



August 10, 2009

Henry Charlot
Director of Economic Development
201 St. Charles Avenue
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Mr. Charlot:

Your interview in reference to the recent poll by Smart Growth on WGNO TV last week contained some serious inaccuracies. While I recognize the view of the DDD, there seems to be a grave misconception in the cost figures quoted.

As charged by the legislature in HCR 89, the Foundation for Historical Louisiana hired RMJM Hillier Architects to study Charity Hospital – and only Charity Hospital. The \$1.2 billion figure quoted for the proposed new LSU AMC is for the entire complex – including all the ancillary buildings. FHL and RMJM Hillier have never compared the two – and would not without an in-depth study. The scope of HCR 89 was the Charity Hospital building alone.

In order to create an accurate “apples to apples” comparison, the FHL / RMJM Hillier Feasibility Study compared the cost of building a new 1,000,000 sq ft hospital—and only the hospital—as proposed in the Lower Mid-City neighborhood versus gutting Charity Hospital and building a new 1,000,000 sq ft hospital within the shell. The apples-to-apples approach intentionally stripped away all but the hospital building from the medical center plans, so that a comparison could be made of the costs to produce identical services in two ways—by constructing a new building or by rebuilding within the Charity shell.

The FHL / RMJM Hillier Feasibility Study cost estimate was calculated by the highly reputable cost estimator V. J. Associates, incorporating cost information data for preservation and construction costs including completed work, cost studies and cost estimates for similar structures. Additionally, the unit prices applied in the cost estimate were peer reviewed by International Consultants, INC. (ICI), cost estimators with extensive expertise. ICI concurred with the Feasibility Study’s cost estimate assumptions and results.

The RMJM Hillier construction cost estimate includes a 25% contingency to provide for any unforeseen conditions in the core and shell, and in all cases, the cost estimate assumed worse case scenarios. Additionally, a 13.3% escalation factor was added. V.J. Associates reaffirmed all numbers again in January 2009 and were present and ready to testify at the January 22 hearing before the House Appropriations Committee. RMJM Hillier stands by their cost estimate.

\$128 million in Historic and New Market tax credits were calculated to be available for the reuse of Charity Hospital by the National Trust Community Investment Corporation. Applying these credits reduces the project cost to \$550 million – in 3 years of construction time -- versus \$833 million for new construction of an equal 1,000,000 sq ft hospital.

In a true “apples to apples” comparison, reuse of the Charity Hospital shell could save the state \$283 million dollars in project costs (the cost to open the doors of a fully equipped and furnished hospital) – and many years of wasted time. We know that using the adjacent buildings for the ancillary functions of the complex could find similar savings – and should be explored.

Simply put, your statement that rebuilding within Charity Hospital would cost \$69 million more using your “apples to apples” comparison was wrong. We have asked Governor Jindal, before committing the state to a \$1.2B debt, to call for an independent cost benefit analysis to determine which plan would provide better economic benefits to New Orleans. We feel confident in our experts.

I would welcome the opportunity to meet with you and discuss the FHL / RMJM Hillier Study in more detail.

Sincerely,

Sandra Stokes
Executive Vice Chair
Foundation for Historical Louisiana
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