

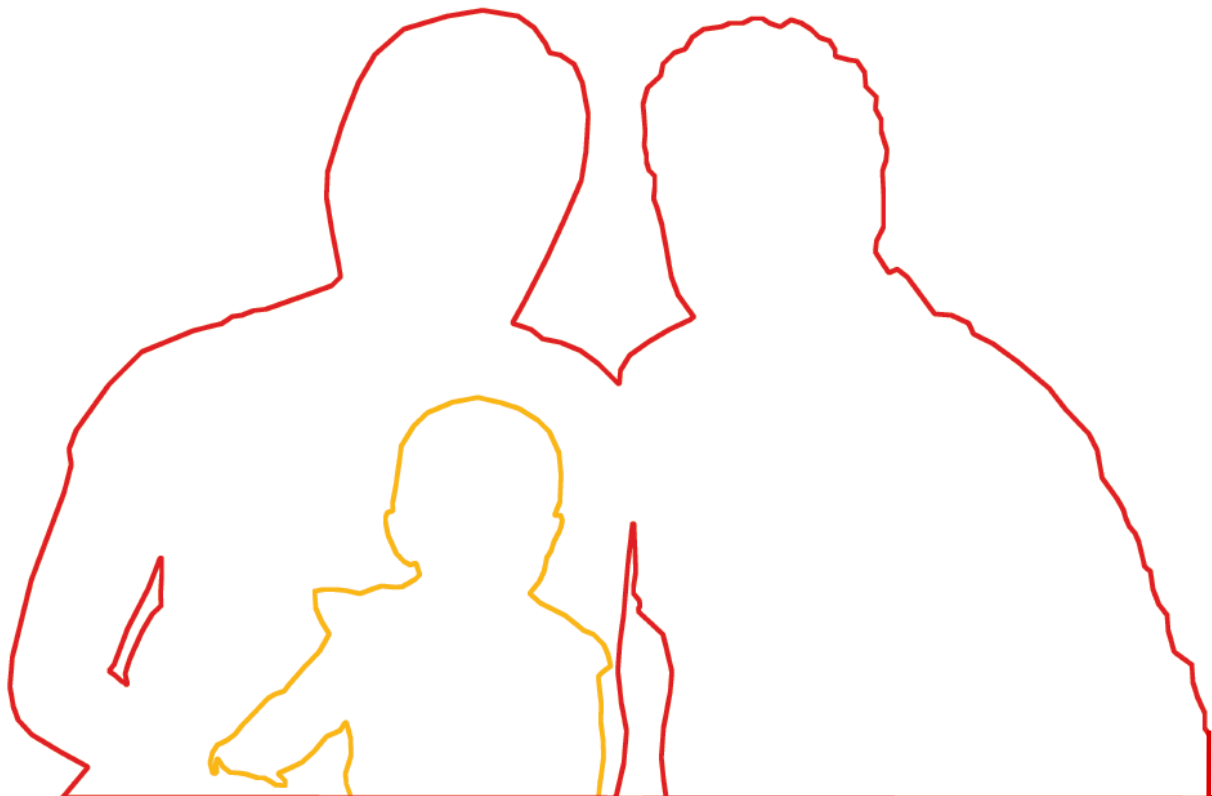
Collaboration on Real Estate

With regard to mental healthcare institution and external parties

ABSTRACT

Master Real Estate & Housing

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Motive for research

The property portfolio of a mental health care (MHC) institution consists of different kind of buildings, like specific care property, leisure property (for instance sport facilities and restaurants) and offices. These buildings are located on a wide range of locations. Many of the MHC-buildings are located on institution terrain. Traditionally institution terrains were located in a wooded area away from the urban core. Urban extensions have made the distance between the city and the terrains disappeared. Therefore terrains have become increasingly interesting for developments that are not immediately the core business of a mental health care institution. On top of that was there in the nineties the forced government policy: socialization (more clients were placed in the society of the terrain setting). This policy caused many vacant buildings and land that came free on the institutions terrains. These vacant buildings and parts of the institution terrains provide interesting real estate opportunities for MHC-institutions, but also for external parties such as housing corporation.

If you live in the Netherlands or pay the Dutch income tax you are required to be in possession of a health insurance. Since January 1, 2006 in the Netherlands there is a new health system. The old health system was not functioning effectively enough. Various forms of market and government failure caused a threat to the accessibility, affordability, availability and quality of care. The purpose of this new health system was the central control of supply, and where possible, be replaced by a system of regulated market. These changes should make the health system future proof, more efficient and customer oriented.

The new health system ensures a competitive situation for MHC-institutions. Within the mental health sector there are additional system changes implemented, resulting in reorganization of the on organizational- and architectural level. Since January 1, 2009 due to the new construction system MHC-institutions are responsible for their own investment. Because of this new construction system MHC-institutions risk a competitive disadvantage when they have too much (rigid) square meters. This means that the institutions are run more risks, but also that they get more responsibilities. This creates the possibility for an institution to create your own profile

Research problem and question

Because of the change in the funding system, the competitive position of mental health institutions have gotten and the potential in the property and terrains, institutions should offer a higher quality of care. Also the demand for property changes because of changing processes in the organization and society. For these reasons, property should be viewed as a strategic asset at which specific policies are followed and for which a real estate strategy should be drawn. The property can add value and support to the primary processes. However the strategic thinking about property in the care sector is still underdeveloped.

To set the property as a supporting element there should be made adjustments in the property portfolio. MHC-institutions still lack a part of the resources to make this happen. For this problem, a partnership with an external party can be the solution. At this moment there is little experience with this type of cooperation which is not yet fully made use of. MHC-institutions should use during this composition position they are in, their property and colorations with external parties as a means to qualify the requirements of the clients. Based this problem the following research question has been formulated:

What steps can a mental healthcare institution take to find a partner for property developments and how do these steps relate to process of the development of a real estate strategy?

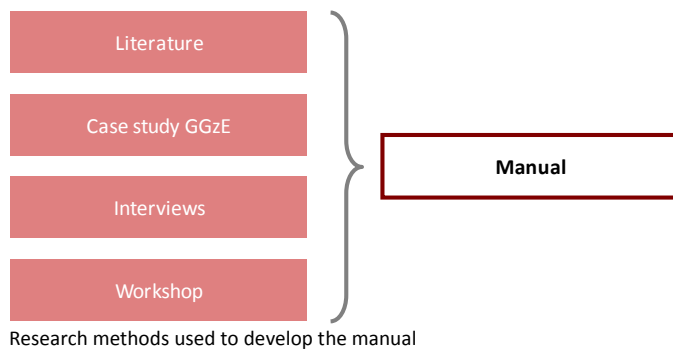
This research question is divided into three separate research questions:

- 1) What steps can a GGZ-institution take design a real estate strategy?
- 2) What steps can a GGZ-institution take to start a collaboration?
- 3) How can the steps to a real estate strategy be intertwined with the steps to start a collaboration?

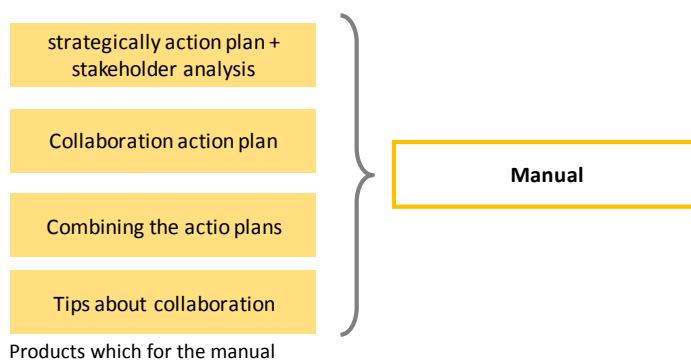
This research has a final product manual for mental MHC-institutions which provide answers to the three questions that follow from the research question. The purpose of this manual is that MHC-institutions look more strategically at their property and to encourage to work together during property developments which could pose a potential value.

Research Design

To give an answer on the research the research has started with a literature and a case study on the MHC-institutions Eindhoven. The data and products from these studies are test thought interviews with MHC-institutions and organization who collaborated with MHC-institutions and a workshop. Eventually this four research methods led to the final product of this research: the manual.



These research methods ultimately led to the following products: strategically action plan, collaboration action plan, stakeholder analysis, tips about collaboration and the way to combine the action plans. All these products together form the manual.



Literature and case study

To answer the research questions there has been started with a literature and a case study of the MHC-institutions Eindhoven. The topics studied are the mental health sector, strategic real estate, collaboration and the financial framework of the MHC.

This research is mainly focused on wide range MHC-institutions that virtually supplies the entire package of amenities. Of the hundreds of mental health care settings in the Netherlands, most (two out of five) are such intergrated MHC-institutions. This is explained by a merger wave in the nineties. In response the government set a policy where clients of the institutions should been helped more in the society and of the institution grounds. This has led to much free land and vacant buildings on the institution terrain. Now this policy is reversed and the institutions are free to build wherever they want.

Mental health care

Mental healthcare is part of the network of care and welfare in the Netherlands. The MHC is primary health care and essential tasks within the healthcare network treating mental disorders and to reduce the impact of mental disorders in the daily functioning of people. The MHC is characterized by a great diversity. Anyone can get in contact with the MHC. From young to old, for a short or a longer period.

The MHC focuses on the following four issues:

- The prevention of mental disorders.
- The treatment and cure of mental disorders.
- The best possible participation of people with chronic mental illness to society.
- Providing (unsolicited) help to people who are deeply confused and / or who are addicted and who do not help themselves.



Institution terrain of the MHC-institutions Eindhoven

There are about 45 integrated MHC-organizations in the Netherlands. The average size of a terrain of a MHC-organization is about ten acres, but it can also be much more. Most MHC-institutions are historic sites. In the past there was not a conscious location policy. At the founding of an institution the main criteria were: a wooded area and away from the urban core (*see the picture of the institution terrain*). Many terrains have undergone significant developments. The image of psychiatric care and has changed over time. Patients were clients, the stately old buildings were put to more contemporary buildings, sites are more accessible and it all became larger.

The relative location and valuation of these terrains have changed. Urban extensions have made the distance between many institution terrains and their towns disappear. Because of this the institution terrains also became interesting areas for developments that are not exactly the core business of a health care institution. Through various social developments, there became vacant area's on these often large terrains. These area's could be used in different ways. Examples here fore are houses on the site setting for clients and non-clients, sports facilities for clients and society, an urban campsite and a restaurant.

The major developments that affects the real estate of MHC-organizations are socialization: the independence of the client as much as possible to preserve or restore the social participation to increase, reserved integration: the institution terrain is open to society, increasing demographic growth that causes a growing demand for care, ICT applications and a growing integration in the mental health sector with the elderly and disabled. The main internal problems affecting the property of MHC-organizations are: the negative image which the mental health sector faces, stigmatization of patients and a lack of recreational facilities on the ground setting for the clients.

Strategic real estate

The change in the funding system and the competitive position of MHC-organizations causes that they should consider their real estate as a strategic asset on which specific policies are followed and for which a real estate strategy should be drawn. A property strategy is a strategy where the property is used for the business results and optimal support. One of the field that contains knowledge about these things is Corporate Real Estate Management (CREM).

Competencies needed in a MHC-institution to make a strategic real estate plan are the competencie to perform a property analysis, to draw up business plans for investments, the ability to cooperate with authorities and market participants and be aware of the possible risks bound to the organization and the property.

It is important that institutions properly understand, how a property development can contribute to the primary process. Real Estate Professor Hans de Jonge supplemented by Jackie de Vries formulate the following added value that a building can make to the organization:

1. Productivity improvement
2. Reduce costs
3. Managing risks
4. Funding increase
5. Increase flexibility
6. Culture improve
7. Improve image
8. Improve job satisfaction

Collaboration

In recent years care institutions learn increasingly the boundaries of what their organizations itself can and what they should outsource. Institutions cannot do everything the best way themselves, they miss resources like expertise, capacity and financial resources. It is difficult to pinpoint all the required knowledge to have and to hold as an MHC-institution.

Because of the regulated market clients can consciously choose a particular institution. For institutions difficult to meet the expectations of clients. This trend offers a collaboration as an outcome. An external cooperation partner can offer the resources that MHC- institutions do not have. This allows the external partner to add different perspective on things that can arisen ideas which the institutions never would have thought of. This study discusses a partnerships that has an added value for MHC-institutions. The result of the collaboration aims on added value: a finished product with a quality that the parties without the cooperation could have never achieved.

MHC-institutions are increasingly aware of the benefits of working with a market party may present and this kind of partnerships are high on the agenda at some institutions. Working together will, among other things, ensure that care is guaranteed and development continues. A collaboration should not be considered as a light thing. A collaboration consumes time and energy. A good preparation for collaboration is an important requirement. Gathering information about and tips for successfully working together, can provide a large contribution on the preparation for a partnership.

Financial framework

As result of the new health system, by January 1, 2009 MHC-institutions are responsible for their own investment decisions and risks. Because of the introduction of this new construction regime, these investments and the risk that come with them cannot be recovered anymore on the government. This means that the institutions are run more risks, but also that they get more responsibilities. This creates the possibility for an institution to create your own profile.

As result of the new construction regime the health sector now works with integral charges where the capital costs are included. These rates are for the mental health sector, mainly located in Zorgzwaartepakket (ZZP's). In the ZZP's are the housing expenses processed. These charges are calculated using the normative housing component (NHC). The NHC is an indexed annual contribution sufficient to have the entire lifecycle of a building, the initial investment and renovation and maintenance costs.

Impact of the new regime on building mental health care institutions are:

- Institutions should convince itself (and then the bank) that the real estate development has an healthy business case is. This means that they must make an assessment of their future cash flows, both costs and revenues.
- There must analyze the capital costs of the organization. This means that a net present value calculation should be made for income and expenditure, which is made by taking one of the projected costs and revenues. Also, the housing costs and income should be mapped.
- Because of the increased freedom in building care real it is now possible to think about more flexible / adaptable buildings, so residual values obtain a better interpretation. Therefore a long-term visions should be developed for the property. MHC-institution should establish their financial objectives with respect to their property.

Two important numbers for cost calculations of real estate are the cost of the building cost and the land costs. To calculate the cost of land would a MHC-institution can use the comparative method. This valuation is the value of the item derived from a number of similar objects, where the transaction price is known.

Products of the research

From this literature and case study there has been developed a stakeholder analysis and tips for a successful cooperation. The stakeholder analysis is a useful tool for MHC-institution both at corporate and at property level. The analysis is a bulk list of stakeholders who a MHC-institution has to take into account when developing an organizational strategy and real estate. Furthermore, the analysis can provide insight into what potential partners are. The tips are formulated to assist in collaboration. These tips may be of use for the Boards of Directors and property managers of MHC-institution during a collaboration with an external partner.

Furthermore there was designed out of the literary- and case study the first concepts of the action plan that shows the steps which MHC-institution should take to develop a real estate strategy, and a action plan that shows the steps during the initiation phase of a collaboration. The strategic- and collaboration action plans (*see next page*) are the main products described in the manual.

Action plans

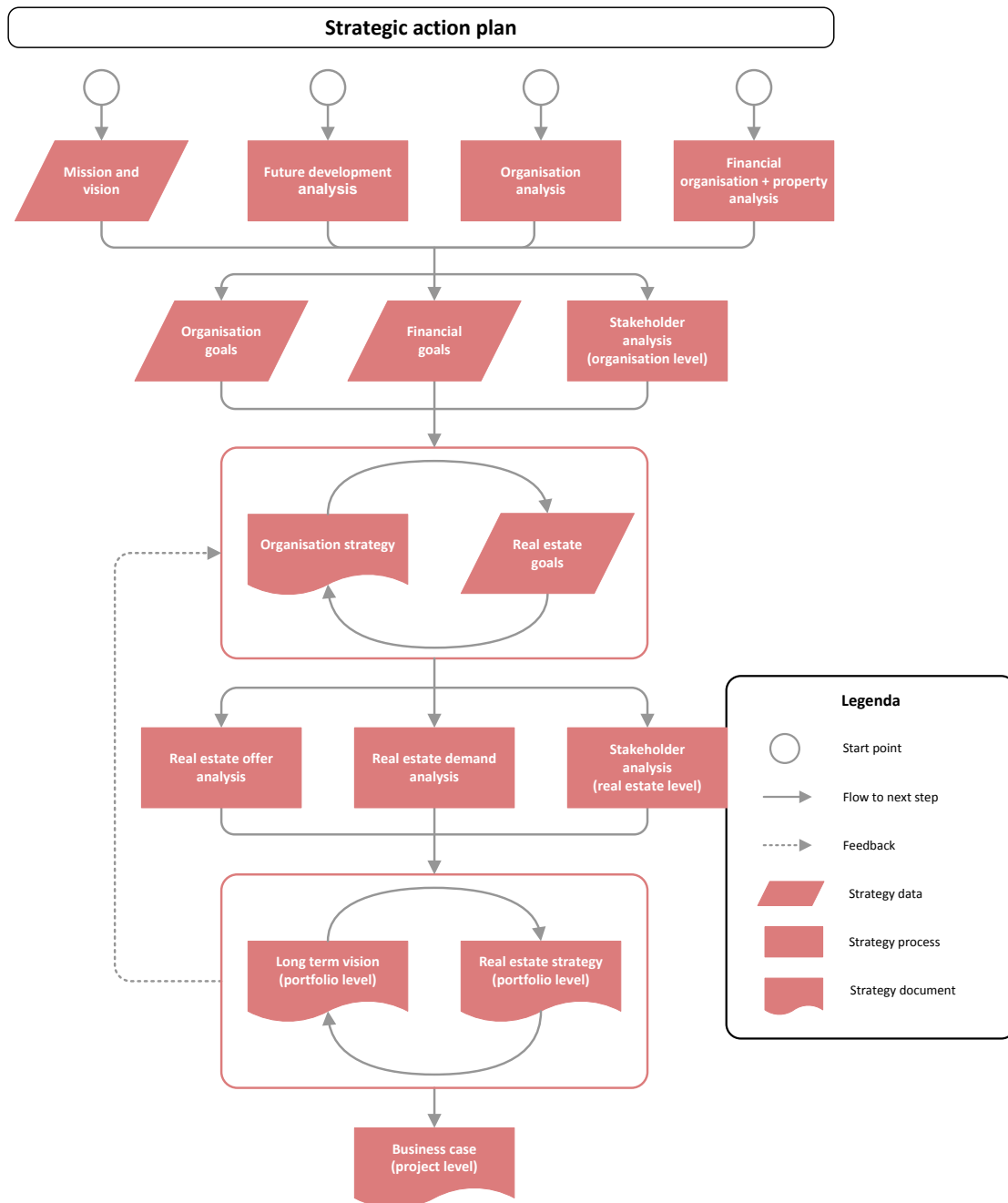
The two action plans should ensure that a MHC-institution use their real estate more strategic and see collaboration as a mean for real estate developments. The action plans should not be seen as a fixture, but as a flexible tool. A MHC-institution can decide whether certain steps are skipped or taken in a different order than is carried out in the action plans.

Strategic action plan

The strategic action plan shows what steps should be put to decisions at the organizational level to develop a real estate strategy. The first steps of the strategic roadmap is primarily at organizational level. The responsibility of implementing these steps lies with the Boards of Directors of MHC-institution. Gradually the strategic action plan focuses increasingly on the property. It is conceivable that these steps will be executed by the property managers of MHC-institution. The property manager who will go through these steps will have to feedback all the important decisions to the Board of Directors. The strategic action plan may include further use by the supervisors. They will use this action plan as a checklist to verify that all required steps are followed.

This action plan should be completed by any MHC-institution. The steps will provide insight into the organization itself and their property. The steps in the strategic action plan shall make MHC-organizations look in a strategic way to their property. It will differ for each organization what steps have been made and what still must be completed. This strategic action plan mainly describes steps which occur in the initiation phase of a real estate development.

In the strategic action plan the most important cyclical processes are indicated between certain steps and a feedback that serves as a review. This does not mean merely these cyclical processes and feedback can occur. The flowchart of the action plan as a whole can be seen as a cyclical process.



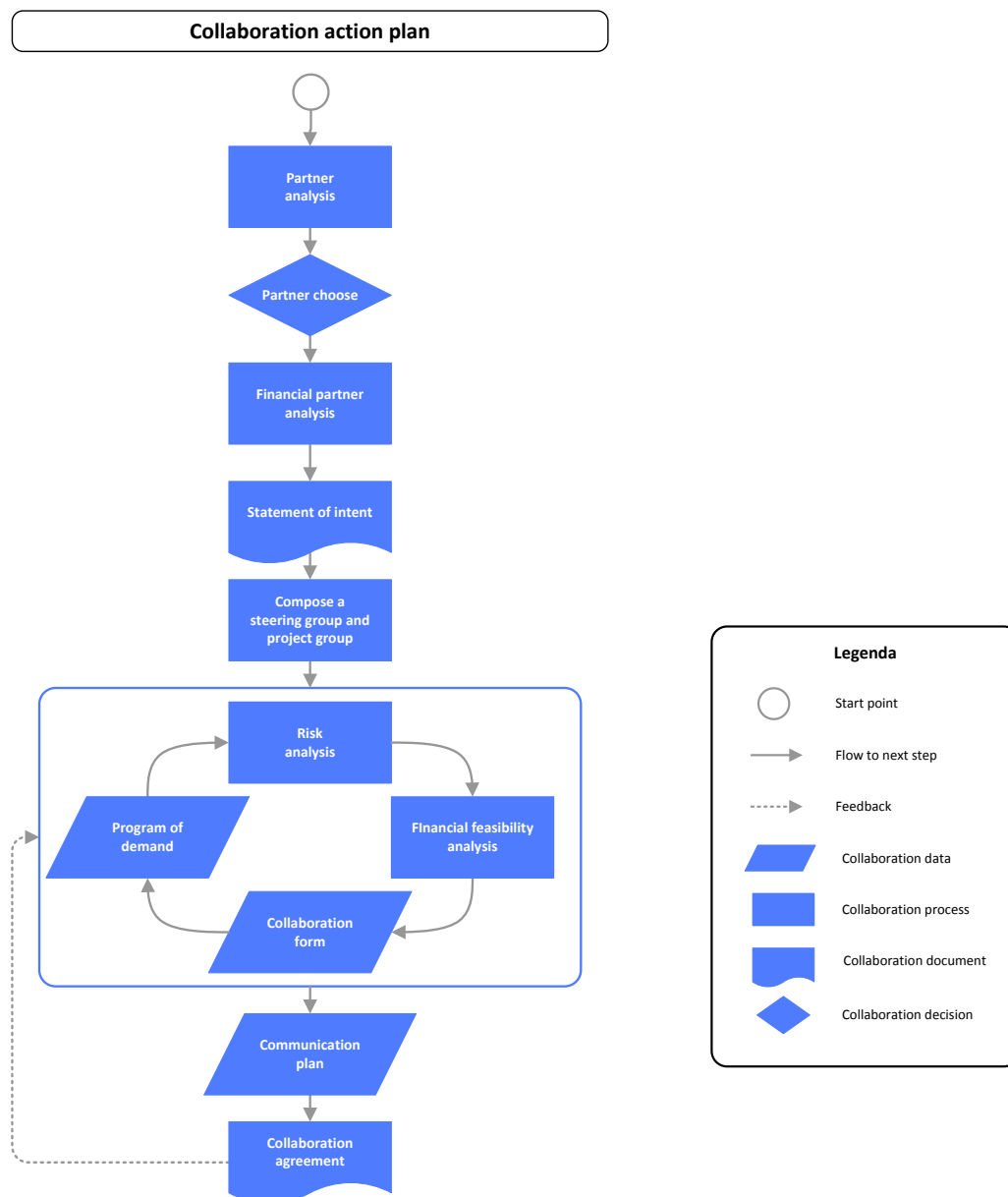
Strategic action plan

Collaboration action plan

This action plan shows the steps which are appropriate when a MHC-institution would work together with an external party. The action plan starts with the analysis of potential parties that qualify for a partnership and ends with the step in which a cooperation contract is signed by both parties. In this collaboration action plan are the steps at project level. These steps will be performed by the originator of the project. In MHC-organizations, this often means the real estate manager. The cooperation may use the collaboration action plan as a checklist for Boards of Directors and supervisors of the MHC-institution.

A collaboration develops its own goals and strategy, requires specific controls, target processes, requires allocation of resources and results in a management style. Therefore collaboration is not a matter to be lightly considered. It requires good preparation and commitment to succeed. It also takes much effort to find the right partner for this. The collaboration action plan provides the right grips for a MHC-institution and will help in this process. This cooperation mainly describes steps which occur in the initiative- and design phase of a real estate development.

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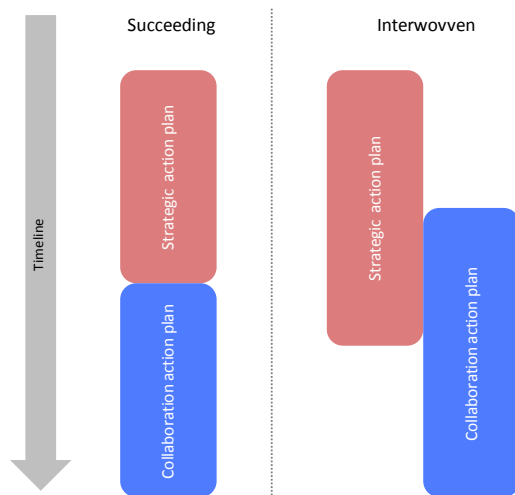


Collaboration action plan

Action plan combinations

The action plans may be used succeeding but during the strategic action plan there can be started with the collaboration action plan. So the actions plan can be used in a succeeding combination or an interwoven combination.

When the MHC-institution want to develop a small building project where the institution posses all the necessary resources the preference goes to the succeeding way of combining the action plans. For a large real estate developments where the organization is not in possession of all the needed resources preference goes to the interwoven way of combining the action plans. It will vary by project which method is preferable. It is the MHC-institution themselves to determine how the combination of the two action plans for a given project will expire. As an example there are two fictitious examples of real estate developments launched and displayed in schedules.



Combinations options of the action plans

Interviews

On the basis of various literature reviews and the case study of GGzE there has been created a draft of the strategic- and collaboration action plan. Through interviews, the action plans where tested in the practice. Due to interviews with MHC-institution and organizations that have worked with MHC-institution is has become clear what the experience in the practice is. The purpose of the interviews was to explore how collaboration real estate developments in the practice expired. Eventually these interviews have lead to adjustments in the action plans.

There are six interviews. Four of these interviews were conducted by MHC-institution and two interviews were conducted by organizations that have entered into a collaboration with a MHC-institution for a real estate development. These organizations are a hospital and a housing. The interviews each lasted approximately one hours. In the interviews real estate developments where discussed were MHC-institution have entered a partnership with external partners.

The interviews are used as input for a comparative analysis of the cases in the six aforementioned issues, called a cross case analysis. In a cross-case analysis data is compared with other data that is obtained from various sources. On the cross case analysis is reflected. The reflections have led to adjustments in the strategic- and collaboration action plan.

Workshop

To make clear how the two action plan can be combine the where developed two fictitious examples of real estate developments where the action plans are used in. The action plans and the results were shown in diagrams. The aim of the workshop was to improve these fictitious examples on the basis of statements made during the workshop. Furthermore, the workshop served to bring clarity to about some issues which were still uncertainties and last review for the action plans. The workshop has finally led to adjustments in the two action plans and the two fictitious examples.

Manual

The literature, case studies, interviews and the workshop have ultimately led to the data that constitute the handbook. The purpose of this handbook is that MHC-institution will use their real estate more and to encourage them to work together on property developments with external partners which could pose a potential value. This manual is a single component and may also be delivered without the knowledge of research.

The handbook can be used in two ways. The first is way is that is gives MHC-institution guidelines for how they can prepare a real estate strategy, which steps they should make when a partnership is formed and what the added value of cooperation at an early stage of plan development will be. It will be used by property managers and boards of directors of MHC-institution. This manual can also be seen as a checklist for the boards of directors and supervisors of MHC-institution to check on the strategic- and collaboration processes.

Conclusions and Recommendations

Conclusions

- Competencies a MHC-institution needs to strategically manage the property is to perform the right property analysis, to be able to draw up business plans for investments, the ability to cooperate with authorities and market and are aware of the possible risks bound to the organization and the property.
- The results of this study should ensure that MHC-institution are more aware of their property and will work in the near future more and more together with external parties for developing real estate. The action plans provide a structured development process with clear steps which should be taken in the initiation phase of a collaboration.

Recommendations for the MHC

- A clearly defined and grounded real estate strategy is essential to take investment risks in a responsible way. The property will add value and be a supporting element to the primary process (delivery of care). This is in particularly true for MHC-institution, with their large stock of buildings scattered over several locations.
- A collaboration should not be considered lightly. A collaboration consumes time and energy. A good preparation for collaboration is a requirement. Gathering information and tips about a collaboration, can provide a good tribute to the preparation for a partnership.

- The portfolio of a MHC-institutions will need to be assessed on excess. In order to reduce vacancy of the buildings it has to be considered in all new construction what the possible future roles for the building can be. Institutions will need to develop long term visions for the property establishing whether its about a temporarily or for a longer time function and with witch capacity.

- Effects of the new building regime are that MHC-institutions should establish financial goals, trade-off between current care or for specific construction and building projects to prepare business cases within the MHC. Access to knowledge of construction costs and land costs are more important than before. To calculate the cost of land would mental health settings can use the comparative method. This valuation is the value of the item derived from a number of similar objects, including a transaction price.

Recommendations for further research

- This research has been confined to MHC-institutions, but it is conceivable that a proper manual, not only serves the MHC sector but also other similar care facilities (like hospitals) by making small adjustments. It can therefore be examined what adjustments in the manual should be made so that it is appropriate for several care sectors.

- This study is a review of material on the findings from the literature and six interviews. For a more thorough review of the action plans and the manual it is advisable to expand the number of interviews. This extension of interview can be more MHC-institutions, but can also be interviews with other stakeholders in the MHC sector which gives the research a broader perspective.

- The manual outlines the steps in the planning stages. These explanations on the steps made using data from the various research methods used in this study. There could be a follow-up study could to expand and improve these explanations, for the same count for the tips drawn together in the manual.