

Public Comment Regarding the
Laguna Honda Hospital and Rehabilitation Center
“Draft Assisted Living Feasibility Study”
Prepared for the San Francisco Department of Public Health
by
Anshen+Allen Architects / Gordon H. Chong & Partners

Flaws in the Glass

Submitted by:
Patrick Monette-Shaw
August 27, 2007

Recommendation

I recommend that the City and County of San Francisco pursue “Option B” that was presented in the Assisted Living Feasibility Study released to the public on August 2, 2007. However, because the construction costs for Option B are estimated at \$193 million — to build 246 assisted living units to house 251 residents presented by Anshen+Allen Architects/Gordon H. Chong & Partners — on page 88 of the draft Feasibility Study, I also recommend, as a cost containment matter, that the number of units be reduced from 246 units to 140 units, as voters were led to believe in the 1999 Proposition A that they were authorizing.

It must be noted that the Draft Feasibility Study is disingenuous when it states on page 88 of the report that the “construction cost per unit” for Option B is “only” \$785,793. That cost-per-unit estimate only includes

construction costs. However, the total project cost — including “soft costs”; contingency fees; furniture, fixtures, and equipment; medical equipment; and information technology hardware — increases the total project cost for Option B to \$244.6 million, not \$193 million. When readers of this draft report calculate for themselves the cost-per-unit based on the **total project costs**, and not just the construction costs, **the cost-per-unit, more truthfully, for Option B is nearly \$1 million dollars for each unit.**

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The estimated \$1-million-per-unit amount for each assisted living unit — which amount will likely increase due to change orders and inflation before this project is built — closely resembles data presented to the San Francisco Health Commission two years ago citing industry averages to construct each “bed” in an acute care hospital. An important question is why an assisted living facility would cost as much per “bed” as an acute care hospital.

By reducing the planned Assisted Living housing by 100 units to only 140 units, as voters were led to believe in 1999 were being considered for the Laguna Honda Hospital campus, the cost of the project might conceivably be reduced by \$100 million, to a more reasonable \$140 million. This would bring the project back to a cost estimate that the City could more realistically afford to build at this time.

Nowhere in the 118-page draft Feasibility Study is any demographic data presented indicating that the City and County of San Francisco needs to have 246 assisted living units built on the Laguna Honda Campus.

By building Option B on the section of the campus where the current main building’s “K, L, M and O” wings are, it would preserve the land where the proposed West Residential Tower for skilled nursing beds is planned. Notably, neither the Health Commission nor the Board of Supervisors have approved use of the site where the West Residence is planned for anything other than **skilled nursing beds, which the City will continue to need when the City will have 10,000 people with Alzheimer’s over the age of 85 by the year 2020 just 13 short years from now, many of whom will eventually need skilled nursing care.**

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Selecting Option B as the preferred option would permit design of a building that would not resemble the current main hospital building, and it could be designed to look completely different than the “style” of the skilled nursing beds currently being constructed as part of the Replacement Project. In this way, a completely different appearance would contribute to the perception, and reality, that the assisted living beds were built to resemble a community-based setting or “atmosphere,” as proponents of community-based assisted living housing have rightfully noted should be done.

“The City and County of San Francisco will design and construct a new campus on the Laguna Honda Hospital site which will provide housing and a complete continuum of long term healthcare services ...”

Finally, the City and County of San Francisco made a commitment in 1999 to construct assisted living units as part of the Laguna Honda Hospital replacement project. The City did so, in part, knowing that it would *not* have to fund land acquisition, since it already owns the Laguna Honda campus. By building assisted living units on the grounds of LHH, the City would avoid having to fund land acquisition costs elsewhere in San Francisco. Indeed, the Assisted Living Workgroup — the planning group that has been meeting since February 2006 to develop the assisted living recommendations for the Laguna Honda campus using the U.S. Department of Housing and Urban Development \$694,750 “Assisted Living/Senior Housing Project” grant awarded in August 2000 — has been guided all along by the Laguna Honda Hospital Replacement Project’s “mission statement”¹:

“The City and County of San Francisco will design and construct a new campus on the Laguna Honda Hospital site which will provide housing and a complete continuum of long term healthcare services. This facility will be among the most innovative, technologically advanced, efficient, flexible, humane and natural facilities in the world. It will, by design, encourage rehabilitation and independent living while setting the standard for enhancement of the quality of life.”[emphasis added]

The HUD grant application noted that the total estimated cost of building 140 assisted living units would range between \$30 million and \$40 million. Choosing Option B, and reducing the number of planned units from 246 to 140 units, at a *reduced* total project cost of approximately \$140 million, would demonstrate the City’s commitment to building a continuum of care at Laguna Honda Hospital.

Flaws in the Glass — Part 1: Sins of Omission From the Draft Assisted Living Feasibility Study

Notably, the draft Feasibility Study released on August 2 contains many errors of omission of relevant information for the public to understand this report:

- The most glaring error of omission is that the draft report contains no specific recommendations, but includes an acknowledgement that the report is a “work in progress”; this appears to be yet another example in which the City spent \$694,750 to prepare public health and housing infrastructure recommendations without letting members of the public weigh in on the actual, concrete, and final recommendation the City may potentially choose to make in coming weeks in the final report due to HUD in September 2007.
- Another glaring error in the draft study is the absence of key deliverables. In 2000, following passage of Proposition A in 1999, Dr. Mitch Katz, San Francisco’s Director of Public Health, submitted a HUD grant application titled “Construction of Laguna Honda Assisted Living/Housing for Seniors” as a HUD FY 2000 EDI Special Project². In that grant application, Dr. Katz noted³:

“The total estimated cost of building 140 assisted living units on the Laguna Honda campus is \$30 – \$40 million. San Francisco has currently committed \$15 million, through bond proceeds, to cover a portion of those costs.”

The grant application contained a proposed budget⁴, including, but not limited to, the following line items:

Environmental Review	\$15,000
Preliminary Financial Analysis	\$60,000
Legal Analysis	\$30,000
Site Feasibility	\$45,000

Moreover, in the draft budget submitted by Anshen+Allen Architects/Gordon H. Chong & Partners⁵ to bid on the contract to conduct the Assisted Living Feasibility Study, the following line items were included in its proposed project budget of \$562,800:

Architectural Peer Review	\$13,000
Financial Planning	\$30,000
Legal Analysis	\$ 4,800
Reimbursable Expenses	\$30,000
Honorarium’s and Travel	\$15,000

Putting aside, for a moment, the \$30,000 variance for financial analysis/financial planning, and the \$10,200 variance for environmental review between the grant application budget submitted to HUD and the proposed project budget developed by Anshen+Allen Architects/Gordon H. Chong & Partners, the following must be observed regarding the grant application budget submitted to HUD:

The Draft Feasibility Study presents no information or discussion about whether the City Attorney’s Office has conducted any legal analysis regarding placing assisted living housing on the Laguna Honda campus.

- Despite the stipulation that a legal analysis “related to development of assisted living residential development [on the Laguna Honda campus]” would be conducted, the Draft Feasibility Study presents no information or discussion about whether the City Attorney’s Office has conducted any legal analysis regarding placing assisted living housing on the Laguna Honda campus, nor did Anshen+Allen Architects/Gordon H. Chong & Partners budget for any such analysis; this deliverable is missing.
- Despite the HUD grant application budget line to conduct a site feasibility analysis “regarding the project (for example, topography, hazardous materials specification, soil, and transportation),” the Draft Feasibility Study presents no analysis in the body of its report discussing any site feasibility findings, nor did Anshen+Allen Architects/Gordon H. Chong & Partners budget for any such analysis; this deliverable is missing from the draft report.
- Despite the HUD grant application \$60,000 budget line item to conduct a preliminary financial analysis “to determine the total costs and available federal, state and local sources to pay for construction and operations of the project,” the Draft Feasibility Study presents in its meager section of Capital Funding sources on pages 107 and 108 of the draft report, only the barest of information about funding sources. If the public is to believe that Total Project Cost is somewhere between \$150.5 million and \$244.7 million (including “soft” and “hard” costs”) as indicated in a table dated July 26, 2007 developed by TBD Consultants contained on page 23 of the Appendix to the Draft Feasibility Study, it would have been useful for the public to have been told how much money could potentially be obtained from each of the capital funding sources presented on pages 107 and 108 of the Draft Feasibility Study to fund the assisted living housing

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construction costs. Instead, that detailed information appears to have been elided from the report, which appears to inadequately provide information that the HUD grant application indicated would be analyzed.

- Despite the HUD grant application budget line to conduct an environmental impact review (EIR), the Draft Feasibility Study presents no EIR analysis in the body of its report discussing any impact of increasing density on the Laguna Honda campus by doubling the proposed number of assisted living beds. That this deliverable is missing from the draft report is not surprising, since *the Assisted Living Workgroup has hoped all along to convince the Planning Department that only minor changes are being proposed to the assisted living component of the replacement project, and, therefore, a time-consuming and costly new EIR is not required.*

*That this deliverable is missing from the draft report is not surprising, since **the Assisted Living Workgroup has hoped all along to convince the Planning Department that only minor changes are being proposed to the assisted living component of the replacement project, and, therefore, a time-consuming and costly new EIR is not required.***

The following must also be observed regarding the project budget developed by Anshen+Allen Architects/Gordon H. Chong & Partners:

- Despite having budgeted \$13,000 for architectural peer review, noticeably absent from the Draft Feasibility Study are comments from the peer review specialist hired under a subcontract to the project. The firm of Patri-Merker Associates — whose founding partner, Piero Patri, was dedicated to housing for seniors and who established a San Francisco Planning + Urban Research (SPUR) Association subcommittee to explore ways of bringing more senior housing to San Francisco — had been hired to provide peer review of the draft recommendations, reportedly, in part, due to Patri-Merker’s experience in incorporating retail and commercial projects into senior housing projects. However, the Draft Feasibility Study does not contain the peer reviewer’s analysis for the public to consider in evaluating the proposed Laguna Honda Assisted Living/Housing for Seniors project.
- Again, despite Anshen+Allen Architects/Gordon H. Chong & Partners having budgeted \$4,800 for a legal analysis from the City Attorney regarding the proposed assisted living project, noticeably absent from the Draft Feasibility Study is any legal review.
- Also missing from the Draft Feasibility Study is any information regarding how the \$30,000 in reimbursable expenses and the \$15,000 for honorarium’s and travel expenses was spent, or on what.

- Although John Kanaley, Executive Administrator at Laguna Honda Hospital, had financial members of the Laguna Honda Hospital Replacement Project team present a detailed discussion about proposed funding sources during the Town Hall meeting regarding the Assisted Living Project on May 30, 2007, there is next to no information presented about funding sources that was discussed with the public on May 30 in the Draft Feasibility Study.

There is no mention in the Draft Feasibility Study that San Francisco Mayor Gavin Newsom supports the assisted living component of the Laguna Honda Hospital Replacement Project.

- There is no mention in the Draft Feasibility Study that San Francisco Mayor Gavin Newsom supports the assisted living component of the Laguna Honda Hospital Replacement Project. In a letter⁶ dated August 2, Mayor Newsom wrote:

“As I have indicated at numerous community meetings in District 7, I support Laguna Honda continuing its proud tradition as a medically licensed facility providing assisted living units for those in need of medical services. As you know, this model of care is designed to provide maximum independence to medically diagnosed individuals who require some assistance in their daily lives.

Along those lines, I do not support any future placement of supportive housing for the formerly homeless at Laguna Honda Hospital. While I believe that more of this type of housing can help address our homeless problem in a lasting way, Laguna Honda Hospital is an inappropriate location for this housing and [it] should remain an assisted care facility.”

- In the Benchmarking section describing the Operational Tours, only three facilities appear to have been toured by the Assisted Living Workgroup. Noticeably absent is any criteria or baseline data highlighting any benchmarked “lessons learned” for the Rhoda Goldman Plaza, AgeSong, and Heritage Retirement Community assisted living facilities. These tours should be expedited, and baseline data from the three facilities should be included in the final report, so that any future policy decisions subsequently made by the Health Commission and the San Francisco Board of Supervisors is adequately “informed” based on the tours of all comparable facilities throughout the Bay Area.
- The “Costs Estimate Summary”⁷ in the Draft Feasibility Study do not itemize dollar amounts for “Items Not Included in This Estimate,” including the costs for land acquisition and project financing, among other potentially costly items should a decision be made not to construct the assisted living housing on the campus of Laguna Honda Hospital. In addition, the items included in the “Items That May Affect This Estimate” need to be fully described, and carefully estimated.

*There is no mention regarding why the Assisted Living Workgroup had **not** been presented with the Draft Feasibility Study for approval **prior** to its release.*

- The draft report presents **five** options for the assisted living units being considered. Development of the Feasibility Study was prepared under the guidance of the Assisted Living Workgroup — a committee comprised of City employees and members of non-profit service providers — which has been meeting since February 2006. All along, the Assisted Living Workgroup had, according to public records, been considering only **four** options for the Assisted Living Project. Omitted from the Draft Feasibility Study is any explanation regarding why, at the eleventh hour, a **fifth** option was suddenly included in the draft report, since it had not even been mentioned during the last meeting of the Assisted Living Workgroup held on June 11, 2007.
- There is no mention in the Draft Feasibility Study regarding why the Assisted Living Workgroup had **not** been presented with the Draft Feasibility Study for approval **prior** its release. Surely, the very committee charged with planning the assisted living senior housing should have been afforded an opportunity to comment on the draft report prior to its release to members of the public.
- The Benchmarking matrix on page 39 of the draft report notes that construction costs for comparable facilities should “ask S. Christine.” After being awarded a \$693,750 HUD grant to explore assisted living options, omitting including comparable construction costs in the Draft Feasibility Study is inexcusable, as if the total project costs for comparable projects are a tightly-held industry **secret**. Failing to include construction costs for comparable Bay Area assisted living projects can only be described as a **pathetic**⁸ omission since the data can be easily found on the Internet by Googling, for instance, “Mission Creek Senior Housing.” Readily available on the Internet is the web site for Cahill Contractors, Inc.⁹, a San Francisco-based firm engaged in commercial, industrial, and residential construction, as well as construction management. Both the Mission Creek Senior Housing project and the Presentation Senior Community project, which are so-called “benchmarking” facilities in the Draft Feasibility Report, involved Cahill Contractors, given their experience constructing senior housing and assisted living projects.

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The Cahill web site indicates that the Mission Creek Senior Housing project built in 2006 had a budget of \$36 million to construct 140 residential housing units, and the Presentation Senior Community built in 2001 had a budget of \$13 million to construct 93 low-rent housing units. That translates to \$257,143 per unit for Mission Creek, and \$139,785 per unit at Presentation Senior Community. **So why does the draft report indicate one option would cost a shocking \$244.6 million, at nearly \$1 million each, to build 246 assisted living housing units at Laguna Honda?**

- The report also doesn't explain why total-per-unit costs for Laguna Honda's proposed senior housing is four times higher than Mission Creek, leaving readers questioning the veracity of the proposed "sticker shock" costs for the five construction options presented.

Although the consultants were paid \$562,800 to prepare the Laguna Honda Senior Housing draft feasibility study, they failed to include costs of these two benchmarked facilities, even though the data is freely available on the Internet.

- The Draft Feasibility Study also glaringly omits any discussion of why 246 assisted living housing units would cost \$244.6 million, even though the project manager reported to the Citizen's General Obligation Bond Oversight Committee in April 2007 that the Laguna Honda replacement project only needs \$113 million to complete the 420-bed West Tower that San Francisco desperately needs, given the rapidly escalating loss of skilled nursing beds citywide. Acute-care hospitals cost more money per bed to construct than the lower level of care found in skilled nursing facilities. Skilled nursing facilities reportedly cost more to construct per bed than the even lower level of care found in assisted living facilities. So why could it suddenly now cost more in San Francisco to construct assisted living beds at a lower level of care, than higher level of care in skilled nursing facilities?

- Theoretically, acute care hospitals cost more money per bed to construct than the lower level of care found in skilled nursing facilities, and skilled nursing facilities should cost more to construct per bed than the even lower level of care found in assisted living facilities. A reasonable question to ask — that demands an answer in the final report forthcoming due to be submitted to HUD — is why would it cost over twice as much (\$246 million) to construct only 246 assisted living units than the \$113 million needed to complete construction of 420 skilled nursing beds?

- The Cahill Contractors web site also reports that the Mission Creek Senior Housing project incorporated a San Francisco Branch Library, retail shops, parking, and a Senior Adult Day Health center on site, and the Presentation Senior Community would also provide senior day care and a theater. None of these amenities (other than an adult day health center) has been included in the proposed senior housing plans for the Laguna Honda replacement project.

Also omitted from the Draft Feasibility Report is any mention that the Presentation Senior Community project was financed in part through the Mayor's Office of Housing, HUD financing, and was supplemented by the San Francisco Redevelopment Agency. In the Capital Funding section on pages 107–108 in the Draft Feasibility Report, there is no mention that sources of funding for capital construction might include the Mayor's Office of Housing, HUD financing, or the San Francisco Redevelopment Agency using housing revenue bonds. The Assisted Living Workgroup had members from NBC Development Corporation and the Corporation for Supportive Housing, two national organizations that help funding senior housing projects, but there is no mention of whether either corporation might help secure funding to construct LHH's assisted living units.

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In the Capital Funding section on pages 107–108 in the Draft Feasibility Report, there is no mention that sources of funding for capital construction might include the Mayor's Office of Housing, HUD financing, or the San Francisco Redevelopment Agency using housing revenue bonds ... nor whether either NBC Development Corporation or the Corporation for Supportive Housing might help secure funding to construct LHH's assisted living units

- Finally, omitted from the Draft Feasibility Study is any mention that the Plaza Apartments was developed by San Francisco’s Redevelopment Agency to create housing for extremely low-income residents at a cost of \$22 million to house 106 people. That project, which opened in March 2006, was constructed at a cost of \$201,835 per resident ... again, nearly one-quarter less than Option B proposed for Laguna Honda.

Flaws in the Glass — Part 2: Flawed Assumptions in the Draft Assisted Living Feasibility Study

There are several flawed assumptions in the Draft Feasibility Study that should be corrected prior to issuing a final version of the report:

- In a table¹⁰ in the Evaluation section of the report that presents “Option Descriptions and Details,” three options are presented to build 246 to 276 assisted living units in order to serve between 251 and 282 residents (Options “B,” “D,” and “E”). However, nowhere in the 118-page Draft Feasibility Study is there any demographic data presented indicating why the City and County of San Francisco assumes it needs to build this amount of units on the Laguna Honda Hospital campus, and there is no discussion regarding why the number of units recommended in these three options are nearly twice as much as the 140 units originally promised to voters.

- In the Financial Projects Overview section of the report an assumption about industry average salaries to staff operations of the Assisted Living housing. The report states¹¹:

“In this report, salary expenses are based on industry average staffing levels using the City and County of San Francisco pay rates. In each case, the median pay level was used to make the projections for each position. It is likely that many of the positions will be filled by existing staff who may already be at a higher or lower step in the pay scale. To the extent that the variances occur, the actual salary levels may vary.”

Typically, the City budgets positions at the highest step level, not at the median.

- In the Financial Projects section of the report an assumption about the Adult Day Health Center planned for the LHH Replacement project is stated, suggesting “The costs and staffing [the ADHC] have been projected at the current levels.¹²” This appears to be patently untrue, as elsewhere in other public records and during meetings regarding the Assisted Living Project, it has been stated that Laguna Honda Hospital officials intend to **double** the capacity of the current ADHC already in operation at Laguna Honda. Surely authors of the Draft Feasibility Study must know of Laguna Honda Hospital’s desired intention to double the capacity of its current ADHC, and the Draft Feasibility Study should budget for doubling the ADHC’s capacity.

- The Draft Feasibility Study states “... spiraling construction costs have made the original options for placing assisted living on the Laguna Honda campus unsatisfactory”¹³, and that “... an inflated market has priced certain options out of reach,”¹⁴ yet the draft report does not specify which options presented in the draft report are, ostensibly, now “out of reach,” and doesn’t indicate who, or what group of people, sat down and decided that the originally-considered assisted living options are now too expensive and no longer satisfactory, nor when that conclusion had been reached out of the public view.

All along, the Assisted Living Workgroup had, according to public records, been considering only four options for the Assisted Living Project. Omitted from the Draft Feasibility Study is any explanation regarding why, at the eleventh hour, a fifth option was suddenly included in the draft report, since it had not even been mentioned during the last meeting of the Assisted Living Workgroup held on June 11, 2007.

The Draft Feasibility Study states “... spiraling construction costs have made the original options for placing assisted living on the Laguna Honda campus unsatisfactory” ... and doesn’t indicate who, or what group of people, sat down and decided that the originally-considered assisted living options are now too expensive.

- The Draft Feasibility Study acknowledges that the Assisted Living project (and by extension, the entire Laguna Honda Replacement Project, including the skilled nursing beds now under construction), was undertaken as a public works project after voters passed Proposition A in 1999. Now, rather than a public works project, the draft report suggests in its Conclusion section considering as one cost containment possibility the idea of turning over the design and construction of the assisted living housing to a private developer¹⁵, who would be expected to turn over the keys to the facility to the City when completed. If this is done, ***the public may lose oversight and transparency into the design and construction of the project.***

- In the “Benchmarking” section of the Draft Feasibility Study describing Operational Tours, there is no discussion about why Alma Via, operated by the Elder Care Alliance, is considered in comparison to “safety net” facilities. A one bedroom “plus” unit at Alma Via includes a monthly cost of up to \$6,500, plus another \$875 per month for a second person, for a total cost of \$7,375 per month, exclusive of an additional \$2,100 per month if the resident requires additional help with Activities of Daily Living (ADL’s)¹⁶. If a resident of Alma Via has a live-in caregiver and also needs assistance with ADL’s, their monthly costs approaches \$9,475, or \$113,700 annually, which is clearly above the means of Medi-Cal safety-net clients, even if Laguna Honda Hospital residents are handed a \$77,000 waiver to purchase in-home supportive services in order to be served at a lower level of care. Alma Via should be removed as a comparative “safety net” facility in the final report, since people relying on Medi-Cal will probably not receive amenities equal to those provided at Alma Via.

One cost containment possibility is the idea of turning over design and construction of the assisted living housing to a private developer. ... If this is done, the public may lose oversight and transparency into the design and construction of the project.

- The Draft Feasibility Study recommends that so-called “value engineering”¹⁷ be considered as one method to contain costs of the Assisted Living Project by reconsidering “construction methods, materials, and design elements.” A lesson should be learned from the “value engineering conducted for the skilled nursing bed component of the Laguna Honda Hospital Replacement Project. Although industry practice calls for conducting value engineering at the outset of project development, value engineering was not performed until the end of the design process for skilled nursing component at LHH. Although value engineering reportedly identified approximately \$4 million in potential savings, because it was not considered until the last moment and the project subsequently had to be re-bid, the value engineering savings was eliminated when a successive round of “competitive” bids was received. Unless the assisted living project considers value engineering at the outset, and not at the tail end of the project, any savings will likely not materialize, and may actually drive up the total project cost.

If a resident of Alma Via has a live-in caregiver and also needs assistance with ADL’s, their monthly costs approaches \$9,475, or \$113,700 annually, which is clearly above the means of Medi-Cal safety-net clients, even if Laguna Honda Hospital residents are handed a \$77,000 waiver to purchase in-home supportive services in order to be served at a lower level of care. Alma Via should be removed as a comparative “safety net” facility in the final report

- Although the Draft Feasibility Study accurately reports¹⁸ the total number of Full-time Equivalent (FTE) staff who would be needed to staff the Assisted Living Housing it presents for the Laguna Honda Hospital campus, the report does not adequately explain why the staffing mix it recommends is needed, particularly since the Benchmarked facilities do not include the staffing positions presented in the Draft Feasibility Study report. For instance, the draft report recommends the following staffing mix:

Option:	A	B	C	D	E
# of Residents	148	251	234	280	282
Administration	7	8	8	8	8
Activities	2.1	4.2	4.2	4.2	4.2
Resident Care	54.6	93.8	92.4	110.6	110.6
Housekeeping & Laundry	23.5	34.3	30.3	31.9	36.7
Plant Operations	4.8	6.7	5.8	5.8	7.0
Dietary	12.2	20.2	19.2	23.0	23.2
Security	4.2	4.2	4.2	4.2	4.2
Total FTE's	108.5	171.5	164.2	187.8	194.0

It should be noted that the three Benchmarked facilities included in the Draft Feasibility Study do not include staffing for security, housekeeping and laundry staff, or resident care staff, among others. For instance, even though Alma Via is *not* a safety-net facility, the matrix included in the Draft Feasibility Study indicates that Alma Via, which serves a total of 143 residents when operating at full capacity, has staff consisting only of a receptionist, accounting and human resources staff, CNA’s, a chaplain/counselor, a cook and wait staff, and an executive director and their assistant, but not activity therapists, RN’s, porters/janitors, and/or security personnel?

The Draft Feasibility Study does not acknowledge its proposed staffing recommendations will cost between \$10.4 million and \$18 million in annual operating expenses, but without additional annual operating expenses being clearly stated.

Notably, the staffing matrix on page 41 of the Draft Feasibility Study notes that both Mission Creek Senior Housing (serving 139 residents), and Presentation Senior Community (serving 92 residents), each only have one dietary services employee on their respective staffs.

Why would Options B, C, D and E, respectively, need 20.2, 19.2, 23.0, or 23.2 Dietary Services Department staff for the Laguna Honda Assisted Living component, when the other benchmarked facilities do not? For that matter, why would Options A, B, C, D and E need, respectively, 54.6, 93.8, 92.4, 110.6, or 110.6 “resident care” (thought to be CNA’s and RN’s) on staff for the Laguna Honda Assisted Living component when the other benchmarked facilities do not have similar staffing ratios?

Further, the Draft Feasibility Study does not acknowledge its proposed staffing recommendations will cost between \$10.4 million and \$18 million in annual operating expenses, but without stating what other additional annual operating expenses may be needed in addition to the positions indicated below:

Option:	A	B	C	D	E
# of Residents	148	251	234	280	282
Administration	\$1,600,222	\$2,431,705	\$2,431,705	\$2,431,705	\$2,431,705
Activities	203,546	388,532	388,532	388,532	388,532
Resident Care	4,169,612	7,064,486	6,964,295	8,266,784	8,266,784
Housekeeping & Laundry	1,459,745	2,146,658	1,917,564	2,009,484	2,281,562
Plant Operations	1,197,785	1,753,783	1,594,387	1,594,387	1,813,383
Dietary	1,501,849	2,468,538	2,400,234	2,585,057	2,593,093
Security	\$232,642	\$232,642	\$232,642	\$232,642	\$232,642
Total	\$10,365,549	\$16,486,595	\$15,929,593	\$17,508,871	\$18,007,983

Flaws in the Glass — Part 3: Editorial Comments and Suggestions

The following editorial comments are noted (all page numbers refer to the 118-page text-plus-illustrations full draft report):

- Data presented on pages 95 and 96 describing the Summary of Project Cost does not appear to match data on page 23 in the Appendix to the report. This may be due to tables on page 22 and 23 of the Appendix having been prepared by TBD Consultants on July 26, 2007, whereas the TBD table on page 96 of the 118-page report is dated one day later on July 27, 2007. The discrepancies (without an explanation as to why) are:

Option:	A	B	C	D	E
Page 23	\$150,522,929	\$244,691,375	\$206,614,192	\$182,083,255	\$206,485,593
Page 95	148,103,501	246,007,532	198,206,806	183,004,692	207,530,382
Variance:	\$2,419,428	(\$1,316,157)	\$8,407,386	(\$921,437)	(\$1,044,789)

Similarly the “Total Escalated Costs” on pages 96 and 22 also do not match between the Appendix and the full 118-page report.

- The table presented on pages 16 through 19 of the 30-page text-only version should also be closely proofread against comparable charts in the Appendix.
- In the last paragraph on page 10, the study notes “fourteen” guiding principles were developed by the Long-Term Care Coordinating Council. That should be corrected to “fifteen” principles. Also, the text-only version of the draft report lists only 10 of the 15 principles.
- In the last bullet point at the top of page 27, there are no definitions of the acronyms used; they should be spelled out at the first occurrence of their usage.
- Whenever California’s Medicaid program is referred to as “Medi-Cal,” (beginning on page 28 and throughout the report), it should include a hyphen and a capital “C,” so as not to be confused with the word “medical”
- In the paragraph regarding the “Leno Bill” on page 30, insert “San Francisco” before “Department of Public Health” to clarify which department is being referred to.
- On page 14 of the text-only version of the report posted to the LHH Replacement Project web site, footnote #11 is missing.
- The last paragraph on page 47 cross references readers to pages 54–55; this should likely be corrected to read pages 52–53 where the “group model” the illustration appears.
- In the “Others” section of the “Operational Funding” comments, a clause appears to be missing in the last sentence on page 108 that reads “... such as and the Assisted Living Waiver.” The “such as what” should be fully described.”

Flaws in the Glass — Part 4: Other Problems in the Draft Assisted Living Feasibility Study

- In the first paragraph on page 10 in the “Recognizing the Changing Marketplace” section, the report states “As the popularity of assisted living has grown, so have the services, amenities, and operational models.” However, the report fails to note that many of the community-based services have not grown in capacity to serve the demand that exists, and the report does not acknowledge the long waiting lists to obtain many of the needed services.
- In the “Executive Summary” on page 12, there is no explanation given as to why the five options presented in the report recommend doubling the assisted living project by building up to 280 assisted living units, rather than the 140 units voters were told in Proposition A would be built, nor is there an explanation of why a fifth option was suddenly added.

- The dollar amounts to build an Assisted Living Facility in the bullet points on pages 12 and 13 of the report are deceptive and disingenuous, since they report only construction costs; to be intellectually honest, the “total project costs,” including “soft costs, contingency fees, etc., should be explicitly stated in the Executive Summary of the final report showing that Options C and E, for instance, would cost \$206 million.
- It is somewhat ironic that all along the Assisted Living Workgroup has been considering building semi-independent senior housing, but suddenly, the authors of the Draft Feasibility Study states on page 21 that “solely for the purposes of this study” the International Building Code Group I-2 has been “assumed, allowing the facility to keep five or more people in their rooms in their [health] condition changes to requiring exiting assistance.” People who require exiting assistance are *not* independent. This IBC classification is normally intended for “medical, surgical, psychiatric, nursing or custodial care for more than five persons who are not capable of self-preservation,” whereas the IBC Group I-1 classification involves occupancy in assisted living facilities. So rather than building a semi-independent assisted living facility, the project authors appear to want to have it both ways by classifying the project as an IBC Group I-2 facility.
- In concluding the Construction Type section on page 22, the report notes reducing the occupancy classification (presumably to IBC Group I-2), lowering the building construction type (presumably to Type I-B), and reducing the number of bedrooms would “limit operational flexibility” of the Laguna Honda assisted living project. The project’s principal goal is *not* to provide “flexibility” of how the senior housing constructed can be used in the future; the project’s principal goal should be that of developing assisted living housing that will remain as assisted living housing in the future, and not be subject to the changing winds and whims of political dynamics.
- There is no explanation as to why the “California Grants & Loans,” “Capital Funding,” and “Operational Funding” paragraphs are included in the Best Practices section on pages 27 and 28 of the report. These three paragraphs might be better included in the Cost Estimates section of the report beginning on page 92.
- Of the seven comparable assisted living facilities listed in the Operational Tours section of the Benchmarking section, only one of them is truly a safety-net facility for the types of residents currently housed at Laguna Honda Hospital. The matrix starting on page 39 should be expanded, and in the *final* Feasibility Study report, the criterion/baseline data for the Helen Sawyer Plaza in Miami, Florida should be fully presented, so San Francisco officials can compare “apples to apples,” not “apples to oranges.” As the first public housing Assisted Living Facility in the country, the Helen Sawyer Plaza should be included in the benchmarked matrix of comparable safety-net facilities by including a full description of amenities, service mix, construction funding sources, and residents served.
- In the list of Operational Tours that were benchmarked, six of the seven facilities should have been fully toured by this date in time, since the Assisted Living Workgroup has been meeting for at least a year and a half. Instead, it appears that possibly only three of the six facilities have been toured and their metrics reported; of them, Alma Via is, and was, not a comparable facility since it largely populated by private pay residents, not indigent or low-income safety-net residents who rely on Medi-Cal.
- The draft report claims that the City should be allowed to first select a site [location] option, and only afterwards select “appropriate services and amenities [for the assisted living facility].” This approach to determining public health needs, based on a before-the-fact needs assessment, is completely backwards; services needed and selected should not be limited by first choosing a site.

As the first public housing Assisted Living Facility in the country, the Helen Sawyer Plaza should be included in the benchmarked matrix of comparable safety-net facilities by including a full description of amenities, service mix, construction funding sources, and residents served.

- In the Space Program section of the Draft Feasibility Study, page 55 notes that a total of 6,626 square feet in the Assisted Living Housing is being dedicated to an Adult Day Health Center (ADHC), possibly to care for up to 61 adults, although the number of clients to be served in the ADHC is not explicitly stated.
- In stark contrast, the Space Program section of the Draft Feasibility Study, notes:
 - On page 54 that between an Administration area (which includes office space for an astounding six administrative assistants, a director, two assistant directors, and a human resources staff member, among other staff) and a Wellness Center (which includes a 600 sq. ft. fitness room), 5,436 square feet are being dedicated, which is just 1,200 square feet shy of the planned amount of space for an Adult Day Health Center. The Wellness Center is thought to be a new improvement to benefit staff.
 - On page 56 that a total of 4,973 square feet in the Assisted Living Housing is being dedicated to a nursery and child care center, possibly to care for up to 40 children, again for the benefit of staff members.

<u>Space Program</u>	<u>Square Footage</u>	<u>Square Footage</u>
Adult Day Health Care	6,626	6,626
Administration		2,748
Wellness Center	2,688	2,688
Child Day Care	4,973	4,973
Subtotal	7,661	10,409

- None of the other benchmarked facilities — Presentation Senior Community, Mission Creek Senior Housing, nor Alma Via — include a child care center or a wellness center. The proposed project funded by HUD was meant to develop a senior housing plan, not a day care center for children of employees or a wellness center for staff. By simply removing the nursery/child care center and the wellness center for staff from the proposed plans, the project could more than double the total square footage and total capacity of the adult day health program to a total of 14,287 square feet from the proposed 6,626 square feet.

By simply removing the nursery/child care center and the wellness center for staff from the proposed plans, the project could more than double the total square footage and total capacity of the adult day health program.

After all, voters who passed Proposition A in 1999 were led to believe that they were authorizing bond indebtedness to “construct ... a new health care, assisted living, or other type of continuing [health] care facility to replace Laguna Honda Hospital,” not to construct facilities to benefit City employees who may need or desire a wellness center and child care facilities.

- The “Project Outline” paragraph on page 92 appears to include a run-on sentence, starting with the word “Demolition.” It is not clear from the Draft Feasibility Study whether demolition of existing structures is being cost-shifted from the replacement of the skilled nursing bed component of the project, to the assisted living component of the replacement project at millions of dollars of expense, nor is it clear whether demolition of existing structures may potentially being double-counted across both project components.
- In the “Basis for Pricing” section of the draft report, although design contingencies have been included (at up to \$18 million in contingency reserves), a so-called “market contingency percentage” to cover allowances for cost increases that may occur when bids “could be unusually high,” and a “construction contingency” estimate to cover so-called “change orders” that occur from design changes after the project has commenced, have both been excluded from the estimates for all five options presented. Notably, a public records request has uncovered that change orders submitted to date for the skilled nursing component of the LHH replacement project has already tacked on an additional \$6.4 million in design costs, and more change orders could drive that cost over-run even higher before the replacement project is completed. The budget for the

planned senior housing component should be required, at minimum, to include estimates for both change orders and the so-called “market contingencies” in the final report due to HUD.

Any so-called “value engineering” cost savings could easily be eliminated if *ad nauseum* modifications to the scope of work subsequent to the Assisted Living Project’s planned start of construction occurs, as it has for the replacement of the skilled nursing bed component now under construction.

- Lamely, the Draft Feasibility Study notes in its “Final Projections” section on page 102, that:

“The Laguna Honda Assisted Living Facility is still in the preliminary planning stages, and many decisions have not been made regarding the project. The pending decisions include the size of the project, the services that are going to be ordered [to residents], and whether certain services are going to be provided by the facility, or purchased from either Laguna Honda Hospital or an outside vendor.”

The report then states: “**Choices made on any of these and other issues can have a significant effect on the costs of the project.**” [Big “duh!”] How are members of the public, or key policy makers in San Francisco, supposed to evaluate the costs proposed for this senior housing project without decisions having already been made regarding which services will be offered, to which patient populations, or in what size of a facility?

“Choices made on any of these and other issues can have a significant effect on the costs of the project.”
[Big “duh!”]

- In the “Expenses by Department “ section of the report, the Draft Feasibility Study notes on page 106 that the number of staff for each option — which ranges from 108.5 to 194 full-time equivalent (FTE) employees — does not include staffing for the Adult Day Health Center. If the staffing for the ADHC is included, there may be a 1:1 ratio between the number of staff members hired relative to the number of assisted living units possibly constructed.

And in the table of total FTE’s being considered for the Laguna Honda assisted living project, notably there are no podiatrists, speech therapists, social workers, receptionists, desk clerks, physicians, or physical and occupational therapists included who were enumerated as being employed at the “comparable” benchmarked facilities included in the Draft Feasibility Study.

- Perhaps the most faulty “assumption” made in the Draft Feasibility Study is its claim that it has “been assumed that ***the project costs will be financed through the issuance of general obligation bonds***, at an interest rate of 5%.” First, Proposition A noted in 1999 that the general obligation bonds for the full replacement project could not exceed 12%. How the assisted living project component would be financed with general obligation bonds at a lower interest rate than that being applied to the skilled nursing facility component of the project is not explained. Second, voters were ***not*** told in 1999 that the assisted living project component would potentially be financed using ***additional*** general obligation bonds above and beyond the general obligation bonds voters were asked to approve for the total project. If the assisted living project now intends to issue ***additional*** general obligation bonds to build this project, voters have been completely kept out of the loop about this new development.
- The assisted living project for Laguna Honda has been undertaken as a public works project. To now turn it over to private developers would prove disastrous, since voters would lose public oversight and accountability on a project suddenly granted authority to curtail public transparency.

Conclusion

Before this Draft Feasibility Study is taken to a final version of the report, its author's have substantial work to perform to eliminate various flaws, and before the report is presented to the San Francisco Health Commission and to the San Francisco Board of Supervisors, and subsequently delivered to the U.S. Department of Housing and Urban Development.

San Franciscans deserve no less, in part because this draft report contains too many flaws in the glass.

Respectfully submitted,

Patrick Monette-Shaw
August 27, 2007

References

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- ¹ Agenda, Laguna Honda Replacement Project Transition Steering Committee Meeting, September 6, 2005.
 - ² Letter from Mitchell H. Katz, MD, Director of Health, Department of Public Health, City and County of San Francisco, to the U.S. Department of Housing and Urban Development titled “Laguna Honda Assisted Living/Housing for Seniors \$750,000 Appropriation; FY 2000 Conference Report (HR 106-379),” dated February 9, 2000.
 - ³ Ibid.
 - ⁴ Ibid.
 - ⁵ Letter from Anshen+Allen Architects/Gordon H. Chong & Partners to John Thomas, Program Manager, Laguna Honda Hospital Replacement Project, titled “Feasibility study services for senior housing on the Laguna Honda Hospital Replacement Project, LHHRP, site,” dated September 1, 2006.
 - ⁶ Letter from Gavin Newsom, Mayor of San Francisco, addressed to community members, dated August 2, 2007.
 - ⁷ Draft *Assisted Living Feasibility Study*, Anshen+Allen Architects/Gordon H. Chong & Partners, dated August 1, 2007, page 94.
 - ⁸ **pathe'tic** **1**. Exciting pity or sadness or contempt; ...
— The Concise Oxford Dictionary (Based on the Oxford English Dictionary and its Supplements), Sixth Edition
 - ⁹ See www.cahill-sf.com
 - ¹⁰ Op. cit, Anshen+Allen Architects/Gordon H. Chong & Partners, August 1, 2007, page 88, un-numbered table.
 - ¹¹ Ibid., page 102.
 - ¹² Ibid., page 106.
 - ¹³ Ibid., page 8.
 - ¹⁴ Ibid., page 112.
 - ¹⁵ Ibid., page 113.
 - ¹⁶ Ibid., page 39.
 - ¹⁷ Ibid., page 112.
 - ¹⁸ Ibid., page 106.