

IOWA

North Liberty UI Health Care Project

Budget Update – Addressing Global and Local Market Impacts

July, 2022

North Liberty Project Cost Increases

Key Facts:

- Project advances UI Health Care mission
- Building scope has **NOT** changed since BoR approval
 - Same building design, square footage, and floor plan
 - A single non-building change: Required community intersection modifications (~\$2M)
- Construction industry challenges
 - Worldwide/Market inflation
 - Raw material prices and availability
 - Local trade labor shortages
- Status: Construction underway
 - Remaining (35) bids to be received by the CM@Risk at the end of August



Next Steps – “Stop and wait for the market to change?”

- Impact of delaying project on patient care:
 - Health care access for Iowans would be reduced
 - Capacity for complex care is already strained
 - UIHC is unable to serve over 2,400 transfer requests and 6,800 patients leave the state for care on an annual basis
- Construction costs will increase after August 1st
- Future costs unclear
 - Russia and Ukraine are 3rd/4th largest aluminum producers (impacting multiple building systems)
 - Local electrician shortage: ~25% of the need for this project is available
 - 30-40% increase in cost of glass since end of June



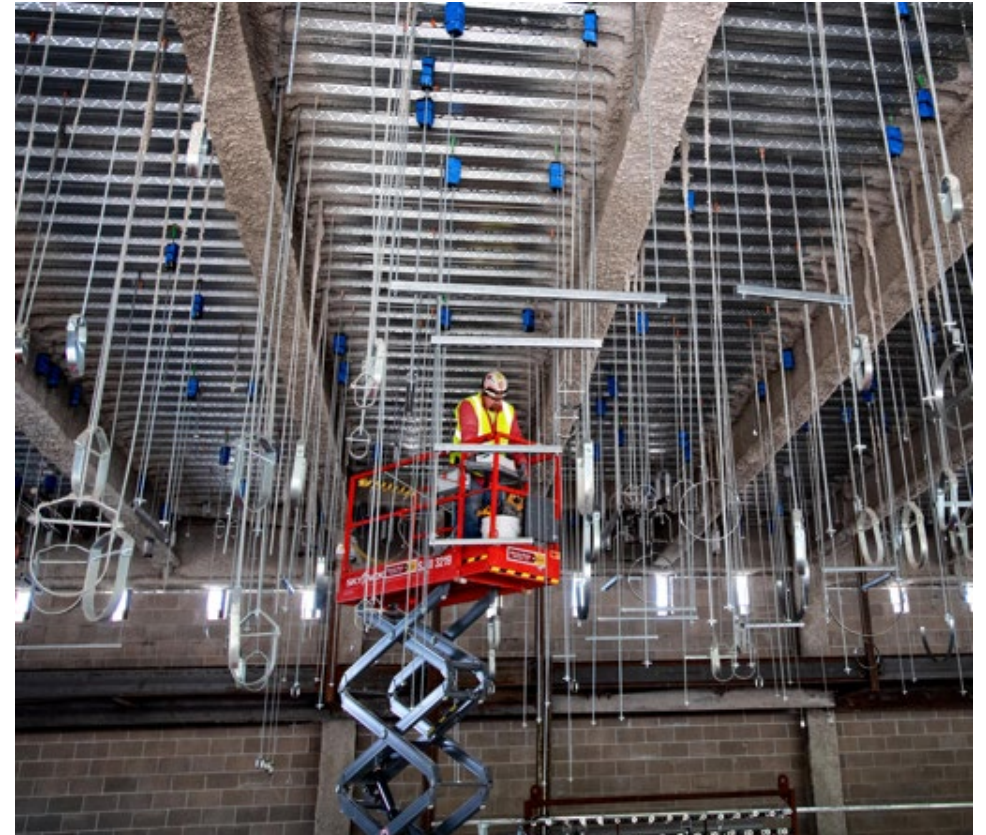
Next Steps – “Reduce the size of the project?”

- Impact of reducing scope or size on access to patient care:
 - 93% of North Liberty is patient and research serving space
 - Shelling would impact future patient care functions – construction closures and interference
 - Reduction of clinical space would require patients visit main campus, and
 - Diminish the education/research mission embedded in patient and clinical operations
 - 7% is physician/provider office & education space
 - Keeping space on main campus would limit provider access to patients at NL
- Infrastructure systems inflation (HVAC, plumbing, electrical, etc.) would not be reduced with shelling



Recommendation: Advance with CM@Risk protections

- CM@Risk process – Open Book
 - UI witnesses all bid openings and reviews low bidders with CM@R
 - Efficiencies generated w/ sub-contractors after bid awards (savings to UI)
 - UI to report to the BoR all bid awards and the cost savings vs the final GMP
 - Revise budget downward accordingly
- Guaranteed Maximum Price (GMP) locks-in a “Worst Case Cost” until Aug. 1
 - Protects UI against future cost escalation
 - Locks-in project budget
 - Construction manager takes on all risk
- Executed GMP for Phase 1 Sitework (8 bids) resulted in positive outcome
 - Construction bids \$2.9M below the BOR budget
 - All savings below the GMP result in benefit the UI



Project Budget Picture and Request

	BOR Approved (09/21)	Proposed/ GMP Budget
Planning, Design, Mgt.	\$ 43,297,000 (17% of Const.)	\$ 47,318,000 (12.8% of Const.)
Construction - Facility	\$ 192,895,000	\$ 288,748,000
Construction – <i>Central Utility Plant</i>	\$ 33,716,000	\$ 51,207,000
Const.– New N.L. Intersection Work		\$ 2,000,000
Construction – <i>Sitework</i>	\$ 25,763,000	\$ 22,855,000*
Furniture & Equipment	\$ 78,119,000	\$ 92,290,000
Construction Contingency	\$ 21,210,000 (8.4%)	\$ 21,210,000 (5.8%)
Total	\$ 395,000,000	\$ 525,628,000 (GMP “worst case”)**

} Aug. 1 GMP

* Bids already received - Realized savings from Sitework GMP was \$2,908,000.

** Verified as bids are received/awarded – Subsequent Budget Reduction submitted to the BOR as savings below the GMP are realized.



Context: Current “shovel in ground” comparable projects*

Health care projects currently in construction	Current Budget/Est.	Cost/SF	% Increase, Orig. Budget to Construction
UI Health Care - North Liberty	\$365M	\$783/SF	33%
Dell Children’s North - Austin, TX	\$154M	\$771/SF	57%
Mercy Love Women’s Center - OK City, OK	\$115M	\$694/SF	63%
Norman Regional Hospital - Norman OK	\$178M	\$716/SF	31%
Trailwinds HCA Hospital - Wildwood, FL	\$123M	\$740/SF	32%
UHS Tower - San Antonio, TX	\$619M	\$887/SF	29%
Westover Hills Hospital - San Antonio, TX	\$167M	\$775/SF	31%
Recently bid UI projects:			
Iowa Wrestling Training Facility	\$21.5M		26%
UIHC/ JPP Expand Operating Rooms	\$21.4M		27%

*Construction cost only - does not include Medical Equipment, Furniture, Design, Commissioning Fees, etc.

Opportunities on Main Campus

- North Liberty project will:
 - Add 412,780 square ft
 - Increase access for complex and emergency care for Iowans
 - Increased access cannot be done as efficiently on main campus
- And Main Campus will:
 - Create additional patient access in 183,530 sq ft:
 - 107 in-patient beds
 - 81 exam rooms
 - 11 operating rooms



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Thank You