



COMPTROLLER GENERAL OF THE UNITED STATES
WASHINGTON, D.C. 20548

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B-183256

JANUARY 2, 1980

The Honorable Jamie L. Whitten
Chairman, Committee on Appropriations H 3000
House of Representatives

Dear Mr. Chairman:

Subject: [Analysis of Potential Alternative Sites
for the Proposed New San Diego Naval Hospital]
(HRD-80-37)

Your July 31, 1979, letter requested that we evaluate the advantages and disadvantages of the sites the Navy is considering for the new Naval Regional Medical Center in San Diego, California. The Department of Defense is planning to request funds for initial construction in fiscal year 1981. The total cost of the project is currently estimated to be \$293 million.

Beginning in 1971, the Navy made a series of studies evaluating various sites and designs for replacing the medical center. The Navy's most recent study, which evaluates 20 alternative sites in the San Diego area, concludes that a 39-acre parcel of land in Florida Canyon, adjacent to the existing medical center complex in Balboa Park, represents the best site alternative.

The enclosure to this letter describes the results of our analysis of the Navy's plans to replace the medical center. We focused on three primary site alternatives: Florida Canyon, Helix Heights, and Balboa Park. (See pp. 5 and 6 of the enclosure.) On December 7, 1979, the Secretary of the Navy approved the decision to acquire--through condemnation--the property in Florida Canyon. We concur in the Navy's conclusion that Florida Canyon is the preferable site and support its plan to initiate condemnation proceedings to obtain fee-simple ownership of the Florida Canyon property. However, if the terms of final land acquisition call for the Navy to accept a lease rather than ownership of the property, as contemplated under a prior memorandum of understanding between the Navy and the city of San Diego, we believe the Navy should reconsider its options.



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The question of ownership of the property on which the hospital is to be located is, in our opinion, of utmost importance. With the Navy having a major presence in terms of military facilities and personnel in San Diego, there is every reason to expect that there will be an indefinite, continuing need for a naval hospital to serve the area. Also, given the magnitude of the required capital investment for the project and the probable need for continued additional capital investments over the life of the medical center to keep pace with modern medical practice, we feel that fee-simple ownership should be a basic requirement.

Accordingly, while we recognize the many disadvantages associated with building the hospital at the present Balboa Park site, which the Navy owns, we believe that, if a leasing arrangement becomes the only means of acquiring the Florida Canyon property, the Navy should reconsider its opposition to the present Balboa Park location as the site for the planned new facility.

RECOMMENDATIONS TO THE SECRETARY OF THE NAVY

We recommend that the Secretary:

- Proceed with condemnation action to acquire fee-simple ownership of the Florida Canyon property needed for construction of the new Naval Medical Center.
- As a first step in the action, begin negotiations with the city of San Diego to acquire the property under a friendly condemnation through payment or land exchange, but not under a leasing arrangement as contemplated in the Navy's earlier memorandum of understanding with the city.
- Reconsider construction at the southern end of the Balboa Park site if fee-simple ownership of the Florida Canyon property cannot be acquired.

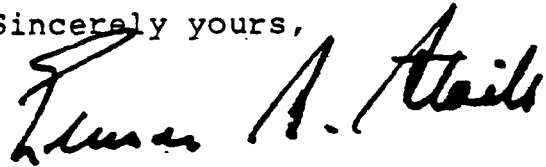
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As requested by your office, we have not obtained written comments on this report, but have discussed its contents with officials of the Navy and the Office of the Assistant Secretary

B-183256

of Defense for Health Affairs. Also, we are sending copies of this report to the Chairmen, Senate Committees on Appropriations, Governmental Affairs, and Armed Services, and the Chairmen, House Committees on Government Operations and Armed Services. We are also sending copies to the Secretaries of Defense and the Navy, and the Director, Office of Management and Budget.

Sincerely yours,

A handwritten signature in black ink, appearing to read "Thomas A. Aitels". The signature is written in a cursive style with a large initial "T".

Comptroller General
of the United States

Enclosure

ADVANTAGES AND DISADVANTAGES
OF ALTERNATIVE SITES FOR
THE SAN DIEGO NAVAL HOSPITAL

	<u>Page</u>
INTRODUCTION	1
BACKGROUND	1
REDEVELOPMENT PLANS	2
First Balboa Park Plan	3
Murphy Canyon Plan	3
Second Balboa Park Plan	4
GAO study	4
CURRENT SITE ALTERNATIVES	5
Florida Canyon Plan	6
Helix Heights	10
Balboa Park	14
CONCLUSIONS	15
RECOMMENDATIONS TO THE SECRETARY OF THE NAVY	16

INTRODUCTION

In a letter dated July 31, 1979, the Chairman, House Committee on Appropriations, requested that we evaluate the advantages and disadvantages of the sites the Navy is considering for the new Naval Regional Medical Center (NRMC), San Diego. The Chairman's letter requested that we give particular attention to the estimated impact each site has on the total cost of the proposed project.

This report discusses the Navy's plans for replacing the existing medical center and focuses on three primary site alternatives: Florida Canyon, Helix Heights, and the present site in Balboa Park.

In preparing our analysis, we contacted officials and reviewed appropriate documents at the headquarters offices of the Naval Facilities Engineering Command (NAVFAC) and the Navy's Bureau of Medicine in Washington, D.C.; NAVFAC, Western Division, in San Bruno, California; and the NRMC in San Diego, California. We also discussed matters relating to the potential alternative sites for the proposed new hospital with city of San Diego officials.

BACKGROUND

NRMC, San Diego, is one of the world's largest military medical centers. It began as a field tent hospital in Balboa Park in 1914 and was used as such during World War I. The facility was commissioned as a naval hospital in 1919, and the first of three major phases of construction was begun in the early 1920s. By 1922, a 300-bed permanent hospital structure was in place, and by 1929, the medical center contained 21 structures including a Naval School of Health Sciences (Corps School) for 200 students and a 1,000-bed hospital. Many of the structures built during this period are still used to house inpatient wards, outpatient clinics, and hospital administrative functions.

World War II saw a greatly increased need for hospital and Corps School facilities. During this period, 36 new temporary structures were built, most of which were wood framed. Today these structures are used for barracks and Corps School classrooms.

During the late 1950s and 1960s, 12 buildings of permanent-type construction--reinforced concrete--were added to the complex. One was a 9-story 1,000-bed surgical hospital opened in 1957 and designated as Building 26. The building houses the surgical suites, emergency rooms, main food services, and many of the inpatient wards and outpatient clinics.

The entire complex now consists of 70 buildings comprising some 1,380,000 gross square feet of space on a 77-acre site in Balboa Park. Ownership of the site was conveyed from the city of San Diego to the United States through four separate deeds granted during the first two phases of construction, as shown in the table below:

<u>Parcel</u>	<u>Acres</u>	<u>Date of deed</u>	<u>Estate owned by U.S.</u>
1	17.35	Sept. 1919	Fee-simple absolute
2	5.46	Feb. 1926	Fee-simple absolute
3	32.93	July 1940	Fee-simple absolute
4	<u>21.32</u>	Feb. 1943	Fee-simple upon condition subsequent (note a)
	<u>77.06</u>		

a/In the event that the parcel ceases to be used as a naval hospital, the city has a right, under a reversionary clause, to reenter and take possession.

Currently, NRMC, San Diego, serves a beneficiary population of about 377,000 persons, consisting of active-duty members, dependents of active-duty members, retired military members, and dependents of retired and deceased military members. The hospital complex in Balboa Park had an authorized operating bed capacity of 600 as of October 15, 1979, and during fiscal year 1978 maintained an average daily census of 492 patients. During that year about 784,000 visits were made to the hospital's clinics. This amounted to about 3,000 visits daily.

In addition to patient care, facilities in the medical center provide space for administration, barracks, Corps School academic instruction, laundry, library, warehousing, maintenance shops, recreation, research, Navy exchange, and other activities. Growth of the complex since the 1920s, however, has taken place without a master plan, resulting in a dysfunctional arrangement of facilities and necessitating fragmentation and duplication of services, inefficiencies of operation, and hardships on patients. For example, the medical center operates six fully equipped and staffed X-ray departments in different parts of the complex. Patients from nine inpatient buildings who need X-rays must at times be taken outdoors to reach the appropriate facility.

REDEVELOPMENT PLANS

Plans to rebuild the medical center have been underway for many years. Major renovation or replacement of the medical center is needed to alleviate

- fire, safety, and earthquake-related deficiencies of many existing structures;
- inefficiencies of operations caused by poor arrangement of buildings on the site; and
- noise and safety hazards created by commercial jets that fly over the hospital on approach to San Diego International Airport (Lindbergh Field).

The Navy studied various alternatives to correct these problems beginning in 1971.

First Balboa Park Plan

The Balboa Park Master Plan (1971) assumed that the new hospital required 1,800 beds and envisioned demolition and construction in and around current buildings. Under this plan, eight of the existing buildings, comprising 40 percent of the current gross square footage, could be saved but would need renovation or refurbishment. However, the Navy felt that adopting the plan would lead to severe disruption of on-going activities, result in no alleviation of aircraft safety hazards, and leave a final arrangement of buildings that was still somewhat dysfunctional. Because of the magnitude of the construction effort required under this plan, the Navy turned its attention to complete replacement at a new site.

Murphy Canyon Plan

A 1973 study analyzed alternative sites for the new medical center in the San Diego area and identified a site in Murphy Canyon as the best choice. A master plan for Murphy Canyon was developed in 1974, calling for a medical center with 800 acute care and 300 light care beds. Facilities to house other activities then at the Balboa Park complex were to be built at Murphy Canyon over a 7-year period. It was anticipated that, when the new facilities were completed, the 77-acre Balboa Park site probably would be returned to the city for park use. The Murphy Canyon site, however, is located much farther than Balboa Park from Navy shore installations, port facilities, and most beneficiary residences. Also, Murphy Canyon is in an area poorly served by public transportation. The relatively remote location and problems of access during peak hours of traffic congestion led to resistance to the site within the Navy.

The Murphy Canyon site was never acquired by the Navy even though \$3.8 million was appropriated in fiscal year 1977 for that purpose. While some of the funds have been expended for subsequent site surveys, most have remained unexpended. The Murphy Canyon property was recently sold to a private developer for about \$15 million, and the Navy no longer considers the site a viable option.

Second Balboa Park Plan

As part of a 1975 cost comparison study, the Navy took another look at the option of constructing the required facilities on the Balboa Park site. A new design concept emerged whereby the new complex would be built at the southern end of the present site, creating far less disruption to ongoing operations than under the earlier Balboa Park Master Plan. The planned project was more expensive than the Murphy Canyon project by about \$21 million (1978 dollars). Its main problems, however, were that the aircraft hazard would not be alleviated and some disruption to activities such as housing and parking would be unavoidable.

GAO study

In 1976, we completed a study 1/ dealing mainly with the size of the proposed medical center. At the time of our study, the Department of Defense (DOD) was estimating a need for 900 acute care and 300 light care beds. Finding DOD's method of estimating the required size of new military hospitals to be inappropriate, we developed a new computer-based model for sizing inpatient facilities and applied it to the San Diego Naval Hospital.

As part of our study, we also reaffirmed the need for new construction of the medical center and concluded that either Balboa Park or Murphy Canyon would be acceptable sites.

We further concluded that strengthened management practices at the hospital to provide for alternatives to acute care would bring the patient census down. During the period in which we studied NRMHC, San Diego, the patient census at the hospital was over 1,000. We predicted that, if the

1/"Policy Changes and More Realistic Planning Can Reduce the Size of New San Diego Naval Hospital" (B-183256, Apr. 7, 1976).

Congress and DOD reaffirmed the policy of constructing military hospitals to meet the needs of active-duty personnel and their dependents plus an additional increase in capacity of 10 percent (in teaching hospitals) for all other beneficiaries, the hospital would need 575 acute care and 300 light care beds.

The conference report accompanying the Military Construction Appropriations Act for fiscal year 1977 (H. Rept. 94-1314) provided the policy guidance called for in our report. It stated that our model should be used for sizing all military acute care hospital facilities, except for very small hospitals. The Committee recognized our position that beds additional to those calculated using the model could be provided in planned hospitals, if they were separately and specifically justified. Further guidance provided that hospitals be sized for active-duty members and their dependents plus 10 percent to meet teaching requirements in accordance with DOD policy. The Committee said it would consider providing additional beds in military hospitals if the cost of in-house treatment were shown by careful economic analysis to be less costly to the Government as a whole than providing care under the Civilian Health and Medical Program of the Uniformed Services.

CURRENT SITE ALTERNATIVES

DOD is requesting initial funding for the NRMC, San Diego, project as part of the fiscal year 1981 budget. Total project cost is estimated at \$293 million. The size of the new medical center is expected to be 560 acute care and 250 light care beds.

The final Environmental Impact Statement (EIS) for the proposed NRMC, San Diego, was issued in October 1979. Included as part of the EIS is a site selection study which evaluates 20 potential sites for the new medical center in the San Diego area. The study concluded that a site known as Florida Canyon is the best choice, but that another site located in the Helix Heights area of San Diego would also be suitable for construction. This site, however, was rejected by the Navy in favor of Florida Canyon.

Although earlier studies showed that locating the hospital at the Navy's current site in Balboa Park would be feasible but difficult, the Navy later concluded in the EIS that construction at the current site was not feasible. It also concluded that 18 of the 20 sites evaluated, not including Balboa Park, were not suitable locations for the planned

hospital. Since the Navy's prior studies had included the Balboa Park location as a feasible alternative, we included it--along with the Florida Canyon and Helix Heights locations--as part of our review of alternative sites. Each of these sites has distinct advantages and disadvantages, as discussed below.

Florida Canyon Plan

The Navy found that, if about 39 acres of undeveloped land in Florida Canyon--which is also located in Balboa Park--could be acquired, construction costs for the planned hospital could be kept to a level that would make this alternative attractive. The Florida Canyon site is adjacent to the existing hospital site in Balboa Park. Under its Florida Canyon concept, the Navy plans to retain Building 26, the present surgical hospital, as part of the new hospital complex. Plans include mothballing the first two floors of the building, which currently house the emergency rooms, surgical suites, and dining facilities, and using the remainder of the building for nonmedical purposes, including barracks and the Corps School. The plan would allow the Navy to rapidly expand the hospital's capacity in time of war or emergency.

The Florida Canyon site is also considered by the Navy to be most suitable because

- it would maintain the current good location with respect to Navy fleet and shore installations as well as the beneficiary population,
- it would preserve good access to public transportation and highways, and
- it would be far enough from the aircraft approach zone to mitigate potential noise and safety hazard problems.

Based on these considerations, the Navy in 1976 selected the Florida Canyon site as the preferred site. In September 1977, the Navy awarded phase I of a three-phase design contract to an architect and engineering joint venture, and in September 1979 awarded phase II of the contract. According to NAVFAC, the cost of the first two phases of design amounts to \$5,699,845. Total design is expected to cost about \$10.5 million. Design of the new medical complex, based on the Florida Canyon

concept, is now considered about 35-percent complete. If the Florida Canyon property is acquired as the site for the new hospital, construction can begin by July 1981 (saving about 9 months of design time already expended), assuming no further delay in real estate acquisition occurs.

Navy action to acquire the
Florida Canyon property

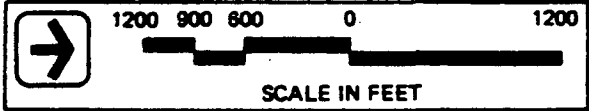
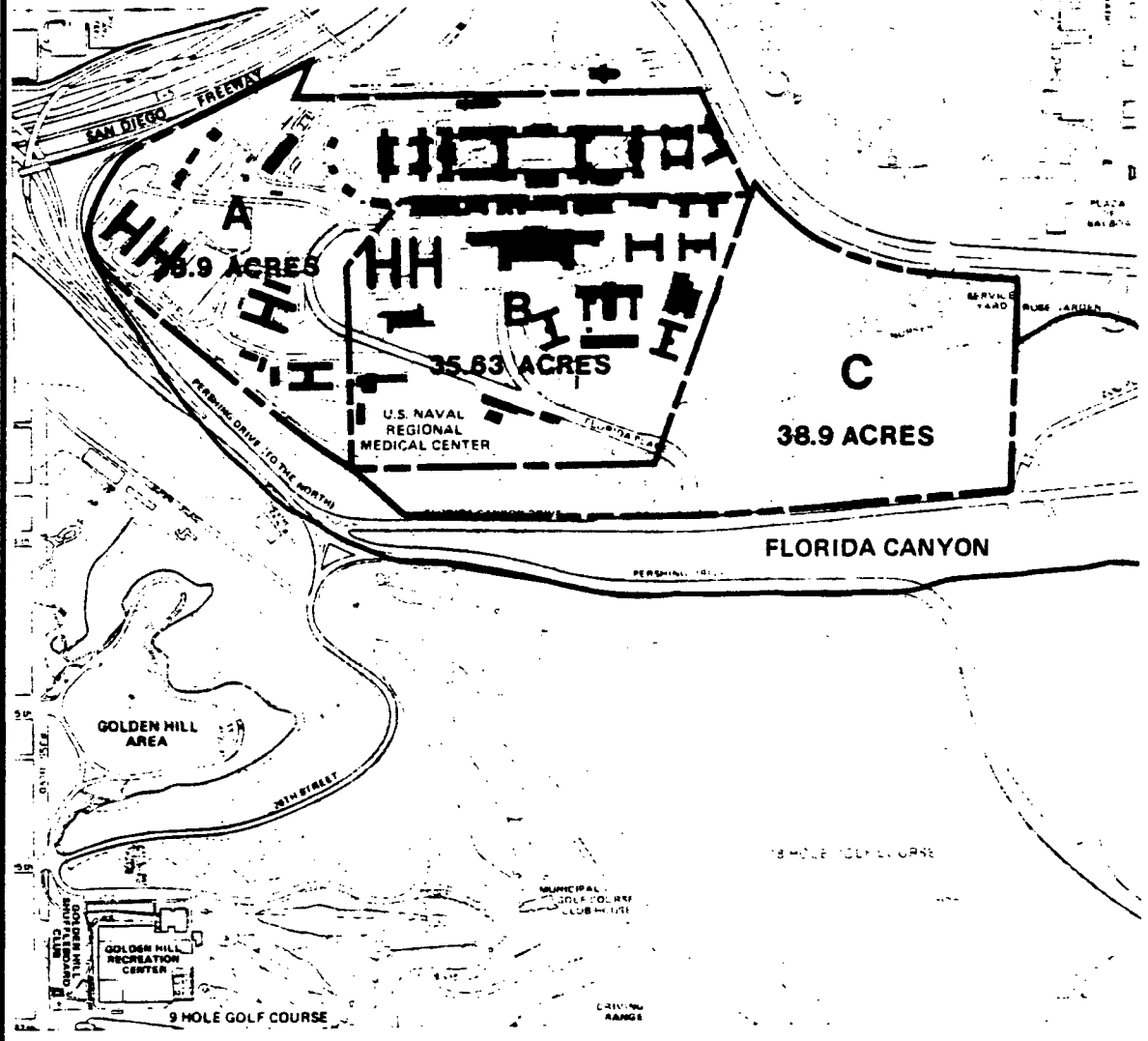
The Navy has taken several measures to acquire the Florida Canyon property. The acquisition process has been difficult because many residents of San Diego believe the Navy should take this opportunity to move out of Balboa Park and return the valuable site of the current medical center to the city for park use. In July 1977, the Navy and the city signed a memorandum of understanding in an apparent attempt to compromise on the park land issue. Under the agreement, the Navy would have returned part of the most valuable property (parcel A as shown on the map on the following page) to the city as soon as the new medical center was completed. Also, the remainder of the site--parcels B and C (Florida Canyon)--was to be retained by the Navy under a long-term lease rather than fee-simple ownership. The first two stipulations of the memorandum of understanding were as follows:

- "1. Navy intends to file a condemnation action in the United States District Court for the Southern District of California to acquire a leasehold interest in the Florida Canyon property identified as Parcel C on Exhibit (1) attached hereto for a term of fifty (50) years with an option to renew for an additional twenty-five (25) years term. Minor adjustments of the boundaries of Parcel C may be necessary to accommodate the design of the new NRMC and the needs of the CITY.
- "2. In the event such condemnation action is filed and in settlement of the just compensation issue in said action, the CITY agrees to accept and the NAVY agrees to convey those parklands owned in fee simple by the United States in the existing Naval hospital site in Balboa Park, totaling 75 acres, more or less, for use as park, identified as Parcels A and B on Exhibit (1) attached hereto, RESERVING unto NAVY the use and enjoyment of Parcel B for a

PARCEL A NAVY HELD LAND TO BE CONVEYED TO THE CITY OF SAN DIEGO.

PARCEL B LAND TO BE RETAINED BY THE NAVY UNDER THE SAME TERMS AND CONDITIONS AGREED UPON FOR PARCEL C

PARCEL C CITY OF SAN DIEGO OWNED LAND TO BE ACQUIRED BY THE NAVY AS LEASEHOLD PROPERTY FOR 50 YEARS, WITH OPTION TO RENEW THE LEASEHOLD FOR 25 YEARS.



**PROPOSED NAVAL REGIONAL MEDICAL CENTER, SAN DIEGO, CALIFORNIA
CITY OF SAN DIEGO MEMORANDUM OF UNDERSTANDING, TERMS OF AGREEMENT**

term to coincide with, and on the same terms and conditions as the leasehold interest acquired in said condemnation action to the Florida Canyon property identified as Parcel C on Exhibit (1); FURTHER RESERVING the use and enjoyment of Parcel A until completion of the new NRMC. Upon completion of the new NRMC, NAVY will release its reserved use and control of Parcel A to CITY. Minor adjustments of the boundaries of Parcels A and B may be necessary to accommodate the design of the new NRMC and the needs of CITY."

If this agreement were carried out, the Navy would, in effect, be giving up fee-simple ownership of 77 acres of land for a lease on 77 less valuable acres.

In line with the memorandum of understanding, section 616 of the Military Construction Authorization Act of 1978 (Public Law 95-82) authorized the Secretary of the Navy to convey to the city of San Diego all right, title, and interest of the United States in land at the NRMC, San Diego, in exchange for a lease of not to exceed 50 years with option to renew such lease for 25 years for an identical number of acres for hospital and related uses.

In March 1978, the San Diego City Council, under pressure from organized citizen groups, canceled the memorandum of understanding and decided to turn the question of the Florida Canyon acquisition into a ballot referendum. The city's charter requires a two-thirds majority vote of the public before dedicated park land can be transferred for other uses. The referendum was placed on the September 18, 1979, ballot and was worded as follows:

"PROPOSITION D: Shall the City enter into an agreement with the U.S. Department of the Navy to return to the City, all right, title and interest in all land within Balboa Park presently used for Naval hospital facilities in exchange for a leasehold interest of fifty (50) years, with a twenty-five (25) year option to renew, in an equal amount of land in the undeveloped Balboa Park property located in the Florida Canyon area, north and east of the present naval hospital facilities, for the purpose of developing new naval hospital facilities?"

While a majority of the voters--61.2 percent--favored the proposition, the vote fell short of the two-thirds majority required to transfer the property to other than park use. Therefore, the Navy can acquire the property only through condemnation proceedings.

The Military Construction Authorization Act of 1980 (Public Law 96-125) contains language granting the Secretary of the Navy authority to acquire, by condemnation or otherwise, all right, title, and interest of the city of San Diego to the Florida Canyon property for use as the site for construction of any new Navy hospital or medical center. In exchange, the Secretary is authorized to convey to the city all or any part of the U.S. interest in the real property of the current medical center.

On December 7, 1979, the Secretary of the Navy approved the decision to acquire--through condemnation--the Florida Canyon site. The Navy intends to begin negotiations with the city of San Diego to obtain an agreement of friendly condemnation. The Navy also has the option to negotiate a land exchange of fee-simple ownership of the Florida Canyon property for some part of the property on the current medical center site. Officials of both NAVFAC and the Navy's Bureau of Medicine and Surgery stated that the leasing arrangement is no longer contemplated by the Navy.

The deputy attorney for the city of San Diego, on the other hand, told us that, in his opinion, the Navy should return to the stipulations of the original memorandum of understanding, including the leasing stipulation, to obtain a friendly condemnation. He added, however, that the city council has not discussed the issue since the referendum was held, and the council would make the final determination of the city's position on the matter.

Helix Heights

Construction of the new medical center at Helix Heights would allow the Navy to move out of Balboa Park. The city could then probably reclaim the 77 acres of park land used as the current site of the medical center. Although the Navy found Helix Heights to be suitable for construction, it concluded that it is less desirable than Florida Canyon for construction of the new medical center mainly because of:

- Difficulties in real estate acquisition, and the need to obtain voter approval for a transfer of city-owned park and cemetery land.

--Delay in hospital construction of at least 9 months for new design effort and possibly longer for real estate acquisition.

--Loss of expansion capability provided by the existing naval hospital in Balboa Park (Building 26) for use in time of war, emergency, or disaster.

The Helix Heights site consists of about 70 developable acres of land that is more level and better for construction than Florida Canyon. According to the Navy, locating the hospital there would probably produce less environmental impact than building at Florida Canyon. Due to its mixed ownership, however, the property did not surface as a potential site for the new naval hospital until May 1979, when a private citizen proposed it to NAVFAC.

The site is located about 2.5 miles southeast of the existing medical center in a direction away from Lindberg Field. Like Balboa Park, however, it lies beneath the current landing approach pattern to the airport, which is some 3 miles away. The Federal Aviation Administration tower chief at Lindberg Field stated he could not recommend any modification to the landing pattern in the Helix Heights vicinity because it is too close to the airport.

The Navy considers access to the site to be good, and the site is centrally located with respect to Navy port and shore installations as well as beneficiary residences. The site is bordered on the north and west by freeways, on the south by a cemetery, and on the east by a lower income neighborhood consisting principally of minority residents.

Ownership of the site is divided as follows:

<u>Owners</u>	<u>Acreage</u>
City of San Diego	46
Church	10
Private	<u>14</u>
	<u>70</u>

The city property includes a 5-acre park, which was developed to alleviate the area's deficiency in parks. Although the park could be left in its present location and the medical center built around it, the Navy's project architect stated that this approach would make the design and construction of the medical center more difficult. A two-thirds voter

approval would be required to permit the San Diego city council to sell or use the park for other purposes.

The remainder of the city property is designated for use as a cemetery (35 acres) and a school site (6 acres). The portions of the property are essentially undeveloped, although some parts are used as senior citizens' garden plots. The property dedicated for cemetery use would also require voter approval for sale or diversion to other uses. However, the voters have already approved a 50-year lease of the undeveloped portions of the site for either mobile home or low-cost housing. Although the southeast corner of the property has been designated as a possible school site, the San Diego Unified School District has indicated they have no plans for a school on this property and no development is presently proposed.

Obtaining title to the privately held land could also pose problems. Ten acres that have been dedicated for cemetery use for many years are owned by a church. However, no development has yet taken place. The other privately owned land includes 10 single-family homes at the northern and western corners of the site and additional undeveloped private acreage.

Assembly of the real estate parcel might be a difficult, time-consuming process. City action to change the dedicated cemetery and park land to other uses would require voter approval. The combination of city, church, school, park, and private ownership could present a time-consuming problem of purchase, referendum, and the condemnation action. Eliminating or relocating the park might be resisted by organized groups that represent the low-income residents of the area, although such resistance has not yet surfaced. Relocation of the existing families is also a major consideration. For these reasons, the Navy believes that acquiring the Helix Heights site would be more difficult than acquiring the Florida Canyon property.

According to NAVFAC officials, if Helix Heights were chosen as the site for the new medical center, redesign effort would require a minimum 9-month delay of the project. Further delays for real estate acquisition appear likely. Such delays would give rise to increases in costs to complete the project.

Assuming a 1-year delay in start of construction at Helix Heights, the table on page 13 shows that the estimated

Comparison of Size and Construction Costs
for Florida Canyon and Helix Heights Projects

Facility	Florida Canyon			Helix Heights		
	Estimated date of construction	Size (gross square feet)	Budget cost (000 omitted)	Estimated date of construction	Size (gross square feet)	Budget cost (000 omitted)
Acute inpatient	1981			1982		
Outpatient	1981	1,151,500	\$169,662	1982	1,176,300	\$184,000
Ancillary Building 26:	1981			1982		
Medical rehabilitation	1986			1982		
Bachelor enlisted quarters (830 persons)	1986	278,724	25,215	-	-	-
Small powerplant	1986			1984	119,464	8,612
Classrooms	1986			1982	1,000 veh.	7,704
Parking structures	1981	2,000 veh.	14,400	b/1982/1984	2,400 veh.	4,235
Surface parking	a/1981/1986	1,400 veh.	2,309	1982	62,200	4,092
Light cante	1981	62,200	3,824	1982		
Other bachelor enlisted quarters (118 man.)	-	-	-	1984	181,161	11,133
Remodel building 41 (288 man.)	1986			-	-	-
Central powerplant	1981		1,000	1982		10,700
Emergency vehicle shelter	1981	2,000	10,000	1982	2,000	26
Laundry	1981	15,300	1,894	1982	15,300	2,027
Warehouse	1981	72,555	3,591	1982	72,555	3,842
Support building	1986	50,445	4,241	1982	50,445	3,236
Enlisted persons club	1986	5,100	426	1984	5,100	372
Auto hobby shop	1986	4,000	273	1986	4,000	273
Gymnasium	1986	28,120	2,336	1986	28,120	2,336
Outdoor recreation	1986		662	1986		662
Supporting facilities	a/1981/1986		24,017	b/1982/1984		18,258
Subtotal			263,874			261,508
Contingency (5%)			13,194			13,076
Subtotal			277,068			274,584
Supervision, Inspection, and Overhead (5-1/2%)			15,239			15,102
			c/\$292,307			d/\$289,686

a/Assume 1/2 in 1981 and 1/2 in 1986.
b/Assume 1/2 in 1982 and 1/2 in 1984.
c/Current estimate is \$293 million because of the Navy's plan for sequential appropriation requests.
d/Navy's estimate is \$290 million.

costs for construction at Helix Heights are about the same as those at Florida Canyon. The estimates assume a conservative 7-percent escalation rate, which DOD requires to be used in these estimates. If higher escalation rates were assumed, the cost estimate for Helix Heights would increase, possibly substantially. ^{1/} Furthermore, if real estate acquisition were to delay the project more than 1 year, costs would increase at a rate of about \$56,000 per day.

One of the major advantages of the Florida Canyon plan--the expansion potential afforded by the existing medical and surgical hospital (Building 26)--would be lost at Helix Heights. The Navy considered operating a split facility--some buildings remaining at Balboa Park while other structures are built at Helix Heights--but found that this would hamper day-to-day operations and increase operating costs by more than \$2 million annually. This option was, therefore, eliminated from further consideration.

Balboa Park

As described on pages 3 and 4, the Navy made two studies that addressed the possibility of constructing the new hospital on the present 77-acre tract of land that it owns. These studies showed that construction on the present site, while difficult, would be feasible. For example, the second Balboa Park plan envisioned constructing a new medical center at the southern end of the current site. The area was, at the time of the study, and still is used mainly for barracks and parking facilities. It also houses some administrative and warehousing activities. According to the study, if substitute facilities off base could be found to temporarily house these activities during the construction period, the area could be cleared and a new medical center constructed without considerable disruption to hospital services. The study showed that, when the new facilities were completed, the two medical centers--the old and the new--would exist on the same site. After the move into the new structures, many of the old facilities could be demolished or renovated.

According to the study, the major advantages to this plan were its proximity to the principal beneficiary population and the fact that Building 26 could be retained as

^{1/}Construction costs in Southern California have, in recent years, been escalating at a rate of 10 to 14 percent annually.

contemplated under the Florida Canyon concept. However, the study recognized that some unavoidable disruption to certain hospital-related activities would occur and that the plan had the disadvantage of leaving the hospital directly beneath the flight pattern. In addition, the project would take about 2 years longer to complete than Florida Canyon.

The Navy has for several years opposed constructing the new hospital on the existing Balboa Park site. Even though the earlier Navy studies found construction on the current site to be feasible and, in fact, preferable to most other site alternatives, the Navy, in its recent EIS, concludes that this option is unacceptable because it would result in

- a longer period of construction than needed on a vacant site,
- aggravation of traffic congestion around the hospital during construction,
- disruption of some hospital services,
- a lack of adequate onsite construction staging areas, and
- a hospital location that would still be directly beneath the aircraft landing pattern for Lindberg Field.

We met with NAVFAC officials to determine whether construction on the current Balboa Park site would be reconsidered if the Florida Canyon property could be acquired only under a leasing arrangement. NAVFAC officials agreed that the proposed project could be constructed at this Balboa Park site, but said that no further consideration had been given to this alternative because of the problems previously cited.

CONCLUSIONS

We support the Navy's choice of Florida Canyon as the preferred site for the new Naval Medical Center in San Diego, assuming the Navy can acquire fee-simple ownership of the required property. With the Navy having a major presence in terms of military facilities and personnel in San Diego, there is every reason to expect that there will be an indefinite, continuing need for a naval hospital to serve the area. We believe that accepting a lease on the Florida

Canyon property as contemplated under the original memorandum of understanding between the Navy and the city of San Diego would be short sighted. Given the magnitude of the required capital investment for the project and the probable need for continued additional capital investments over the life of the medical center to keep pace with modern medical practice, we feel that fee-simple ownership should be a basic requirement.

In our opinion, the question of who owns the property on which the new hospital is to be located is of utmost importance. Accordingly, while we recognize the disadvantages associated with building the hospital at the presently owned Balboa Park site, we believe that, if a leasing arrangement becomes the only means of acquiring the Florida Canyon property, the Navy should reconsider its current opposition to the present Balboa Park location as an alternative site for the planned new facility.

The table on the following page summarizes our assessment of the advantages and disadvantages of the Florida Canyon, Helix Heights, and Balboa Park alternatives.

RECOMMENDATIONS TO THE SECRETARY OF THE NAVY

We recommend that the Secretary:

- Proceed with condemnation action to acquire fee-simple ownership of the Florida Canyon property needed for construction of the new Naval Medical Center.
- As a first step in the action, begin negotiations with the city of San Diego to acquire the property under a friendly condemnation through payment or land exchange, but not under a leasing arrangement as contemplated in the Navy's earlier memorandum of understanding with the city.
- Reconsider construction at the southern end of the Balboa Park site if fee-simple ownership of the Florida Canyon property cannot be acquired.

GAO's Comparison of Alternative Sites
for Planned San Diego Naval Hospital

Florida Canyon

Advantages

- Maintains capability to make use of Building 26, the current surgical hospital, for patient care in time of war, emergency, or disaster.
- Project can begin sooner (about 9 months of design time already expended), assuming no further delays occur in real estate acquisition.

--Although the hospital will remain in the park, the Navy will probably return to the city some of the most valuable part of the site currently held. This, of course, is subject to negotiation between the city and the Navy.

--Hospital will be farther away from flight pattern for Lindberg Field.

Disadvantages

--Naval hospital will remain in Balboa Park, though possibly in a less prominent and less valuable part of the park.

--Probably more environmental impact than Helix Heights.

--Terrain more difficult for construction.

Helix Heights

Advantages

- Gets Navy completely out of Balboa Park, allowing the city to reclaim 77 acres of park land.
- Better terrain for construction than Florida Canyon.
- Probably less environmental impact than Florida Canyon.

Disadvantages

--There would be a minimum 9-months delay in project start due to redesign effort, and possibly much longer delay for real estate acquisition.

--Delays in project start could lead to significant increases in budget costs, which are increasing at about \$56,000 per day (assuming a very conservative 7-percent annual escalation rate).

--The capability to make use of Building 26, the current surgical hospital, for patient care in time of war, emergency, or disaster would be lost.

--Hospital will remain in aircraft approach pattern to Lindberg Field.

Second Balboa Park Plan

Advantages

--Maintains capability to make use of Building 26, the current surgical hospital, for patient care in time of war, emergency, or disaster.

--Since the site is already owned by the Navy, there are no problems or costs related to acquiring title to the property, and no condemnation or voter approval necessary.

Disadvantages

--Hospital would remain directly beneath flight pattern for Lindberg Field.

--The project would take about 2 years longer to complete than Florida Canyon.

--There would be disruption to ongoing hospital operations, mainly displacement of parking spaces, and barracks facilities.

--Navy hospital will remain in Balboa Park.