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
  o UI witnesses all bid openings and reviews low bidders with CM@R
  o Efficiencies generated w/ sub-contractors after bid awards (savings to UI)
  o 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
  o Protects UI against future cost escalation
  o Locks-in project budget
  o Construction manager takes on all risk

• Executed GMP for Phase 1 Sitework (8 bids) resulted in positive outcome
  o Construction bids $2.9M below the BOR budget
  o All savings below the GMP result in benefit the UI
## Project Budget Picture and Request

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

* 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*

<table>
<thead>
<tr>
<th>Health care projects currently in construction</th>
<th>Current Budget/Est.</th>
<th>Cost/SF</th>
<th>% Increase, Orig. Budget to Construction</th>
</tr>
</thead>
<tbody>
<tr>
<td>UI Health Care - North Liberty</td>
<td>$365M</td>
<td>$783/SF</td>
<td>33%</td>
</tr>
<tr>
<td>Dell Children’s North - Austin, TX</td>
<td>$154M</td>
<td>$771/SF</td>
<td>57%</td>
</tr>
<tr>
<td>Mercy Love Women’s Center - OK City, OK</td>
<td>$115M</td>
<td>$694/SF</td>
<td>63%</td>
</tr>
<tr>
<td>Norman Regional Hospital - Norman OK</td>
<td>$178M</td>
<td>$716/SF</td>
<td>31%</td>
</tr>
<tr>
<td>Trailwinds HCA Hospital - Wildwood, FL</td>
<td>$123M</td>
<td>$740/SF</td>
<td>32%</td>
</tr>
<tr>
<td>UHS Tower - San Antonio, TX</td>
<td>$619M</td>
<td>$887/SF</td>
<td>29%</td>
</tr>
<tr>
<td>Westover Hills Hospital - San Antonio, TX</td>
<td>$167M</td>
<td>$775/SF</td>
<td>31%</td>
</tr>
</tbody>
</table>

**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:
  o Add 412,780 square ft
  o Increase access for complex and emergency care for Iowans
    o Increased access cannot be done as efficiently on main campus

• And Main Campus will:
  o Create additional patient access in 183,530 sq ft:
    • 107 in-patient beds
    • 81 exam rooms
    • 11 operating rooms
Thank You