners. She also was responsible for all real estate activities, including leasing and management for more than 65 outpatient healthcare facilities.

“I’m excited about the move to AMDC,” she says. “My expertise in healthcare real estate, coupled with AMDC’s outstanding reputation, will pave the way for new and valuable partnerships.”

Anderson has a master’s degree in business administration with an emphasis on healthcare administration from National University in San Diego and a bachelor’s degree in managerial economics from the University of California at Davis.



Marilyn Bifero

Project manager

As soon as Marilyn Bifero learned about AMDC, she knew she wanted to work for the company.

Bifero was thumbing through an American College of Healthcare Executives professional journal last summer when she saw an article AMDC President Fred Campobasso co-wrote about forming planning teams.

“I looked the company up on the Internet and was immediately intrigued,” she says. “What attracted me most is AMDC’s program and project management capabilities. I immediately contacted

them about potential employment opportunities. Of course, at the time, I had no idea it would pan out.”

As a project manager, Bifero leads healthcare organizations through the planning, design and construction phases of their projects. Since she began in December, she has focused on replacement hospitals.

“I really enjoy project management,” she says. “The combination of the challenges involved and the opportunity to work directly with architects, planners and construction crews is a pleasant and productive experience.”

Before joining AMDC, Bifero was a project manager at Lake Forest Hospital in Lake Forest, Ill., for four years. She helped plan and develop a \$40 million outpatient ambulatory care center at the hospital and oversaw the project from vision to reality. Once the facility was built, Bifero managed daily operations of all nonclinical departments as well as an off-site radiology center in another of the hospital’s medical buildings.

She previously was an administrative fellow at Lake Forest Hospital. Her combined experience helped her gain a comprehensive understanding of hospital operations.

Bifero has a master’s degree in business administration and a bachelor’s degree in biology from the University of Illinois at Chicago.



Charley McGrath

Project manager

The way Charley McGrath sees it, AMDC is the ideal place for a project manager.

“AMDC’s excellent industry reputation and the entrepreneurial environment attracted me to the company,” he says. “I welcomed the opportunity to contribute to a company of AMDC’s caliber.”

McGrath joined the firm as a project manager in October to help oversee the development of medical office buildings (MOBs). Before joining AMDC, he was a project manager at Granary Associates in New York City. In that role, he managed real estate portfolios for healthcare organizations and supervised healthcare, office and educational projects through the planning, design and construction processes.

“The expertise I gained enables me to guide AMDC’s clients through all project phases and achieve well-balanced outcomes,” McGrath says. “It’s very rewarding to be able to help clients achieve the best possible results.”

McGrath also has a strong construction background. While in college, he worked full time for Clark Construction Group in Bethesda, Md., for three years and left as a project engineer. He helped oversee all aspects of construction of the Smithsonian Institution’s National Museum of the American Indian.

McGrath has master’s and bachelor’s degrees in architecture from Catholic University of America in Washington, D.C.

Our promise to you

2005 marks AMDC's 21st year in service. We value our relationships, as evidenced by a sustained 70 percent returning clientele and steady growth of 6 percent per year. Our partnership with you is focused on creativity in an ever-changing healthcare environment.

We promise to maintain and improve high levels of customer service. At its core, this promise translates to our staff. We recently complemented our existing team with new project management and business development professionals. We will continue to value our longstanding total quality management perspectives, growing talent, insight and business acumen through mentoring programs.

We promise to leverage technology through investments in infrastructure improvements. Our staff has high-speed, nationwide access to AMDC's data bank and Internet library. This ensures that your AMDC team has the depth of our resources available in a timely manner. Each year, the data bank grows with examples of our delivery tools, service partner contacts, benchmarking statistics, current



Fred Campobasso
President



Jim Klima
Executive Vice President



Joe Kucharz
Vice President

healthcare trends in planning and management, and "go-tos" for best-in-class solutions.

We promise to be your advocate. Drawing from our experience and collective knowledge, we remain focused on your success. Working closely within our client relations, we are as excited about your accomplishments as we are our own.

Thank you to all of our clients and service partners for past successes. We look forward to providing value in 2005.

Dollars and 'sense' | Advance planning reduces medical office building costs

Managing physicians' cost expectations for medical office buildings is a must to minimize the potential for sticker shock.

Physicians need to thoroughly understand early on what the building will cost per square foot based on their initial space needs and quality expectations and realize that if those needs change, the costs will increase accordingly.

"Each a time a physician deviates from an approved design, there is an effect on cost," says Dave Brown, senior project manager at AMDC. "The key is to manage group expectations up front so the physicians get what they want and are fully aware of the resulting cost implications."

AMDC utilizes a 10-step process that gets building occupants up to speed long before occupancy. As part of that process, AMDC reviews with occupants planning guidelines, operational issues, the construction budget, building standards, equipment requirements and specifications and standard finishes.

The company also shows physicians a model suite plan that is found in a typical medical office building. While the suite will generate the greatest economies of scale, physicians can change the basic design and still realize efficiencies through shared waiting areas, offices and staff.

"We help physicians create operationally cost-effective designs that maximize patient flow, increase physician productivity and decrease the number of full-time employees needed," says Mike O'Keefe, a vice president of development at AMDC.

AMDC recently helped physicians at the Outpatient Diagnostic Building in Danbury, Conn., reduce the size of the building approximately 15 percent through shared staffing.

In another instance, a large multi-specialty group affiliated with Holy Family Medical Center in Des Plaines, Ill., was able to consolidate four geographically dispersed offices into one medical office building with AMDC's guidance. The consolidation resulted in a net space reduction of more than 25 percent. Dr. Gary Karl, chairman of the building committee at Clinical Associates in Des Plaines, applauded AMDC's work on this and other projects:

"AMDC has served our program manager/owner's representative on several projects over a number of years. The company has demonstrated its ability to plan and manage a complex surgical expansion project that required equipment planning services, as well as a large on-campus parking facility. AMDC has also served as development manager for our medical office building project.

"Each of these projects was successful because AMDC assumed responsibility and accountability for managing the schedule, the project budget and the project team with our goals and objectives in mind. The company's recommendations were always well thought out and clearly presented. As a result, we had greater confidence in our decisions, as well as the process leading up to them."

A quality medical office building doesn't have to come with a big price tag. It requires a thorough planning process that is managed diligently from start to finish to help physicians get the most bang for their buck.



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