



County of Los Angeles  
**CHIEF EXECUTIVE OFFICE**

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WILLIAM T FUJIOKA  
Chief Executive Officer

December 3, 2007

To: Supervisor Yvonne B. Burke, Chair  
Supervisor Gloria Molina  
Supervisor Zev Yaroslavsky  
Supervisor Don Knabe  
Supervisor Michael D. Antonovich

From: William T Fujioka  
Chief Executive Officer

Board of Supervisors  
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Fifth District

**IMPACT OF SENATE BILL 306 ON COUNTY HEALTH FACILITIES  
(ITEM NO. 53-A, AGENDA OF NOVEMBER 13, 2007)**

On November 13, 2007, your Board directed my office to work with the Department of Health Services to analyze the impact of Senate Bill 306 (SB 306), which relates to the seismic safety of health facilities, and to compare the potential costs to the County of meeting the seismic safety requirements under SB 306 with those under the Alfred E. Alquist Hospital Facilities Seismic Safety Act (SB 1953).

**Background**

Under SB 1953, noncompliant hospital buildings in the State that provide acute inpatient care must comply by January 1, 2013 with State seismic standards to ensure the building's structure will withstand a major seismic event and allow the hospital's patients and staff can be safely evacuated. By January 1, 2030, acute inpatient care facilities must be further upgraded to not only withstand a major seismic event, but also allow safe, uninterrupted operations, without requiring the evacuation of patients and staff. Failure to meet either deadline will require the delicense and closure of the inpatient facility.

SB 306 offers an alternative to hospital owners that are financially unable to retrofit an existing inpatient facility to comply with the 2013 standards, by allowing them, in lieu of a retrofit, to replace the existing facility with a new, compliant inpatient facility by 2020. To qualify for this alternative, the hospital owner must demonstrate that their financial condition does not allow them to retrofit these buildings by 2013 and file a declaration seeking relief by January 1, 2009. In addition, a financial plan providing proof of ability to construct new buildings must be submitted to the State.

Currently, the LAC+USC Medical Center Replacement Hospital meets both of the compliance standards under SB 1953. Further, the seismic compliance plans currently approved by your Board with respect to the County's Olive View Medical Center and Rancho Los Amigos National Rehabilitation Center will meet both compliance standards. Accordingly, SB 306 is not anticipated to have any impact on the seismic compliance plans at these sites.

The inpatient facilities at Harbor/UCLA Medical Center (Harbor/UCLA) and the Martin Luther King Jr., Multi-Service Ambulatory Care Center (MLK-MACC) can be upgraded to meet the 2013 requirements, but cannot meet the 2030 standards and will be required to close at that time. As directed, my office has worked with the Departments of Health Services and Public Works to perform an initial analysis of the impact SB 306 would have on the retrofit or replacement costs of these latter two facilities.

#### **Cost Ramifications of SB 306**

Our initial analysis indicates that replacing the existing inpatient facilities at Harbor/UCLA and MLK-MACC could be more cost effective under SB 306, although a number of attendant costs have yet to be fully studied.

The current retrofit plans that have been approved by your Board for the Harbor/UCLA and MLK-MACC inpatient facilities to meet the 2013 requirements are estimated to cost \$50.0 million and \$68.1 million, respectively. In order to meet the 2030 requirements under SB 1953 at both sites, the County would be required to replace the existing inpatient facilities. Based on our recent analysis of hospital construction costs, we are estimating current construction costs of approximately \$850 per square foot, with annual escalation of four percent.

For example, the current cost of constructing a 500 bed replacement inpatient facility at Harbor/UCLA or MLK-MACC is estimated at \$907.0 million. Construction of a replacement facility to meet the 2030 deadline, based on annual escalation of four percent over a 20 year period, would be estimated to cost \$1.9 billion. When combined with the costs necessary to meet the 2013 retrofit deadline, the overall costs incurred through 2030 to meet SB 1953 requirements would approximate \$1.95 billion at Harbor/UCLA and \$1.97 at MLK-MACC.

Under SB 306, construction of a replacement 500-bed inpatient facility at either site would be completed by 2020 at an estimated cost of \$1.023 billion, or \$927.0 million less than the combined SB 1953 costs at Harbor/UCLA and \$947.0 million less at MLK-MACC.

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Construction of a new replacement inpatient facility, however, would require substantial reconfiguration and replacement of buildings on the existing campuses. This is especially true at Harbor/UCLA. Given the lack of available space at the campus, the scope and cost of such a reconfiguration would be significant and would require a separate study to appropriately quantify its requirements.

Given the magnitude of these cost estimates and the uncertainties surrounding the Department of Health Services' fiscal position, we will continue to refine these cost estimates and will work with the Department to develop funding options for your Board's consideration.

If you have any questions or require further information, please contact me or your staff may contact Jan Takata at (213) 974-1360.

WTF:DL  
JSE:DJT:z

c: Department of Health Services  
Department of Public Works  
County Counsel