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June 26, 2012

**CHAIRMAN OF THE BOARD OF REGENTS
CHAIR OF THE COMMITTEE ON GROUNDS AND BUILDINGS
PRESIDENT OF THE UNIVERSITY**

**ACTION BY CONCURRENCE – AMENDMENT OF THE BUDGET FOR CAPITAL
IMPROVEMENTS AND THE CAPITAL IMPROVEMENT PROGRAM FOR THE CHAO
COMPREHENSIVE DIGESTIVE DISEASE CENTER EXPANSION, IRVINE CAMPUS**

EXECUTIVE SUMMARY

This project would construct 6,050 ASF of expansion space and renovate 6,195 ASF of existing space in Building 22C at the UC Irvine Medical Center for the Henry H. Chao Comprehensive Digestive Disease Center (CDDC). The CDDC is a regional leader in the delivery of interventional endoscopic treatments, and diagnostic and screening services for patients with a wide variety of digestive disorders. Demand for CDDC services has grown by 16 percent over the last four years alone, and there is no longer sufficient space to accommodate current program volume. In addition, Orange County population projections indicate a continuing rise in the CDDC target over-50 age group, and forecast significant growth in the demand for diagnostic and interventional services. The existing CDDC space also has functional and operational deficiencies that negatively affect productivity, patient satisfaction, confidentiality, privacy, and general care delivery. Without additional space and the correction of existing space deficiencies, the CDDC will be unable to provide the services required to meet existing demand and future growth.

This item seeks approval of the project budget of \$17,500,000 for preliminary plans, working drawings, construction, and equipment, to be funded from hospital reserves (\$14,735,000), and from gifts (\$2,765,000). If sufficient gift funds are not available at the time of bid, the Medical Center will advance hospital reserve funds while the gifts are being raised. The proposed building construction is scheduled to commence in December of 2012, and be completed by July 2014. The budget approval is a concurrence item under the President's delegated authority in Standing Order 100.4(q)(1). Additional detailed information on the project may be found in the Attachments.

RECOMMENDATION

The President recommends that, pursuant to authority granted to him under Standing Order 100.4(q)(1), the 2011-12 Budget for Capital Improvements and the Capital Improvement Program be amended as follows:

Irvine: Chao Comprehensive Digestive Disease Center Expansion - preliminary plans, working drawings, construction, and equipment - \$17,500,000, to be funded from hospital reserves (\$14,735,000) and from gifts (\$2,765,000).

BACKGROUND

The Henry H. Chao Comprehensive Digestive Disease Center (CDDC) at Irvine's Medical Center in Orange provides outpatient diagnostic services and treatment to patients with disorders of the esophagus, stomach, liver, pancreas, colon and rectum. As a tertiary referral center, the CDDC specializes in the delivery of diagnostic screening services and interventional endoscopic treatment options for patients with complex gastrointestinal problems. Many of the procedures performed at the CDDC are exclusive to UCI, and patients are often referred here from other hospital or emergency room situations. Diagnostic services account for about 40 percent of the CDDC's annual procedures, while 60 percent are minimally invasive endoscopic therapies that minimize patient trauma and can often spare patients with digestive disorders from undergoing major surgeries. The CDDC's physician faculty have played a leading role in advancing the use of new endoscopic systems and applications and are currently able to offer patients participation in over 20 different clinical trials.

Since 2003, the CDDC has occupied 8,407 ASF on the first and third floors of Building 22C (the Diagnostic Services Center), a 12,600 ASF building constructed in 1986. CDDC space on the first floor includes two diagnostic procedure rooms, four interventional procedure rooms, twelve pre/post-procedure beds, clinical support space, offices, and a reception/waiting area. CDDC physician practice space is located on the third floor and is comprised of nine exam rooms.

The CDDC's vitality and growth are integral to the success of the Medical Center's service and patient care goals. Because of increased patient volume and functional space deficiencies, however, the CDDC's existing space is inadequate to accommodate its current program and projected growth.

The budget approval is a concurrence item under the President's delegated authority in Standing Order 100.4(q)(1). Although the total project budget is under \$60 million, the budget approval is not within the President's delegated authority in Standing Order 100.4(q)(2) because the Medical Center campus in Orange was not included in UC Irvine's Physical Design Framework accepted by the Regents in January 2010. The Medical Center is currently engaged in a master planning effort; when that process has been completed, the campus will submit a Physical Design Framework to the Regents for their consideration. Other actions related to this project are the Regents' approval of project design and for the project to be found Categorically Exempt under the California Environmental Quality Act. These actions are proposed for consideration by the Regents' Committee on Grounds and Buildings at its July meeting.

Project Overview

Until recently, there was no space to accommodate the required expansion of the CDDC within Building 22C. However, the relocation of an unrelated unit on the building's second floor has released the remaining 4,170 ASF to CDDC for reassignment and renovation. In addition, the stepped-back design of Building 22C provides an opportunity to capture additional space on the second and third floors by constructing space to fill in much of the building profile.

The proposed project would construct 6,050 ASF of expansion space and renovate 6,195 ASF of existing space in Building 22C, and along with the unaltered existing space of 6,382 ASF, would result in an 18,627 ASF facility to accommodate the needs of the CDDC, which would more than double its existing space assignment and support the program's space needs for the next seven to ten years. Construction of the new space would be accomplished by expanding the footprint of the building slightly and enclosing roof areas on the second and third levels.

Project Drivers

Capacity Deficiencies. Over the years, the demand for CDDC services has grown substantially. In the last four years alone, the annual number of diagnostic and interventional procedure visits has risen from 6,328 to 7,344, or more than 16 percent, and, as a result, the CDDC has recently hired three new gastroenterologists. Demand for CDDC services is expected to continue to increase, largely because of projected growth in the target over-50 age group. Space for the program, however, has not kept pace with growth, and is inadequate to accommodate current patient volume. Waiting time for some CDDC services is now at two months or more.

Program Deficiencies. In addition to capacity issues, there are functional and operational deficiencies within the CDDC space that negatively affect productivity, patient satisfaction, confidentiality, privacy, and general care delivery. Key problems and their impacts include:

- Procedure rooms have a number of functional deficiencies, including lighting that is old and inadequate to support innovative endoscopic procedures, and an inability to support anesthesia and carbon dioxide gas.
- There is insufficient waiting space for patients and their families. The entrance to the clinic is poorly located at the back of Building 22C, making for difficult way finding; the small entrance and cramped waiting area result in an impact on privacy for patients arriving at the reception desk.
- The open design and overcrowding of the recovery room affect patient privacy.

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Medical Center Strategic Goals. The Medical Center has developed strategic goals for meeting the medical needs of the region while maximizing existing strengths. Strategies for achieving those goals include advancing clinical excellence, generating revenues, partnering with the community, and achieving accelerated growth in oncology and surgery services through referrals. Expansion of the CDDC is vital to the implementation of these strategies in the following ways:

- Clinical trials are the foundation for future medical advancements, and CDDC physicians currently offer patients participation in 23 different trials.
- Fully 85 percent of CDDC referrals are from other gastroenterologists, surgeons, and oncologists in the community, consistent with the tertiary care goals of the center; this, in turn, substantially increases the number of patients referred for other services at the Medical Center.
- The CDDC is a feeder for oncology and surgery services (every eleventh CDDC visit results in an inpatient admission, and 50 percent of those admissions require surgery), both of which are services slated for accelerated growth in the Medical Center's strategic plans.

Consideration of Options

The campus evaluated three options for providing additional and upgraded space for the CDDC:

- Option A:* Expansion of the CDDC's service hours and use of two operating rooms at the proximate Douglas Hospital
- Option B:* Construction of a new 18,627 ASF building
- Option C:* Expansion and renovation of Building 22C to provide a total of 18,627 ASF. Improvements totaling 12,245 ASF would include construction of expansion space (6,050 ASF), reassignment and renovation of vacated space on the second floor (4,170 ASF), and renovations on the first floor (2,025 ASF).

Option A was found to be infeasible because (1) fasting requirements for patients make expansion of service hours unrealistic; (2) the Douglas Hospital operating rooms, which were initially available, have since been assigned to Neurology and are intended for expansion of surgeries; and (3) this option would fragment the CDDC's program, thereby increasing CDDC operational costs, and fail to address the existing deficiencies in the CDDC space.

Options B and C would meet current and projected CDDC demand, but at different costs. Option B, construction of a new building, would be significantly more expensive than Option C. The proposed solution of Option C – expansion and renovation of Building 22C – was determined to be the preferred alternative because it addresses the CDDC's programmatic requirements at a lesser cost.

PROJECT DESCRIPTION

The proposed project would construct 6,050 ASF of expansion space and renovate 6,195 ASF in Building 22C to accommodate the needs of the CDDC. (Please see Attachment 4 – Campus Map.) Construction of the new space includes expanding the building footprint slightly and enclosing roof areas on the second and third levels. Details of the project are summarized below.

First Floor: Expansion space will provide a new and more visible CDDC entrance and a larger reception and waiting room. Existing space will be renovated to convert deficient interventional procedure rooms to diagnostic procedure rooms, improve the design of the recovery room, and construct a conference/training classroom.

Second Floor: Expansion and remodeled space will provide six interventional procedure rooms (two new, and four to replace those lost on the first floor), seventeen pre/post-procedure beds, and a patient waiting area.

Third Floor: Expansion space will provide nine additional exam rooms, a patient conference suite, administrative offices, and a patient waiting space.

Table 1 - Project Space Summary

	Existing ASF	Existing ASF to Remain Unaltered	Renovated ASF*	New Construction ASF	Total New Project	Total CDDC Space Following Project
<u>CDDC Space</u>						
1st Floor	6,190	4,165	2,025	1,300		7,490
2nd Floor	0	0	4,170	2,150		6,320
3rd Floor	2,217	2,217	0	2,600		4,817
TOTAL	8,407	6,382	6,195	6,050	12,245	18,627

*Includes 4,170 ASF of reassigned space on the second floor.

Building Infrastructure and Structural Upgrades: The project includes the construction of a new patient elevator that will open directly into CDDC waiting areas on all floors, allowing the existing building elevator to be dedicated for staff and support services. An attached three-story enclosed stairwell tower at the northeast corner of the building is designed to address fire and life-safety codes and improve building exiting. New and larger high efficiency HVAC units would be installed to replace inefficient existing roof units, and the building's electrical systems would be upgraded. A structural evaluation of the existing building and proposed new construction has been completed, and existing structural steel connections will be reinforced to bring the facility up to current California Building Code standards. The project will also address

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the lighting as well as the anesthesia and carbon dioxide gas deficiencies. The building façade would be upgraded with finishes that are consistent with the palette of the new Douglas Hospital.

Project Phasing: The project will be completed in phases in order to maintain diagnostic and procedure room operations on the first and third floors while the second floor is being remodeled. During the remodel of the first floor, the CDDC will utilize available operating rooms in Douglas Hospital available on a limited short-term basis or the Outpatient Surgeries in the adjacent Chao Cancer Center, and/or offset partial closure of the center with the temporary expansion of hours.

Project Schedule: The project construction is scheduled to begin in December 2012 with completion scheduled for July 2014.

CALIFORNIA ENVIRONMENTAL QUALITY ACT

Other actions related to this project are the Regents' approval of project design and for the project to be found Categorically Exempt under the California Environmental Quality Act. Pursuant to the California Environmental Quality Act (CEQA), it is proposed that the planned project is Categorically Exempt, Class 32: In-Fill Development Project. The project meets all the conditions required for this exemption because it is consistent with the land use designation for the site, and is sited within city limits on a parcel that is smaller than five acres and surrounded on all sides by urban uses. Furthermore, none of the exceptions to the exemption apply.

Approval:

 June 26, 2012

Mark G. Yudof Date
President of the University

Concurrence:

 7/3/12

Sherry L. Lansing Date
Chairman of the Board of Regents

Hadi Makarechian Date
Chair of the Committee on Grounds and Buildings

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CALIFORNIA ENVIRONMENTAL QUALITY ACT

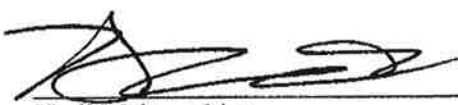
Other actions related to this project are the Regents' approval of project design and for the project to be found Categorical Exempt under the California Environmental Quality Act. Pursuant to the California Environmental Quality Act (CEQA), it is proposed that the planned project is Categorical Exempt, Class 32: In-Fill Development Project. The project meets all the conditions required for this exemption because it is consistent with the land use designation for the site, and is sited within city limits on a parcel that is smaller than five acres and surrounded on all sides by urban uses. Furthermore, none of the exceptions to the exemption apply.

Approval:

 June 26, 2012
Mark G. Yudof Date
President of the University

Concurrence:

Sherry L. Lansing Date
Chairman of the Board of Regents

 June 30, 2012
Hadi Makarechian Date
Chair of the Committee on Grounds and Buildings

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ATTACHMENTS

Attachment 1: Project Budget, Space Summary and Statistics

Attachment 2: Funding Plan

Attachment 3: Policy Compliance

Attachment 4: Project Graphic – Campus Map

ATTACHMENT 1

PROJECT BUDGET, SPACE SUMMARY AND STATISTICS CCCI 5950

<u>Cost Category</u>	<u>Amount</u>	<u>% of Total</u>
Site Clearance	166,100	1.2%
Building	11,210,000	78.7%
Exterior Utilities	9,100	0.1%
Site Development	134,800	1.0%
A/E Fees	1,500,000	10.5%
Campus Administration	375,000	2.6%
Surveys, Tests	100,000	0.7%
Special Items ¹	180,000	1.3%
Contingency	560,000	3.9%
Total	14,235,000	100%
Group 2 & 3 Equipment	3,265,000	
Total Project Cost	17,500,000	

Project Statistics

GSF	27,604
ASF	12,245
Efficiency Ratio ASF/GSF	44% ²
Building Cost/GSF	\$406.10
Project Cost/GSF	\$515.69

Comparable University Projects at CCCI 5950

Due to this project's unique combination of new and renovated construction, there are no comparable projects.

¹ Special Items includes constructability, Department of State Architect, and Fire Marshal reviews.

² The project ASF/GSF ratio is not representative of the building efficiency because of the disproportionate amount of GSF required for the project (e.g., elevator shafts, covered breezeway, three-story stair tower).

FUNDING PLAN

Funding Sources

Project Cost: **\$17,500,000**

Hospital Reserves: \$14,735,000

Gifts: \$2,765,000

Facilities Improvements, including Plans, Drawings, and Construction (\$14,235,000) and start up equipment (\$3,265,000) costs for the remodel project over the three years will be funded through a combination of hospital reserves and gift contributions. The Medical Center will use its reserves to finance the expansion and renovation of the proposed project. If sufficient gift funds are not available at the time of bid, the Medical Center will advance hospital reserve funds while the gifts are being raised. With the commitment of \$17.5 million in reserves, the Medical Center's Days Cash on Hand declines slightly as result of the funding of the project but is never projected to be below the target of 60 days.

The Medical Center's overall debt service coverage threshold of 3.0X times will not be met during FY 2012-13 and FY 2013-14. Debt service coverage of 3.2X and above is projected after FY 2014-15.

Gift Campaign Summary	
Gifts in Hand	\$0
Gifts Pledged	\$0
Gifts to be Raised	\$2,765,000
Total Budget	\$2,765,000

Funding Schedule

Preliminary Plans	\$645,000
Working Drawings	\$855,000
Construction	\$12,735,000
Equipment	\$3,265,000

POLICY COMPLIANCE

Long Range Development Plan (LRDP). The project is consistent with the land use designation for the project site (“South Sector – Ambulatory Care,”) and with all applicable LRDP policies in the Medical Center’s 2003 Long Range Development Plan accepted by the Regents in January 2004.

Capital Financial Plan. The *2011-2021 Capital Financial Plan* (CFP) for the Irvine campus includes the Chao Comprehensive Digestive Disease Center Expansion at a project budget of \$11,500,000. The current project budget of \$17,500,000 reflects an increase of \$6,000,000 to expand and equip the third floor of Building 22C.

Physical Design Framework. The Medical Center campus in Orange was not included in UC Irvine’s Physical Design Framework accepted by the Regents in January 2010. The Medical Center is currently engaged in a master planning effort; when that process has been completed, the campus will submit a Physical Design Framework to the Regents for their consideration.

Independent Cost and Design Review. The project has undergone Independent Cost and Design Review in accordance with University policy. UC Irvine Medical Center Planning Administration will manage the project and the Medical Center’s Director of Capital Projects will provide University oversight.

Sustainable Practices. Per UC Policy requirements, the project would achieve at least the equivalent of a LEEDTM – CI (Commercial Interiors) Certification rating.

Campus Map UC IRVINE • MEDICAL CENTER



Chao Comprehensive Digestive Disease Center

