Office of the President

TO MEMBERS OF THE COMMITTEE ON GROUNDS AND BUILDINGS:

ACTION ITEM

For the Meeting of January 22, 2015

APPROVAL OF PRELIMINARY PLANS FUNDING, NORTH ADDITION OFFICE BUILDING, UC DAVIS HEALTH SYSTEM, DAVIS CAMPUS

EXECUTIVE SUMMARY

The North Addition Office Building (Project) will provide new space to allow for the relocation of critical operational support from two seismically deficient structures: the North/South Wing of the Main Hospital and the Housestaff Facility. This Project is part of a series of actions that must be completed by 2020 to address seismic safety mandates required by the State. Projects to address the seismic safety of all hospital buildings have been prioritized as funding allows; the space for acute care and hospital beds have been completed in prior years, leaving the space for housing operational functions to be addressed at this time.

The North/South Wing of the UC Davis Main Hospital complex is a “Structural Performance Category 1” structure per California Office of Statewide Health Planning and Development (OSHPD) standards. To comply with State seismic mandates and maintain hospital licensure, the UC Davis Health System (UCDHS) intends to vacate and “disconnect” the North/South Wing from the adjoining Main Hospital complex. To clear the North/South Wing and prepare the structure for disconnection, several key hospital administrative units must be relocated. (Such disconnection would be a separate project to begin in late 2018 and be completed prior to the 2020 deadline.) To house the displaced hospital administrative units, UCDHS is proposing to construct the Project, a multi-story office structure of approximately 130,000 gross square feet (gsf) to be located just north of the East Wing and Davis Tower at the Main Hospital complex.

The Housestaff Facility, located just north of the North/South Wing, contains 20,137 gsf of seismically deficient space. The proposed Project’s secondary space effects would allow for the clearing of some of Housestaff Facility’s occupants as part of UCDHS’s seismic mitigation strategy. Some units currently housed in the Cypress and Sherman buildings will occupy the proposed North Addition to optimize functional alignments. The space vacated in Cypress and Sherman will be occupied by other units from the Housestaff Facility, allowing that seismically deficient space to be fully vacated, and thus in compliance with State mandates.

1 Of interest to Committee on Health Services
The total Project budget is estimated to be approximately $76,087,000. The Regents are being asked to approve preliminary plans funding in the amount of $3.71 million to be funded by Hospital Reserves. Approval of full budget and the associated external financing, and approval of design following action pursuant to the California Environmental Quality Act will be requested at a future meeting.

RECOMMENDATION

The President of the University recommends that the Committee on Grounds and Buildings recommend to the Regents that the 2014-15 Budget for Capital Improvements and the Capital Improvement Program be amended to include the following project:

Davis (Sacramento Campus): North Addition Office Building – preliminary plans - $3.71 million to be funded from Hospital Reserves.

BACKGROUND

Hospital acute care facilities in California are subject to seismic safety mandates outlined in accordance with Sections 130000 through 130070 of the California Hospital Seismic Retrofit Program as added by Chapter 740 of the Statutes of 1994, Senate Bill 1953 (SB 1953), legislation that was passed following the 1994 Northridge earthquake. Compliance with SB 1953 has been an integral component of UC Davis Health System (UCDHS) capital planning, and significant progress toward meeting State seismic mandates has occurred over this time period. The construction of the Davis Tower (May 1999), and the subsequent build-out of its six floors of shelled space (1999-2009) for inpatient beds, as well as the completion of the Surgery and Emergency Services Pavilion (October 2010), have made way for virtually all of UCDHS’s inpatient beds and critical systems to be located in facilities that are seismically compliant. Over the past four years, patient care spaces have been relocated to the Surgery and Emergency Services Pavilion, including the Operating Room Suite, Emergency Department, Clinical Lab, Radiology, and Dietary Services.

The North/South Wing of the UC Davis Main Hospital complex (Attachments 4 and 5) contains approximately 170,000 assignable square feet (asf) (235,000 gross square feet [gsf]) of seismically deficient space, which must be disconnected from the Main Hospital complex by the 2020 deadline. At present, the North/South Wing is home to two acute care units (Apheresis and Dialysis unit, and Children’s Surgery Center and Hospitalists); some support units (such as Environmental Services, Child Life Program, and Gift Shop Storage); and several key administrative units that directly serve the Main Hospital complex. The key administrative units located within the North/South Wing are:

- Hospital Administration and Operations
- Heart and Vascular Center
- Patient Care Services
- Pharmacy Operations
- Physical Medicine and Rehabilitation Therapies
• Performance Excellence
• Neurology
• Infection Prevention
• Pastoral Services (limited to only a portion of this program, with most of the program’s space located in the Housestaff Facility)

The remaining Apheresis and Dialysis units, and Children’s Surgery Center and Hospitalists have approved projects for relocation to other areas of the Main Hospital complex (University Tower First Floor and Surgery and Emergency Services Pavilion, respectively). Planning for the relocation of the smaller support units is currently underway.

The proposed Project addresses the relocation of the key hospital administrative units from the North/South Wing, along with the certain units from the Cypress and Sherman buildings, which will have a secondary effect of allowing relocation of units out of the seismically deficient Housestaff Facility (Attachment 2).

Project Drivers

1. Requirement to Vacate or Upgrade Seismically-Deficient Space. The North/South Wing of the UC Davis Main Hospital complex is a “Structural Performance Category 1 (Buildings posing significant risk of collapse and danger to the public)” structure per State of California Office of Statewide Health Planning and Development (OSHPD) standards. Per SB 1953, the structure needs to be upgraded to resist a major seismic event, or vacated and disconnected from any adjoining structures. Current mandates require that one of the two options be completed before January 1, 2020.

2. Creating Better Programmatic Alignment. Keeping or bringing critical administrative functions in close proximity to the Hospital supports operational efficiencies, and improves patient care coordination. The proposed Project not only meets the SB 1953 seismic requirements by relocating staff out of two seismically deficient structures, Housestaff Facility and the North/South Wing, but also enhances programmatic alignments. Portions of the Surgery and Clinical Affairs units will move out their spaces in the Cypress and Sherman buildings and move into the Project to connect to their programs at the Hospital. Units vacating the Housestaff Facility, making it compliant with SB 1953, will occupy the space that is made available at Cypress and Sherman buildings. (Refer to Attachment 2 for a detailed space plan for the project.)

Project Description

The proposed Project would involve construction of approximately 130,000 gsf to provide administrative space for units that oversee UCDHS Main Hospital operations. The new building will be linked to the Main Hospital by a single-story passage to an existing east/west corridor located in the Davis Tower. The building will be connected to the existing utilities infrastructure serving the overall Main Hospital complex.
Offices and Support Space

Office space would be provided to house programs relocated out of seismically deficient space or being brought into the structure to create better programmatic alignment. The proposed Project also includes replacing support space (conference rooms, copy areas, and break rooms) being taken out of service as a result of the North/South Wing being taken off-line.

Site and Utilities

The North Addition will be constructed north of the Main Hospital on the site formerly occupied by the Trauma Nursing Unit. The Project site is bounded on the south by the continuous north face of the Main Hospital, comprised of the East Wing and Davis Tower, on the east by loading docks, and on the west by the North/South Wing. (Refer to Attachments 4 for a site plan.) The Project site’s north edge will be defined by a reconfigured service road and related landscaped buffer that will both be constructed as part of the Project. Vacant modular buildings and portions of the former emergency department will be demolished as part of the Project’s scope and budget.

Project Delivery

The campus intends to utilize the design-build delivery method for the Project as the campus has a proven track record utilizing this method to deliver Projects within a short timeframe while also mitigating post-construction disputes.

Approval Request and Schedule

The requested preliminary plans funding of $3.71 million would enable UCDHS to refine and confirm the scope of work, prepare bridging documents for design-build delivery, and refine budget and design prior to submitting the Project for full budget, financing, and design/California Environmental Quality Act approval in fall 2015.

Following these approvals, it is estimated that construction would commence in winter 2016, with completion targeted for fall 2018. This schedule will allow the time necessary for the follow-up project to disconnect the North/South Wing from the rest of the Main Hospital complex prior to the 2020 deadline.

Funding Plan

The estimated cost for the Preliminary Plans phase is $3.71 million to be funded by Hospital Reserves to be reimbursed from the proceeds of permanent financing.

The total Project budget for preliminary plans, working drawings, construction, and moveable equipment is currently estimated to be $76,087,000. The Project is intended to be externally financed with debt service to be repaid by the Gross Revenues of the Health System.
Days Cash on Hand

UC Davis Health System projects Days Cash on Hand to remain above the recommended floor of 60 days throughout the project period. Actual Days Cash on Hand in Fiscal Year 2014 was 76.6 days.

Key to Acronyms

<table>
<thead>
<tr>
<th>Acronym</th>
<th>Definition</th>
</tr>
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<tbody>
<tr>
<td>ASF</td>
<td>assignable square feet</td>
</tr>
<tr>
<td>GSF</td>
<td>gross square feet</td>
</tr>
<tr>
<td>OSHPD</td>
<td>State of California Office of Statewide Health Planning and Development</td>
</tr>
<tr>
<td>UCDHS</td>
<td>UC Davis Health System</td>
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ATTACHMENTS:

Attachment 1: Preliminary Plans Budget
Attachment 2: Proposed Project (North Addition) Space Plan & Secondary Space Effects
Attachment 3: Alternatives Analysis
Attachment 4: UCDHS Proposed Project (North Addition) Site Map
Attachment 5: UCDHS Main Hospital Complex
## PRELIMINARY PLANS BUDGET

<table>
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<tr>
<th>Category</th>
<th>Amount</th>
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<tr>
<td>Building (2)</td>
<td>$ 95,000</td>
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<tr>
<td>A/E Fees (3)</td>
<td>2,400,000</td>
</tr>
<tr>
<td>Campus Administration (4)</td>
<td>425,000</td>
</tr>
<tr>
<td>Surveys, Tests, Plans (5)</td>
<td>140,000</td>
</tr>
<tr>
<td>Special Items (6)</td>
<td>650,000</td>
</tr>
<tr>
<td><strong>Total Preliminary Plans Budget</strong></td>
<td><strong>$ 3,710,000</strong></td>
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</table>

(2) Construction Manager site evaluation through bidding
(4) Campus Project Manager, Plan Review, and Contract Administration
(5) Includes soil borings and geotechnical surveys
### Proposed Project (North Addition Office Building)

<table>
<thead>
<tr>
<th>Program (Current Staff Count)</th>
<th>Current Location</th>
<th>ASF</th>
<th>Reason For Relocation</th>
<th>Future Location</th>
<th>Estimated Future ASF</th>
</tr>
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<tbody>
<tr>
<td>Auditorium Conference Functions (N/A)</td>
<td>North/South Wing</td>
<td>6,168</td>
<td>Seismic</td>
<td>Proposed North Addition</td>
<td>11,044</td>
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<td>Hospital Admin and Operations (11)</td>
<td>North/South Wing</td>
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<td>Seismic</td>
<td>Proposed North Addition</td>
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<td>Heart and Vascular (72)</td>
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<td>Proposed North Addition</td>
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<td>Performance Excellence (12)</td>
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<td>651</td>
<td>Seismic</td>
<td>Proposed North Addition</td>
<td>1,006</td>
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<td>Neurology (25)</td>
<td>North/South Wing</td>
<td>1,663</td>
<td>Seismic</td>
<td>Proposed North Addition</td>
<td>2,196</td>
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<td>Infection Prevention (12)</td>
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<td>2,119</td>
<td>Seismic</td>
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<td>Patient Care Services (56)</td>
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<td>Seismic</td>
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<td>Pharmacy Operations (67)</td>
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<td>PM&amp;R Therapies (85)</td>
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<td>Trauma (44)</td>
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<td>Seismic</td>
<td>Proposed North Addition</td>
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<td>Dieticians (31)</td>
<td>North/South Wing</td>
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<td>Seismic</td>
<td>Proposed North Addition</td>
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<td>Surgery (101)</td>
<td>Cypress</td>
<td>9,354</td>
<td>Program adjacency which frees up space to solve <em>Housestaff Seismic Issue</em> and Transplant adjacency issue</td>
<td>Proposed North Addition</td>
<td>9,815</td>
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<td>Clinical Affairs (55)</td>
<td>Sherman</td>
<td>5,096</td>
<td>Program adjacency which frees up space to solve <em>Housestaff Seismic Issue</em> and Pastoral Services adjacency issue</td>
<td>Proposed North Addition</td>
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<td>Growth Factor (N/A)</td>
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<td>N/A</td>
<td>For possible program growth during construction</td>
<td>Proposed North Addition</td>
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<tr>
<td><strong>Staff Total (571)</strong></td>
<td><strong>Total</strong></td>
<td><strong>59,151</strong></td>
<td></td>
<td><strong>TOTAL</strong></td>
<td><strong>68,556</strong></td>
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### Secondary Space Effects

**Programs Relocating from Housestaff Facility**

<table>
<thead>
<tr>
<th>Program (Current Staff Count)</th>
<th>Current Location</th>
<th>ASF</th>
<th>Reason For Relocation</th>
<th>Future Location</th>
<th>Estimated Future ASF</th>
</tr>
</thead>
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<tr>
<td>Clinical Pastoral (8)</td>
<td>Housestaff &amp; North South Wing</td>
<td>538</td>
<td>Vacate seismically deficient space and house program to its parent department in Sherman</td>
<td>Sherman</td>
<td>1,500</td>
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<tr>
<td>Transplant (48)</td>
<td>Housestaff</td>
<td>6,821</td>
<td>Vacate seismically deficient space and brings program to its clinic space in Cypress</td>
<td>Cypress</td>
<td>9,815</td>
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ALTERNATIVES ANALYSIS

Five options were analyzed to mitigate the seismic risks posed by the North/South Wing. Each alternative was evaluated based on: (i) the ability to meet the identified programs’ facilities goals and objectives; (ii) consistency with UCDHS strategic planning documents such as the Long Range Development Plan; (iii) schedule drivers and phasing possibilities; (iv) strategic risks; and (v) financial impacts.

**Alternative 1: Remodel Existing Hospital Space:** This alternative would seek to seismically reinforce and renovate the North/South Wing. While the project would meet space program goals, this strategy would not be able to meet schedule demands and would also add significant financial costs because of the phasing and coordination required to safely perform seismic upgrades to the North/South Wing.

To meet project objectives, the following would need to occur:

- An alternative space near the Main Hospital complex would need to be identified and developed to allow for the temporary relocation and housing of programs.
- Once programs are temporarily relocated, renovations to the North/South Wing would commence.
- Programs would then be relocated back into the structure.

This alternative would cost more than the total to construct equivalent new space and relocate occupants in a single phase. The North/South Wing was expanded in the 1950’s and the original seismically deficient, three-story, unreinforced-masonry 1928 structure serves as the core of the building. Retrofitting the 1928 part of the North/South Wing structure to meet seismic requirements is not cost effective. Excluding the logistics and phasing required to facilitate seismic renovations, the cost of the renovation itself is estimated at $221,936,000, far greater than the estimated cost of $76,087,000 to construct a new building. Reasons for such a costly renovation include both the age and the specifics of construction. Moreover, costly asbestos and lead mitigation would be required since the structure is affixed near patient-care areas within the East Wing of the Main Hospital complex.

**Alternative 2: Lease Off-campus Space:** This alternative would involve seeking long-term lease space near the Main Hospital to house programs currently within the seismically deficient North/South Wing. At present this option is not feasible as there is no facility (or combination of facilities) that could consolidate or house the amount of square footage needed currently available for lease in proximity to the Main Hospital. The UCDHS Main Hospital complex is bordered primarily by residential homes and small commercial structures currently occupied by UCDHS and non-UCDHS tenants; these are incompatible with the project’s program requirements. Moreover, one of the programs being relocated is the Main Hospital’s primary administration in charge of operations. Managing the Main Hospital remotely would add significant operational costs from a travel and logistics standpoint, thereby lowering patient care. For example, some programs (especially Trauma) need to be within a fifteen-minute walking
distance of the surgery rooms within the Main Hospital complex. There is no vacant leasable space that can satisfy program requirements within a reasonable radius of the Main Hospital.

In order to provide a comprehensive analysis, one lease was analyzed for cost per square foot metrics. However it is important to note that this lease cannot satisfy the distance or square footage requirements for the programs being relocated out of the North/South Wing, but is used for illustrative purposes. For a ten-year lease that would be built-to-suit by a developer, the total cost (turn-key) is currently estimated at $87.5 million. While this would be similar to the estimated total cost of $76,087,000 for new University construction, the issue of long-term lease costs would still remain, as many programs being relocated out of the North/South Wing are key hospital administrative departments that require permanent space. This operational reality deems this alternative to be physically impossible in the short term and financially disadvantageous in the long term.

Alternative 3: Build-out Surgery and Emergency Services Pavilion (Pavilion) Shelled Space: This alternative would involve renovation of the remaining 15,336 gsf of shell space located in the Pavilion. The need for programmatic space is estimated at 68,556 asf. Thus after being adjusted for estimated circulation needs, the Pavilion space would barely meet 12 percent of the overall space needs of the Project. Other space solutions would still be required to meet the full program needs. This alternative was rejected because the build-out of Pavilion shelled space would use areas that should be retained for future acute care needs. Such valuable OSHPD-licensed space would allow UCDHS to meet future patient-care demand, and thereby achieve financial performance goals. This alternative would use up the last remaining acute care space within the Main Hospital, while not meeting the program requirements to vacate the seismically deficient North/South Wing. Thus, this alternative is deemed unacceptable from a long-term strategic standpoint.

Alternative 4: Third-Party Delivery On-Campus Owned Land: This alternative would involve partnering with a private developer to construct and maintain a structure (via ground-lease) on a site just north of the Main Hospital complex (same site outlined in Attachment 5 below). While UCDHS has executed ground leases with other organizations to develop and operate auxiliary facilities on the UC Davis Sacramento campus (e.g., a hotel), this approach was rejected as a strategy for the proposed Project for the following reasons:

- **Long-term strategic risk given location and nature of structure**: Given the nature of the proposed Project, it is highly unlikely that the structure would ever be vacated. Should UCDHS want to purchase the structure to meet long-term need, there would be little negotiating leverage since the structure is located so close to the Main Hospital complex. As a result, UCDHS would most likely pay a premium in the near term to have the option to assume total control of the building at a later date.

- **Shared infrastructure**: Public-private partnerships typically involve projects that function as stand-alone buildings not linked to University infrastructure. The proposed building is an addition to the Hospital that will be served by existing campus infrastructure. A privately owned, free-standing structure would require that a separate utilities system be
brought in to serve the site, adding to overall project costs. Any third-party developer would add such costs into a deal.

- **Operational cost challenges:** Portions of the new facility will house critical functions that must be accessible 24 hours a day, seven days a week (e.g., the Hospital’s Emergency Operations Center). Developer buildings typically rely on third-party arrangements regarding maintenance and operation. Given the nature of the proposed building, maintenance personnel would need to be available on-site 24 hours a day, seven days a week to support the building. While developers could contract for such services, the cost of this requirement would drive lease rates to unacceptable levels.

- **University’s cost of capital versus developer fees and profit:** The University’s cost of borrowing (due to its AAA credit rating) has been significantly lower than fees and interest rates paid by private developers. As a result, it has been anticipated that no developer would be able to achieve a lower cost of capital. Consequently, it would not be financially advantageous for UCDHS to enter into a deal with a developer who will have a need to generate profit on top of having a higher construction-financing rate. Additionally, any third party would still be subject to the same prevailing wage requirements as UCDHS. Current analysis is assuming that the cost of construction (building only) for a private developer would be nearly the same as $585 per square foot to deliver the project in-house (excluding utilities infrastructure improvement costs). As a result, no significant savings would be achieved to offset the risks outlined within this analysis.

**Alternative 5: Relocate Departments into a new office building:** This alternative would involve construction of a new 130,000 gsf building on a site proximate to the Main Hospital complex to allow for the relocation of programs within the North/South Wing. The new office building would be a key component supporting the Main Hospital complex and a site has been identified just north of the East Wing and Davis Tower. This option provides the necessary adjacencies to the existing hospital to meet program needs and can be delivered by the mandated deadline at a reasonable cost. Other advantages to this project include:

- The site identified would allow for connections to the existing utilities infrastructure currently serving the overall hospital complex; no costly stand-alone infrastructure would need to be developed.
- Operations for the facility could be controlled and monitored in-house. No third-party operating costs will be required to manage and maintain the structure and no labor-intensive lease or operating agreement will be required.
- Space utilization in a new building is typically more efficient than what could be found in existing or remodeled space.
- The new building systems will also provide greater efficiency and the cost of maintenance is typically lower in the first few years of a new building’s life cycle.
- Use of site conforms to *Long Range Development Plan*. 

CONCLUSION

Alternative 5: Relocate Departments into a new office building – delivers the best value for the money and meets the fundamental need to provide space at an appropriate location for key hospital programs that are being relocated out of seismically deficient space. This option is one of the few alternatives that can meet the strict schedule demands imposed by SB 1953 mandates.
PROPOSED NORTH ADDITION - OFFICE BUILDING
UCDHS MAIN HOSPITAL COMPLEX

Cypress

Housestaff

PROPOSED NORTH ADDITION - OFFICE BUILDING

North/South Wing

Sherman

Main Hospital Complex