

Fact Sheet Regarding HCA/Kingwood Medical Center's Request To Purchase TxDOT Land at Kingwood Entries

Background:

Hospital Corporation of America (HCA), operator of the HCA/Kingwood Medical Center wants to purchase 6.4 acres of land on the southwest corner of US 59 and Kingwood Drive from TxDOT – the land inside the old entry ramp to the freeway. HCA says it needs this land to alleviate parking congestion near its main entrance and to relocate its existing heliport closer to its emergency room.

Because KSA acts as steward for the community's entries¹ and because of KSA's contribution to beautifying the Kingwood corridor after US 59 was reconstructed², TxDOT asked HCA to obtain KSA's support of the sale of the land.

HCA has requested KSA's support twice: the first time in a letter dated 9/13/2010 and the second time in a presentation at KSA's April board meeting. In the past, KSA has rejected similar requests from developers in order to help preserve Kingwood's entries. In April, because HCA implied that public safety was at risk if it could not purchase the TxDOT land, KSA explored HCA's request. We want the community to know what we learned.

Executive Summary

It appears that HCA has not fully and fairly explored other options for expansion that would preserve the community's entrances, investment, and image as well as the stately trees on the corner. For instance, a multi-story parking garage on land that HCA already owns could:

- a) Be less expensive
- b) Be more convenient for customers and patients
- c) Accommodate future expansion
- d) Avoid negatively impacting other businesses and homeowners
- e) Avoid a dangerous precedent for the remaining corners at our entries
- f) Avoid compliance issues with FAA and National EMS Pilot Association Guidelines for Hospital Heliports

¹ KSA spends an average of \$94,000 per year on behalf of the community to maintain the entries from US 59 at Kingwood Drive and Northpark Drive including the corner that the hospital wants to buy. KSA has maintained the corner in question for more than 30 years.

² KSA, on behalf of its member associations and Kingwood residents, contributed \$491,000 to entry improvements after highway reconstruction. This made TxDOT's money go farther and was the only financial contribution to this project by any Kingwood group.

- g) Preserve the natural entries to Kingwood and the community's investment in beautifying them.

If HCA pursues its proposed plans, it could also increase the risk to public safety and its own patients.

A discussion of each of these issues follows.

Less Expensive:

Despite the fact that HCA is surrounded by vacant land and unused parking,³ the hospital believes it has only one viable option to expand; it must purchase land on the corner of US 59 and Kingwood Drive from TxDOT to create more parking.

In support of its "only viable option" claim, HCA says a multi-story parking garage would cost \$15 million and that surface parking would cost only \$1.5 million.

However, this comparison stacks the deck. *It omits the cost of purchasing land and considers only the most expensive type of garage construction.*

Working with an architect, KSA determined that the hospital is quoting costs for cast-in-place construction. The most common type of multi-story parking uses pre-cast elements. Pre-cast is typically *one-half* as expensive as cast-in-place, and approximately one-third of the \$15 million that HCA quoted.

A \$5.5 million dollar pre-cast garage could hold 500 spaces.⁴ Yet the fair market value of the land that HCA wants to buy for surface parking is \$5.5 million, and the land would not hold as many parking spaces – only about 320 according to HCA's own plans.⁵

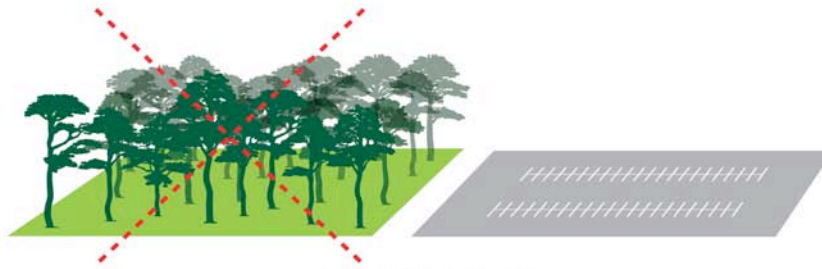
The fair market value of the TxDOT land alone could equal the cost of a multi-story garage on HCA's own property. Moreover, surface parking would entail additional costs:

- Clearing land
- Building storm sewers and storm-water detention areas
- Paving the land to create more parking
- Burying power lines to comply with heliport recommendations
- Annual drainage fees

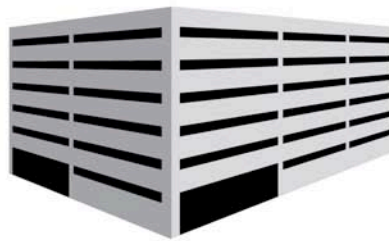
³ See aerial photo, Addendum C.

⁴ Typical construction costs for cast-in-place garages total \$20,000 to \$23,000 per space. Pre-cast parking garages typically cost \$10,000 to \$12,000 per space. For calculating the number of spaces we used \$11,000 as the pre-cast average.

⁵ Commercial real estate brokers and neighboring companies place the value of the land at \$20/square foot. 43,560 square feet/acre x 6.4 acres x \$20 = \$5,575,680. HCA plans show only 320 parking spaces fitting on the land they want to buy. Compare that to 500 spaces that could fit in a pre-cast garage built with same amount of money.



Surface Parking Lot
 \$7 million (land + construction)
 Parking Places: 320
 Cost per Parking Space: **\$21,875**



Pre-Cast Garage
 \$5.5 million
 Parking Places: 500
 Cost per Parking Space: **\$11,000**

A multi-story garage on land that HCA already owns could be less expensive than surface parking on land it would have to purchase.

	Surface	Pre-Cast Garage	Cast-In-Place Garage
Construction Costs	\$1.5 million	\$5.5 million	\$15 million
Parking Spaces	320	500	500
Estimated Land Cost	\$5.5 million	\$0	\$0
Total Cost	\$7 million	\$5.5 million	\$15 million
Total Cost per Space	\$21,875	\$11,000	\$30,000

Using HCA’s own estimate, these could be another \$1.5 million, bringing the total estimate for surface parking to \$7 million.

A full and fair cost comparison reveals that a multi-story garage on land that HCA *already* owns could be *less expensive* than surface parking on land it would have to purchase.⁶ Moreover, the trees on the corner would not have to be cut down.

⁶ To create a fair comparison in the table above, we divided the cost HCA quoted for cast-in-place construction (\$15,000,000) by the same number of vehicles (500) that could fit in a pre-cast garage that also cost as much as the purchase price of the TxDOT land. The per-vehicle cost of \$30,000 is radically higher than the \$20,000 to \$23,000 cost per space *typically* associated with cast-in-place construction. There are two possible explanations: HCA planned to put more cars in the garage than on the land, or HCA’s estimate was inaccurate. Either way, their cost comparison (\$1.5 million vs. \$15 million) misleads and omits an option in the middle.

More Convenient

Surface parking would place patients farther from the main entrances than a multi-story garage. Surface parking at the corner of Kingwood Drive and US 59 would be more than 700 feet from the entrance. This would create difficulties for elderly and weak patients, especially on hot days or during inclement weather.

A multi-story garage would create shaded parking, keep cars cooler, provide protection from the elements, and put patients and visitors much closer to the main facility. A short elevator ride would be much less stressful for the patients the hospital serves.

Accommodate Future Expansion

When HCA first talked to KSA, the company stated it needed to alleviate *parking congestion* at the front of its facility. But the company now also plans to expand *medical* facilities in the same direction – *reducing the amount of parking spots available where they say they need them most*.

Meanwhile the north, west and south sides of the hospital have large areas of rarely used parking spaces.

A multi-story garage could contain more parking than surface parking allows. It could help accommodate HCA's expansion of medical facilities, eliminate congestion at the front of the hospital, reduce parking sprawl, reduce runoff, and preserve the trees in the entry area.

Insperty (formerly Administaff) built such a garage to accommodate its needs. It found the solution both aesthetic and economic.

Avoid Negatively Impacting Other Businesses and Homeowners

HCA has not considered the impact its actions could have on other businesses in the area.

Insperty is the only *Fortune* 1000 company actually *headquartered* in Kingwood. It employs 1000 people here. The company contributed \$50,000 to the beautification of the entries. This obviously enhanced the environment adjacent to their headquarters, but we should also recognize Insperty's contribution to the community and every homeowner here.

Supporting a sale to the hospital could open up other corners for development – including those in front of the lakes on either side of Kingwood Drive. It could create a domino effect that would negatively impact land values of nearby businesses like Insperity.

Homeowners, too, could be negatively impacted by the loss of the entries. According to the Houston Association of Realtors,⁷ home sales in the Kingwood area declined 7 percent from 2009 to 2010. Reducing our “drive-up appeal” could accelerate that decline.

Avoid Dangerous Precedent

This domino effect is a real possibility. Methodist Hospital owns 30+ acres of land immediately north of HCA that has yet to be developed. A sale of one corner to HCA would set a precedent for a sale of another to Methodist. Methodist could build an even stronger argument for taking its corner because it is a non-profit hospital and HCA is for-profit.⁸

Residents and business owners should also know that HCA is not the first to try to purchase Kingwood’s entry corners from TxDOT. Other developers have tried to purchase:

- The northeast corner of Northpark/US 59
- The southeast corner of Northpark/US 59

⁷ Source: HAR.com

⁸ The Methodist Hospital System is a not-for-profit health care organization based in Houston, Texas, affiliated with the United Methodist Church. See <http://www.methodisthealth.com/basic.cfm?id=36565>. HCA’s principal executive offices are in Nashville, Tennessee. HCA Holdings, Inc. is incorporated in Delaware. HCA Holdings common stock is publicly traded on the New York Stock Exchange under the symbol “HCA”. You may obtain copies of the company’s financial filings posted under the “SEC Filings/Reports” at: <http://phx.corporate-ir.net/phoenix.zhtml?c=63489&p=irol-sec>. Form 10-Q filed on 5/11/2011 states on page 44 under Use of Proceeds from Registered Securities: “We incurred approximately \$95 million in underwriter discounts and an estimated \$33 million of fees and expenses in connection with our initial public offering, which included a \$26 million fee paid to affiliates of each of Bain Capital Partners, Kohlberg Kravis Roberts & Co. and BAML Capital Partners (formerly Merrill Lynch Global Private Equity) and certain members of the Frist family, including Thomas F. Frist, Jr., M.D., Thomas F. Frist III and William R. Frist (the “Investors”), each of whom have an indirect interest in more than 10% of our capital stock through their investment in Hercules Holding II, LLC and certain members of whom serve on our board of directors, pursuant to a management agreement among HCA Inc. and the Investors. We also paid the Investors an additional final fee of \$181 million in connection with the termination of the management agreement which occurred upon completion of the initial public offering of our common stock. Form 10-K, Exhibit 21 lists the company’s operations and subsidiaries. Kingwood Medical Center appears to be owned by a subsidiary called KPH-Consolidation, Inc. KPH is incorporated in the State of Texas, but appears to be a passive entity; KPH filings with The Texas Secretary of State show no officers for the corporation. The registered agent for KPH appears to be a company headquartered in Minnesota.

- The northeast corner of Kingwood Drive/US 59

On the northeast corner of Kingwood Drive and US 59, a developer wanted to build a bridge across the lake in front of the Kingwood sign so that he could build a Starbucks with a Kingwood Drive address adjacent to Homewood Suites.

In all these cases, KSA asked TxDOT *not* to sell the land in order to preserve the natural beauty that is the defining element and signature characteristic of Kingwood. We are “The Livable Forest.”

HCA believes that buying the TxDOT land is HCA’s only viable option for expansion.

HCA has other, less destructive options that could create a win-win solution. HCA could expand in other directions and/or build a multi-story parking garage. The hospital is surrounded by vacant land on three sides and the land it already owns is not fully utilized.

Supporting commercial development on these entries would make Kingwood look like every other intersection on US 59. The community would lose its distinctive “drive-up appeal.”

Creating an exception for HCA – especially when it has other, better options to expand – would say to TxDOT, “KSA isn’t really serious about preserving this land.” That might encourage TxDOT to rethink its agreement with KSA the next time a developer wants to purchase one of Kingwood’s entries.

Heliport Compliance

In addition to parking, HCA also wants to move its existing heliport from its largely empty west parking lot to an area immediately in front of the hospital. Plans show that – to maximize parking – emergency personnel would have to weave gurneys through parking.⁹

HCA says it needs to get patients closer to their emergency room. The proposed new site is not much closer to the emergency room and has numerous compliance issues that the hospital has not fully considered.

FAA and National EMS Pilot Association (NEMPSA) Guidelines for hospital heliports stipulate that heliports should be located eight times farther from obstructions than the height of the obstructions. For instance, the landing pad should be located 480 feet away from trees or buildings that are 60 feet tall.¹⁰

⁹ See Addendum B.

¹⁰ NEMSPA, Hospital Heliport Safety, v2.3, 2/16/2010.

Using this formula, the hospital does not have enough room to put the heliport where they want to put it – unless they tear down EVERY tree.

But even then, they would have other safety issues. The guidelines also state that parking should be kept 200 feet away from landing pads to avoid damage to cars from blowing debris kicked up by rotors. Downdrafts can exceed 100 mph.

Guidelines also caution against placing landing pads near pedestrian entrances because of the danger of causing falls, and blinding or injuring pedestrians with blowing debris.

Guidelines caution against placing landing pads near ANY trees because even small trees grow quickly.

Guidelines caution against placing landing pads near power lines because of the risk of collisions. HCA has aerial power lines in front of its property.

Putting the heliport where HCA wants to put it would create a safety risk for people using their entrances, for pilots, and for critical patients being airlifted to trauma centers. All these factors create potential liability for the hospital.

As important, helicopters landing in front of the hospital would distract drivers on US 59, feeder roads, and Kingwood Drive, increasing the risk of traffic accidents.

Preserving Natural Entries and Community's Investment

To help TxDOT beautify the entries after highway construction, KSA raised \$491,000 from Kingwood residents and corporations.

Furthermore, KSA maintains the entries. This costs residents another \$94,000 per year. During the last 10 years, Kingwood residents and businesses have invested (through their community associations and KSA) more than \$1.4 million in the entries.

KSA community associations represent approximately 19,000 households. Virtually every family in Kingwood invested approximately \$75 in our entries. So how strongly do residents feel about preserving the entries?

During KSA's discussions with HCA, HCA placed fluorescent tape around every tree on the corner as part of a survey. The KSA office was *besieged* by calls from angry residents who feared the trees were marked for removal. If this incident was any barometer, Kingwood residents definitely *want* to preserve those trees.

Increasing Risk to Public Safety

As noted above, landing helicopters at the proposed location could easily distract drivers and contribute to traffic accidents on US 59, its feeder roads and Kingwood Drive.

According to the National EMS Pilots Association¹¹, rotor downwash from helicopters landing near entrances can also cause injuries from falling, damage vehicles and blind pedestrians.

NEMSPA also discourages hospitals from locating helipads near trees and power lines due to the risk of collision on takeoff and landing. Both trees and power lines are near the proposed location.

Finally, distant parking stresses the elderly and infirm, especially in hot or inclement weather.

What Concerned Residents and Businesses Can Do

Residents DO have a say in this matter. They should express their opinions by attending the KSA Parks Committee meeting on July 7th and the KSA Board meeting on July 21st. Both meetings will be held at the South Woodland Hills Community Room, 2030 Shadow Rock, at 7PM.

Concerned residents and businesses should voice their opinions to:

- KSA
- Tommy Williams, State Senator
- Dan Huberty, State Representative
- Mike Sullivan, Houston City Council Member (also on Hospital's Board of Directors)
- Melinda Stephenson, HCA Kingwood Medical Center CEO
- TxDOT

Contact information:

The Honorable Tommy Williams
P.O. Box 12068
Capitol Station
Austin, Texas 78711
(512) 463-0104
(512) 463-6373 fax

¹¹ NEMSPA, Hospital Heliport Safety, v2.3, 2/16/2010.

The Honorable Dan Huberty

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Melinda Stephenson

CEO

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22999 U.S. Highway 59 N
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(281) 348-8000

TxDOT

Mr. Delvin Dennis, P.E., District Engineer
Texas Department of Transportation
P.O. Box 1386
Houston, TX 77251-1386

KSA

Kingwood Service Association
ATTN: Dee Price, President
1102 Kingwood Drive, Suite 104
Kingwood, Texas 77339

Or Your Community Association Board Members

Addendum A

The Role of Kingwood Place West

Residents may have noticed recent articles in area newspapers about this issue. A commercial association named Kingwood Place West asserts that it, not KSA, should have “jurisdiction” in the dispute over this land.

Kingwood Place West’s boundaries extend from Loop 494 to Sorters-McClellan Road and from Northpark Drive to an area south of Kingwood Drive. Kingwood Place West has never been a member of KSA.

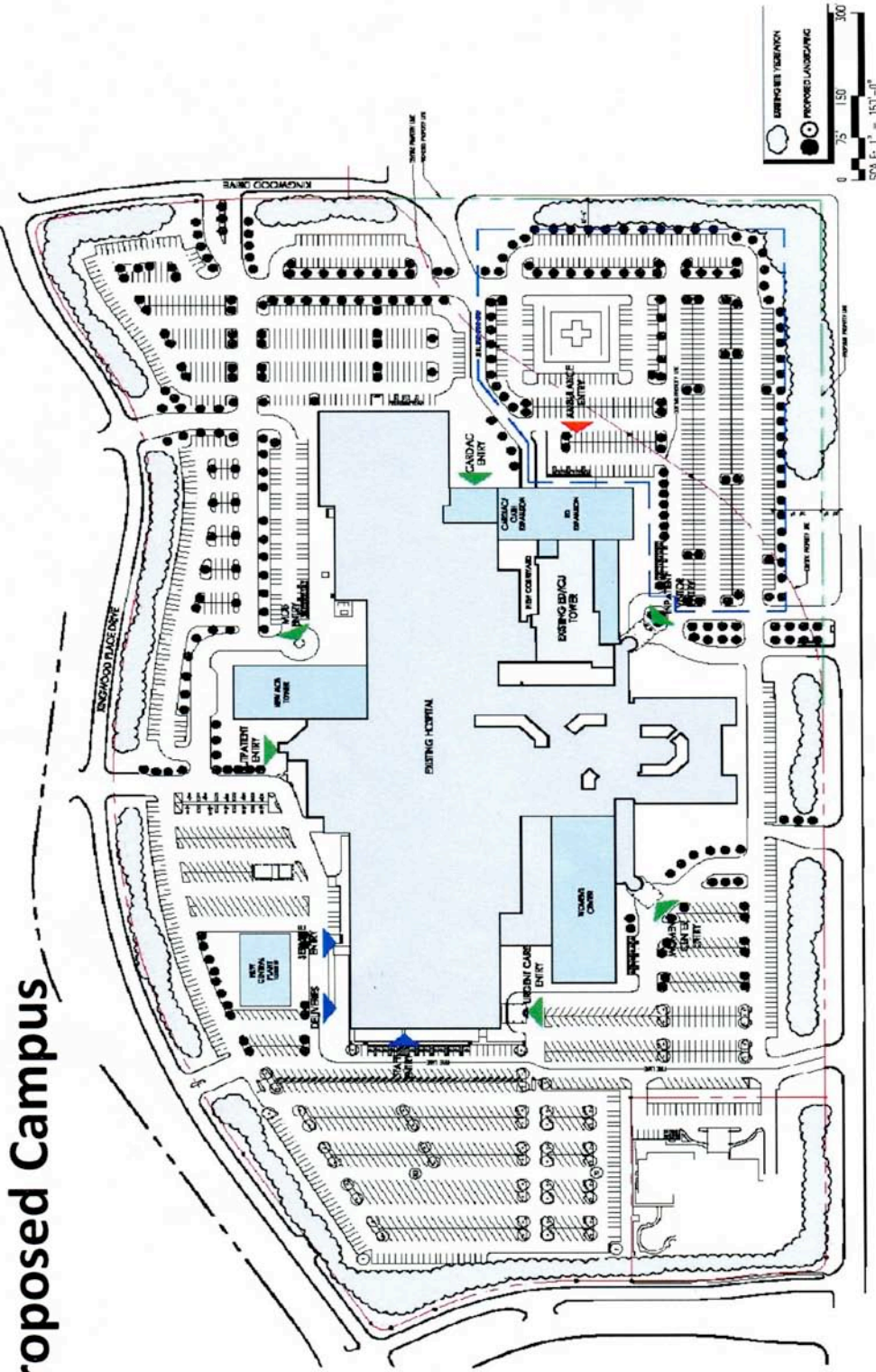
All eight of the quadrants at Kingwood Drive/US 59 and Northpark/US 59 fall within Kingwood Place West. However, 29 other community associations in Kingwood have borne a significant amount of the maintenance costs and virtually all of the costs of improving the entries for decades.

Melinda Stephenson, the hospital CEO, recently joined the board of Kingwood Place West. Now Kingwood Place West asserts that it should have “jurisdiction” in the disposal of the land in question, ignoring the facts that:

- TxDOT owns the land
- Kingwood Place West contributed no money to the TxDOT project while KSA and its members contributed close to half of a million dollars.
- Neither Kingwood Place West, nor HCA, joined KSA in the effort to rebuild the entries after the reconstruction of US 59.
- KSA has been maintaining this land for 30 years and continues to do so without contributions from HCA or Kingwood Place West.

In fairness to Kingwood Place West, the association *did* allow TxDOT to use its water to irrigate newly planted trees. However, so did KSA. And if TxDOT felt that Kingwood Place West’s contribution to this project was greater than KSA’s, why did TxDOT ask HCA to obtain KSA’s support?

Addendum B HCA/Kingwood Medical Center Proposed Campus



Proposed Campus

PROPOSED MASTER PLAN: SITE PLAN

PERKINS
+WILL

KINGWOOD MEDICAL CENTER
HOUSTON, TEXAS

HCA

13322-0
PROJECT # 131000

Addendum C
Aerial Image of Hospital Campus
Showing Vacant Land Around Facility



Hospital is white complex on left (west) side of freeway. Insuperity (formerly Administaff) is directly across the freeway. Insuperity has a parking garage that minimizes its parking sprawl. The hospital could employ multi-story parking to bring patients and employees closer to its facility and avoid cutting down the trees at Kingwood's entry. A multi-story garage could also accommodate more parking at a lower cost than surface parking on the TxDOT land would allow.