

Office of the President

TO MEMBERS OF THE FINANCE AND CAPITAL STRATEGIES COMMITTEE:

ACTION ITEM

For Meeting of March 20, 2024

**STAIR TOWER AND EXIT CORRIDOR UPGRADES, UC DAVIS HEALTH,
SACRAMENTO CAMPUS: AMENDMENT OF THE BUDGET, HOSPITAL SEISMIC
UPGRADE**

EXECUTIVE SUMMARY

UC Davis Health requests a budget augmentation of \$23.5 million for the Hospital Seismic Upgrade Stair Tower and Exit Corridor Upgrades project. The project includes the construction of a new emergency egress within the East Wing of the UC Davis Medical Center and is essential to maintain building code compliance. The project must be completed by December 31, 2024, upon the closure and decoupling of the North/South Wing. The North/South Wing, which provides the current emergency egress for the Medical Center, will be decommissioned in 2025 in advance of California Senate Bill (SB) 1953, which mandates the timeline by which all California hospital buildings must meet new seismic safety criteria. The augmentation addresses complicated construction challenges uncovered in performing new construction adjacent to a 90-year-old North/South Wing of the hospital and within a 60-year-old East Wing of the UC Davis Medical Center.

In September 2014, the Chancellor approved the project design following action pursuant to the California Environmental Quality Act (CEQA) and budget with a project cost of \$12,945,000. SB 1953 due dates required that all working drawings be submitted to the California Office of Statewide Health Planning and Development (OSHPD) (now the California Department of Health Care Access and Information, or HCAI) prior to January 2015. In August 2018, the Executive Vice President—Chief Financial Officer approved an augmentation of \$9,935,000 for a revised total project budget of \$22.88 million in response to scope changes required for HCAI approval and the bid market. In March 2020¹, the Board of Regents approved an augmentation of \$13,142,000 after the accepted bid exceeded the anticipated bid, bringing the approved budget to \$36.3 million. The management team has determined that an augmentation of \$23.5 million (an increase of 64.9 percent over the last approved budget) is needed to complete the remaining work and satisfy outstanding change orders, bringing the total project budget to \$59,845,000. Factors that have contributed to the additional budget augmentation request are additional hazardous material abatement, permitting delays, steep labor and material escalation increases

¹ Link to March 2020 item: <https://regents.universityofcalifornia.edu/regmeet/mar20/fl10.pdf>

that occurred in 2022 and 2023, and complex phasing required to accommodate remediation and construction in a fully occupied hospital.

Construction is expected to be completed in November 2024. The cumulative budget augmentations since the Regents' approval in March 2020 total \$23,545,000 (an increase of 64.9 percent over the approved March 2020 budget) for a revised project total of \$59,845,000. Regents' authority is required to approve this budget augmentation.

The Regents are being asked to: 1) approve the project budget augmentation of \$23.5 million to be funded by hospital reserves for a total project budget of \$59,845,000; and 2) authorize the President or designee to execute all necessary documents.

RECOMMENDATION

The President of the University recommends that the Finance and Capital Strategies Committee recommend to the Regents that the 2023-24 Budget for Capital Improvements and the Capital Improvement Program be amended as follows:

From: UC Davis Health/Sacramento: Hospital Seismic Upgrade: Stair Tower and Exit Corridor Upgrades – preliminary plans, working drawings, and construction – \$36.3 million, to be funded from hospital reserves.

To: UC Davis Health/Sacramento: Hospital Seismic Upgrade: Stair Tower and Exit Corridor Upgrades – preliminary plans, working drawings, and construction – \$59,845,000, to be funded from hospital reserves.

BACKGROUND

The Hospital Seismic Upgrade – Stair Tower and Exit Corridor Upgrades project must be completed to provide a second emergency egress for the East Wing of UC Davis Medical Center, as required by State building code, replacing the emergency egress that resides in the adjacent North/South Wing. The North/South Wing of UC Davis Medical Center does not comply with State-mandated seismic resiliency requirements and will be decommissioned in 2025 as required by California Senate Bill (SB) 1953. The North/South Wing is being decoupled from the East Wing and a new stair tower and exit corridors must be built in the East Wing without interrupting existing operations and patient care.

Past Regents Items

- Budget Augmentation, March 2020, \$36.3 million

The project scope remains as presented to the Regents in March 2020.

A budget augmentation of \$23.5 million is now needed to complete the remaining work and satisfy the required change orders.

The changes to the project budget are as follows:

Building

An increase of \$19.5 million due to unforeseen conditions related to the structure, additional removal and abatement of hazardous materials, additional Infection Control Risk Assessments (ICRA), an increase in management fees due to the extension of the schedule, and satisfaction of necessary change orders.

A/E Fees

An increase of \$2.2 million for design professional fees for additional services due to the extended project schedule.

Campus Administration

An increase of \$492,500 for project management oversight for the extended duration of the project and to assess options for the California Department of Healthcare Access and Information (HCAI) compliance.

Survey, Tests, Plans

An increase of \$176,000 for extended environmental services oversight for hazardous materials handling and additional commissioning services.

Special Items

An increase of \$94,000 for extended services to process work orders in support of this project.

Contingency

An increase of \$1.1 million for contingency to provide a level of contingency appropriate for a project based on the revised budget.

Refer to Sources and Uses (Attachment 1) for additional information.

Project Background and Context

The UC Davis Health Main Hospital complex consists of a series of interconnected buildings constructed at different times over the last 90 years. The oldest part of the Main Hospital complex, known as the North/South Wing, is connected to the adjoining East Wing. The North/South Wing is a “Structural Performance Category 1” structure per the California Department of Health Care Access and Information (HCAI) standards. To comply with State seismic mandates and maintain hospital licensure, UC Davis Health must vacate and disconnect the North/South Wing from the adjoining Main Hospital.



Project Drivers

In order to comply with HCAI and State building code requirements, a secondary emergency exit stairwell and corridors (currently located in the North/South Wing) must be constructed. The primary objective is to enable seamless and continued use of the East Wing once the North/South Wing is decoupled from the Medical Center.

Additional Findings and Challenges

The East Wing provides substantial healthcare benefits to the Sacramento region with 173 hospital beds and extensive inpatient procedure rooms. In addition, the East Wing provides core support services to maintain functionality of the entire 660-bed Medical Center. The project originated as a retrofit strategy that would allow continued use of the East Wing and comply with seismic standards. The project remains the best option to achieve seismic compliance and ensure that the East Wing may continue to serve patients and generate revenue for UC Davis Health.

While the project was expected to present challenges due to the building's age and the location of the construction, the project experienced many unforeseen circumstances, resulting in overall project delays and associated cost increases from factors such as the following:

- Unexpected conditions within walls
- Complex hazardous material abatement challenges
- Incomplete record drawings
- Required revisions to permit applications
- Extended permit review periods

- Work delay during the COVID-19 pandemic
- Revised project management
- Labor and materials cost escalation

Funding Plan and Financial Feasibility

The proposed budget augmentation of \$23.5 million would be funded with hospital reserves. As of June 30, 2023, UC Davis Health has a 13.3 percent modified operating Earnings Before Interest Depreciation and Amortization margin, 3.9x modified debt service coverage, and 94 modified days' cash on hand, which meet the requirements of the University's Debt Policy. These numbers exclude non-cash pension and retiree health benefits expenses which are allowed by the University's Debt Policy. Over a five-year projection period, the minimum operating margin is projected to be greater than or equal to 3.0x, and days' cash on hand is projected to be greater than or equal to 90 days, as required by the University's Debt Policy.

Project Delivery and Schedule

UC Davis Health utilizes a Design-Bid-Build delivery model and engaged a Construction Manager/General Contractor to manage the site utilization plans, construction schedule, and the design criteria documents. Construction was previously (as of October 2022) scheduled to be completed in July 2024. It is now expected to be completed in November 2024, due to the phasing of the work required when conducting remediation and construction in a fully occupied hospital.

PROJECT DESIGN

Project Design and Physical Design Framework

The project design remains as presented to the Regents in March 2020.

Long Range Development Plan

The project is consistent with the 2020 Long Range Development Plan (LRDP). The LRDP Land Use Plan designation for the site is *Hospital* development, which allows for patient care, nursing, clinical services, surgery, and affiliated support spaces, including administrative support use. This project is consistent with the current LRDP.

CONSISTENCY WITH SELECT UC POLICIES AND PRACTICE

The project is consistent with UC Policies and Practices. See Attachment 2 for more information regarding Seismic Safety, Sustainability, and Small/Disabled Veteran Business Enterprises.

CEQA COMPLIANCE

The project was determined to be categorically exempt in September 2014 under California Environmental Quality Act (CEQA) Guidelines Section 15301 (Existing Facilities) which allows for repairs, maintenance, and minor alterations to an existing structure involving negligible or no expansion of use. The proposed budget augmentation does not affect the previous determination and no additional environmental review is necessary.

Key to Acronyms

CEQA	California Environmental Quality Act
HCAI	California Department of Healthcare Access and Information
LRDP	Long Range Development Plan
OSHPD	Office of Statewide Health Planning and Development
SB	Senate Bill
UCDH	UC Davis Health

ATTACHMENTS:

Attachment 1:	Project Sources and Uses
Attachment 2:	Statement of Consistency with Select UC Policies and Practice

PROJECT SOURCES AND USES

HOSPITAL SEISMIC UPGRADE STAIR TOWER AND EXIT CORRIDOR				
Project Source	Approved Budget March 2020	Proposed Change	Proposed Budget March 2024	% of Total
Hospital Reserves	\$36,300,000	\$23,545,000	\$59,845,000	100%
Total Sources	\$36,300,000	\$23,545,000	\$59,845,000	100%

Project Uses	Revised Approved Budget March 2020	Proposed Change	Proposed Budget March 2024	% of Total
Site Clearance				
Building	\$26,900,000	\$19,535,000	\$46,435,000	77.6%
Exterior Utilities				
Site Development				
A/E Fees	\$4,300,000	\$2,182,000	\$6,482,000	10.8%
Campus Administration ²	\$1,650,000	\$492,500	\$2,142,500	3.6%
Surveys, Tests, Plans	\$840,000	\$176,000	\$1,016,000	1.7%
Special Items ³	\$460,000	\$94,000	\$554,000	0.9%
Subtotal	\$34,150,000	\$22,479,500	\$56,629,500	94.6%
Contingency	\$2,150,000	\$1,065,500	\$3,215,500	5.4%
Total P-W-C	\$36,300,000	\$23,545,000	\$59,845,000	100%
Group 2 & 3 Equipment				
Total Project	\$36,300,000	\$23,545,000	\$59,845,000	100%

Project Statistics	Approved Budget March 2020	Proposed Budget March 2024
Assignable-Square-Feet	N/A Infrastructure	N/A Infrastructure
Building Cost	N/A Infrastructure	N/A Infrastructure
Project Cost	N/A Infrastructure	N/A Infrastructure

² Campus Administration includes project management, contract administration, and inspection.

³ Special Items include: OSHPD/HCAI agency fees, in-house support, controls, and security.

STATEMENT OF CONSISTENCY WITH SELECT UC POLICIES AND PRACTICE

The project is consistent with selected UC Policies and Practices:

Sustainable Practices Policy

This project will comply with the University of California Sustainable Practices Policy. The Sustainable Practices Policy establishes goals for green building, clean energy, transportation, climate protection, facilities operations, zero waste, procurement, food service, and water systems. A full range of sustainability practices for building design and operations is included in the budgeting, programming, and design effort for the project, as applicable.

Small Business Enterprises (SBEs) and Disabled Veteran Business Enterprises (DVBEs)

The campus is committed to promoting and increasing participation of Small Business Enterprises (SBEs) and Disabled Veteran Business Enterprises (DVBEs) in all purchasing and contract business, subject to any applicable obligations under State and federal law, collective bargaining agreements, and University policies. The campus regularly communicates with interested contractors and consultants to provide information about how to find opportunities to work at the campus and to encourage them to respond to the annual announcement soliciting interest to perform services.

Seismic Safety

This project will comply with the University of California Seismic Safety Policy including independent seismic peer review where applicable.