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REAL ESTATE

## UC signs \$147-million deal to rent a Santa Monica medical facility

***The planned facility is to be built across the street from the Santa Monica-UCLA Medical Center and Orthopaedic Hospital.***

By Roger Vincent

In a rare nine-figure real estate deal, the Regents of the University of California have agreed to pay \$147 million over 30 years to rent a medical facility planned in Santa Monica.

Developer Randy Miller hopes to begin construction on the three-story building by August. It would rise on a parking lot at 1223 16th St., across the street from the Santa Monica-UCLA Medical Center and Orthopaedic Hospital.

The final cost of the 50,000-square-foot development, including land acquisition, would be about \$50 million, Miller said. His Los Angeles company, Nautilus Group Inc., bought the site in 2007, gambling that it could get city approval to construct a new building and that the university would agree to rent it.

Three years ago, the market was hot and nine-figure sales and leases were common. "It looked like a slam dunk in 2007," Miller said.

Then credit dried up and the recession slowed construction, leasing and sales to a crawl. Few large properties have changed hands in the last 1 1/2 years, and office vacancies have climbed in most markets. One of the few strong categories in commercial real estate is healthcare.

Average vacancy in buildings catering to doctors is less than 10% on the Westside, said real estate broker Gary Weiss of Madison Partners, who represents the developer. "Medical is still doing well," he said.

The university's teaching hospital needs more space, said Dr. David Feinberg, chief executive of UCLA Hospital System.

UCLA acquired Santa Monica Hospital in 1995 because it had run out of room for its medical school on the Westwood campus, Feinberg said. The Santa Monica facility has since evolved into a key resource for the university.

"When we bought it we thought it we be a community hospital," Feinberg said. "Now it's more of hybrid between an academic and a community hospital. You need room to teach."

UCLA medical programs conducted in Santa Monica include orthopedics, oncology, childbirth and pediatrics, Feinberg said.

The new facility would have eight operating rooms where doctors could perform about half of the outpatient operations UCLA does in Santa Monica. It would also have two oncology bunkers for radiation therapy, laboratories and medical offices.

The building is intended to be energy efficient, and developer Miller said he hopes to attain a gold-level certification for environmental sustainability for the project from the U.S. Green Building Council.

Miller said he has nearly completed the city's approval process and is in "the final closing process" of negotiating a construction loan with U.S. Bank. He hopes to have the new facility ready for occupancy by the middle of next year.

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