



OFFICE OF THE PRESIDENT

Robert C. Dynes
President

1111 Franklin Street
Oakland, CA 94607-5200
Phone: (510) 987-9074
Fax: (510) 987-9086
<http://www.ucop.edu>

November 21, 2006

**ACTION UNDER PRESIDENT'S AUTHORITY--AMENDMENT OF THE BUDGET
FOR CAPITAL IMPROVEMENTS AND THE CAPITAL IMPROVEMENT PROGRAM
UCSDMC HILLCREST: DEPARTMENT IMPROVEMENTS, SAN DIEGO CAMPUS**

It is recommended that:

Pursuant to Standing Order 100.4(q)

- (1) The President amend the 2006-07 Budget for Capital Improvements and the Capital Improvement Program as follows:

From: San Diego: UCSDMC Hillcrest: Department Improvements – preliminary plans, working drawings, and construction -- \$6,006,000 to be funded from State funds.

To: San Diego: UCSDMC Hillcrest: Department Improvements – preliminary plans, working drawings and construction -- \$8,437,000 to be funded from State funds (\$6,006,000), and Hospital Reserves (\$2,431,000).

Pursuant to Standing Order 100.4(nn)

- (2) The Officers of The Regents be authorized to execute all documents necessary in connection with the above.

A Key to the abbreviations and the project statistics are attached.

KEY
Capital Improvement Program Abbreviations

| | |
|-------------|--|
| S | Studies |
| P | Preliminary Plans |
| W | Working Drawings |
| C | Construction |
| E | Equipment |
| - | State Funds (no abbreviation) |
| F | Federal Funds |
| G | Gifts |
| HR | Hospital Reserve Funds |
| I | California Institutes for Science and Innovation |
| LB | Bank Loans or Bonds (External Financing includes Garamendi, Bonds, Stand-By, Interim and Bank Loans) |
| LR | Regents' Loans (Internal Loans) |
| N | Reserves other than University Registration Fee (Housing and Parking Reserves) |
| R | University Registration Fee Reserves |
| U | Regents' Appropriations (President's Funds, Educational Fund) |
| X | Campus Funds |
| CCCI | California Construction Cost Index |
| EPI | Equipment Price Index |

Budget for Capital Improvements and
the Capital Improvement Program
Scheduled for
Regents' Allocation, Loans, Income Reserves, University Registration Fee Reserves,
Gift Funds, and Miscellaneous Funds

| Campus and Project Title (Total Cost) | <u>Prefunded</u> | <u>Proposed 2006-07</u> |
|--|------------------|-----------------------------|
| <u>San Diego</u> | | |
| UCSDMC Hillcrest: | P \$353,000 | |
| Department | W \$282,000 | |
| Improvements | C \$5,371,000 | C \$2,431,000 HR |
| (\$8,437,000) | | |

DESCRIPTION

The San Diego campus requests approval to augment the UCSDMC Hillcrest: Department Improvements project budget by \$2,431,000 with Hospital Reserves to accommodate scope changes, field conditions, and increases in construction costs due to local and regional market conditions that were unanticipated at the time the project was originally budgeted.

Background and Need for Augmentation

In March 2001, President Atkinson amended the 2000-2001 Budget for Capital Improvements and the 2000-2003 Capital Improvement Program to include the UCSDMC Hillcrest: Department Improvements project at a total project cost of \$6,006,000 (CCCI 3909) to be funded with State funds through the teaching hospital infrastructure program.

This project requires budget augmentation due to three factors: scope changes, field conditions, and market conditions.

1. Scope Changes (\$550,000): The original scope of this project included the construction of an exterior wall that would enclose an open bay on the first floor, below the project site. The project scope has been modified to include structural and utility coordination that would allow the enclosed bay to become a shelled space to support a future MRI project that would be funded and approved as a separate project.

2. Field Conditions and Means and Methods (\$723,000): As part of the campus's thorough existing-conditions survey and pre-construction site investigation conducted by the Construction Manager/General Contractor (CM/GC), the Hospital's Planner, the Executive Architect team, the Inspector of Record, Environment, Health and Safety, and Facilities Design & Construction, several code issues and field condition requirements were discovered and incorporated into the project. Many of these conditions, which can be attributed to the old age of the Hillcrest

facility, would have surfaced as change orders during construction, and had they not been identified prior to bid, would have been far more costly to the project. For example, the roof deck was deemed too thin to support the standard anchoring system envisioned when the project was scoped, and a unistrut frame system and structural steel has been added to the scope.

Efforts by the Hospital, CM/GC, and Design Team to plan and prepare for construction have impacted the cost of the project as means and methods of construction have been further defined and incorporated into the bid packages. For example, noise mitigation requirements including restrictions on times when noise can occur and disallowing jackhammers and bushing-hammers have resulted in increased cost for demolition and structural concrete trades. Such steps are intended to minimize disruption to hospital patients and staff during construction.

In addition, the project was originally dependent on an adjacent project to extend certain utility infrastructure to the project site, including supply and exhaust air, medical gases, domestic water, and mechanical water. As part of the Hospital's Strategic Plan, the adjacent project was delayed and utility points of connection for the project have been revised, requiring the extension of utilities through occupied areas of the hospital.

3. Market Conditions and Bid Climate (\$1,158,000): Over the past few years, the construction market in California has seen unprecedented cost increases at a level above what most of the rest of the country has seen. The hospital construction market is a higher risk market due to the complexity of the construction and the oversight of OSHPD. A recent study by Davis Langdon reports that California hospital construction has experienced a 66 percent cost escalation since 2003.

Renovation projects within occupied hospitals pose even greater risks to contractors. Worse yet is the risk of working in a building as old as the Hillcrest Medical Center, which was originally constructed in 1960.

The project was bid in June 2006. The bid overrun of \$1,881,000 on this project also reflects the current volatile construction market and adverse bidding climate in which demand for general contractors and subcontractors is extraordinarily high and they are consequently increasing bid amounts given these demand factors that are resulting in accelerating labor and materials price increases. Two of the largest bid-overages were in Mechanical/Plumbing and Concrete. The complexity of the work disqualifies many of the possibly more competitive subcontractors from bidding the project, but the small size of the job compared to many other projects currently underway does not make it an attractive project to qualified firms. These two trades received only two bids each.

The campus conducted estimating and value engineering measures to reduce costs relative to the project budget before proceeding to subsequent phases. In addition, the campus rigorously monitored the cost estimates provided by the CM/GC and the independent cost estimator at each phase of the project.

In summary, the need for this augmentation is due to scope changes necessary to meet code and maintain functionality of the hospital during construction, field conditions, and significant unexpected premiums in labor and materials costs associated with the surging construction market in the San Diego region and in the hospital construction market. This augmentation is needed to allow award of the contract to the current lowest responsible bidder.

Project Description

The Post Anesthesia Care Unit (PACU), inside the Operating Rooms Suite, was designed more than 30 years ago. The unit currently cares for approximately 700 patients a month, including patients who have undergone both in-patient and out-patient surgeries, as well as non-surgical procedures such as GI treatment, cardiac catheterization, interventional radiology, and liver biopsies. Due to the age of the unit, it lacks many functions that would be designed into a modern PACU, including separate Level 1 and 2 recovery areas, appropriate isolation rooms, and functional utility and staff areas. This project would renovate the unit, providing the needed patient separation and infection control improvements, as well as improved staff and utility areas.

Construction of the UCSDMC: Hillcrest Department Improvements is scheduled to begin in December 2006, with occupancy in May 2008.

Green Building Policy and Clean Energy Standard

This project will comply with the *Presidential Policy for Green Building Design, Clean Energy Standards and Sustainable Transportation Practices*. As required by this policy, the project will adopt the principles of energy efficiency and sustainability to the fullest extent possible, consistent with budgetary constraints and regulatory and programmatic requirements.

CEQA Classification

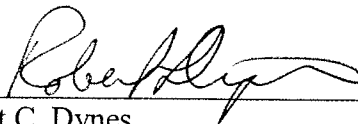
In accordance with University of California guidelines for the implementation of the California Environmental Quality Act, this project was classified in February 2001 as Categorically Exempt as renovation of an existing facility. The proposed increase in project budget and change in scope do not change this classification.

Financial Feasibility

The total project cost of \$8,437,000 at CCCI 3909 to be funded from the State (\$6,006,000), and Hospital Reserves (\$2,431,000).

Further financial information is shown on Attachment 1.

Approved by:



Robert C. Dynes
President of the University

Date

PROJECT STATISTICS
UCSDMC HILLCREST: DEPARTMENT IMPROVEMENTS
CAPITAL IMPROVEMENT BUDGET - SAN DIEGO CAMPUS
CCCI 3909

| <u>Cost Category</u> | <u>Amount</u> | <u>% of Total</u> |
|------------------------------|--------------------|-------------------|
| Site Clearance | \$ 340,000 | 4.0% |
| Building | 6,537,000 | 77.5% |
| Exterior Utilities | 28,000 | 0.3% |
| Site Development | 470,000 | 5.6% |
| A/E Fees | 432,000 | 5.1% |
| Campus Administration | 150,000 | 1.8% |
| Surveys, Tests | 45,000 | 0.5% |
| Special Items ^(a) | 97,000 | 1.1% |
| Contingency | 338,000 | 4.0% |
| Total | <hr/> \$ 8,437,000 | 100.0% |
| Group 2 & 3 Equipment | 0 | |
| Total Project | <hr/> \$ 8,437,000 | |

Statistics

| | |
|---|-------|
| Gross Square Feet (gsf) ^(b) | 9,858 |
| Assignable Square Feet (asf) ^(b) | 4,920 |
| Ratio asf/gsf (%) | 50% |
| Building Cost/gsf ^(b) | \$663 |

- (a) Special items include fees/costs in connection with regulatory plan check and approval (OSHDPD), and hazardous materials mitigation.
- (b) Gross square feet (GSF) is the total area, including usable area, stairways, and space occupied by the project itself. Assignable square feet (ASF) is the net usable area.