

TAKING A LONG-TERM APPROACH TO HOSPITAL EXPANSION



Planning for future expansion can be a daunting challenge for any organization, particularly those that are located in densely developed urban settings. In these areas, land often can be purchased only at a premium, and the availability of acquirable land doesn't often coincide with the organization's expansion plans. Typically, land becomes available — or affordable — at precisely the wrong time: when a planned expansion is still years away, or even when plans for expansion haven't been finalized yet.

Historically, hospitals have been adept at handling these types of challenges creatively. One of the most common — and successful — strategies has been for hospitals to purchase residential buildings on property abutting their campuses when it becomes available, and then using those properties to generate rental revenues until the land is needed to accommodate the hospital's expansion. By pursuing such a strategy, hospitals achieve two ends. First, they acquire the land that they will need for future expansion. Next, they are able to take advantage of that land to generate valuable revenue.

This has been a particularly attractive approach in recent years, as real estate values have remained extremely low across the country.

Many well-capitalized institutions have been able to acquire the land they will need for future expansion for a fraction of what it would have cost just a few years ago — and most likely will cost in just a few years.

As successful as that strategy has been for some hospitals, an even better solution may be found in parking. By purchasing land, and then converting it to parking, hospitals can affect three important outcomes: in addition to obtaining land for future expansion and earning revenue, they can also use the newly created parking to help meet their parking needs until it is time to develop that land.

Since the conversion of the land is just a temporary use, the simplest approach to developing parking on the land is generally to build a simple parking lot. Relatively speaking, parking lots are inexpensive to develop and don't require a lot of maintenance. In fact, this is an additional advantage over the housing/landlord strategy because residential properties, as a rule, are much more expensive and time-consuming to operate.

Of course, developing a parking lot involves more than just paving over a piece of land and painting parking spaces. The land must be graded



Hospitals can manage expansion by developing new medical buildings on land that had been used for surface parking. Lost parking can then be replaced by the development of parking structures.

and prepped for paving, and electricity needs to be introduced to the site to power lighting and revenue control equipment. However, these are steps that will have to be taken when it is time to develop the land for the addition of new inpatient buildings, medical office buildings, or any other uses that may be pursued. So, in



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Parking that's located close to hospital buildings can serve as an important revenue source while, at the same time, meeting additional needs, such as accommodating med flight helicopters or ambulances.

effect, the creation of the parking lot merely serves as the expansion program's first step.

Yet, even though the expansion in this scenario revolves around turning existing parking resources to other uses, that doesn't mean that hospital planners can afford to remove all parking from the site. Many of the potential uses for the site will rely on parking. In fact, they likely will require the addition of more parking.

Look at the most common reasons for hospital expansion and their impact on parking. Medical office buildings? There needs to be parking for patients and staff. Day surgery or therapy buildings? Patients need someplace to park during their procedures, as do the caregivers who will be providing the service. Even in situations where there's a simple expansion of inpatient services, there has to be parking available for patients, staff and caregivers.

Therefore, expanding onto the parking lot presents a sort of puzzle: how do you balance the lost parking spaces from the parking lot with the additional need for parking that will be created through the hospital expansion? There are a number of possible answers. For instance, if the immediate area is thickly settled, there may already be sufficient community parking resources to satisfy the additional need. Or,

perhaps there is additional land available in more remote sections of the hospital campus on which new lots can be built.

However, more often than not, those won't be options. After all, if there was enough parking need before the expansion to justify the addition and operation of a parking lot, how likely is it that that need will disappear after the expansion. More likely, hospital administrators will need to develop new parking to meet the additional need created by the expansion.

In most cases, the best solution will be to include one or more parking structures in the hospital's expansion plan. You can always park more cars on a limited footprint when you are building your parking resources up, rather than out. Obviously, for every floor of parking a hospital develops, it can provide dozens — perhaps even hundreds — more spaces on the exact same footprint.

And providing structured parking offers other attractive advantages, as well. For instance, parkers are more likely to be able to find parking in close proximity within an adjacent garage than they could in a spread-out lot. Patients, visitors and staff appreciate being able to get to and from their vehicles more quickly and conveniently.

Along the same lines, structured parking provides shelter from the elements. Anyone who has had to walk across a large parking lot in the middle of a rain or snow storm appreciates the opportunity to keep out of the elements when the weather is bad.

Finally, structured parking, located close to hospital services, is more useful as a revenue source. Parkers are willing to pay a premium for convenient, secure parking while they may resent having to pay for parking in remote lots or less convenient and secure locations.

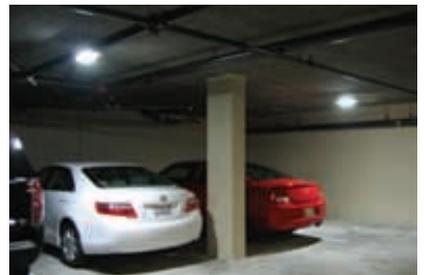
At a time when real estate values have plummeted to levels that haven't been seen in decades, hospitals with future expansion plans can take advantage of these low prices by buying now and, ultimately, saving tens or hundreds of thousands of dollars in land costs. And by putting that land to short-term use to meet the facility's current parking needs, hospitals can ensure that the land won't go unused and wasted until the hospital is ready to undertake expansion. ■

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