

The University of Iowa and Modern Piping

In 2010, the University of Iowa sought a Health Resources and Services Administration grant for \$100M for a new children's hospital on our campus. To submit the grant proposal, the university hired an architectural firm to develop concept drawings and estimate an eight-story rectangular building for the children's hospital. This building was estimated to cost \$271 million, and the Board of Regents approved a budget for the project at that amount. No bids were taken for this original building design. The university placed second in the grant competition and did not receive the grant.

The need for a children's hospital remained, so the university continued to work on the Strategic Facilities Master Plan including a redesign of the site and structure for a children's hospital to best fit the needs of patients, students, and trainees. The new facility, which became a 12-story oval building with two floors underground, also included a separate project to replace existing parking with an underground parking ramp. This is the building that was put out for bids and became University of Iowa Stead Family Children's Hospital.

For University of Iowa Stead Family Children's Hospital and the largest UI flood replacement project, Hancher Auditorium, instead of issuing one bid package for each project to a large, likely out-of-state general contractor, the university used multiple bid packages coordinated by a third party construction manager agent (not-at-risk). The reason that the university used this process was to break the bids into pieces so that it was more likely that Iowa contractors would be able to bid and bond for these smaller bid packages. The Hancher replacement facility was broken down into 17 bid packages and 15 contractors were awarded those bids. Children's hospital involved 25 bid packages, and 15 contractors were awarded those.

The planning and construction of these large and complex projects, the largest in UI history, was not well suited for this type of alternative construction management. That is the main finding of the Navigant audit performed in review of the UI Stead Family Children's Hospital project, but it was the best option at the time. Other findings included a need for more financial management oversight and better schedule monitoring. In response, the university has developed processes to ensure all contract change authorizations receive oversight for review/approval/denial. UI Stead Family Children's Hospital has developed and now has in place a master program schedule with all phases to understand dependencies and critical coordination points on all projects. The university has learned from the problems associated with these projects and has been implementing changes and improvements to avoid the complications and problems in future projects.

To date, the university has had two contractors file suit to take the university to arbitration on the UI Stead Family Children's Hospital and Hancher projects, and they are Modern Piping and Merit Construction (children's hospital only). These firms are represented by the same attorney.

The university has paid Modern Piping as a general contractor on both the Hancher and children's hospital projects over \$57 million. There remains in dispute \$17 million, which represents change order requests and labor inefficiencies that the university does not accept as valid claims, and Modern Piping's arbitration costs and attorney's fees, which the university

never agreed to pay. These disputes and the order to arbitrate are what is on appeal through the legal process to the Iowa Supreme Court. The university is acting within its rights on these matters and will pursue its rights of appeal and await the decision of the appellate court.

Earlier this spring, university officials and leaders at Modern Piping met to discuss resolution of the dispute and agreed upon a dollar amount, but the parties could not reach agreement on other details. At the end of the negotiations, the stumbling block was that Modern Piping refused language that would hold them to stand behind their work consistent with the terms in the original contracts on both projects. This refusal was unacceptable to the Board of Regents office and the university as that would have been a failure to be good stewards of Iowa's resources. The university must have the right to seek damages for any failures of the work performed by Modern Piping. In fact, failures of work performed by Modern Piping within Hancher Auditorium have been discovered, one causing \$203,600 worth of damage. The repairs to the space impacted by the failure of their work were completed by another local contractor after Modern Piping chose not to manage the repairs.

Additionally, despite being paid the full amount of their UI Stead Family Children's Hospital contract, Modern Piping has yet to provide the contract required "as-built" plans and specifications for the children's hospital [detailed diagrams of the location of all of the pipes, valves, and vents in the building as actually constructed]. Not having accurate documentation of all pipes, valves, and vent locations throughout the children's hospital puts vulnerable patients, staff, and visitors at risk. These are documents for which Modern Piping has already been paid.

While the university has attempted to negotiate in good faith multiple times, it has found an unwilling partner. The university refuses to accept a deal that does not protect the patients, students, taxpayers, and families of Iowa.

Lately there has been much media coverage about Modern Piping's efforts to collect, asking the sheriff to take action. The court has ordered that there is in place a stay preventing any attempts to collect on the arbitration award until the appeals are completed. No university assets are at risk of being taken for collection.

Project Timeline:



March 2008

University of Iowa Hospitals & Clinics facilities master planning and children's hospital studies initiated.



February 2011

Design/approval expedited in an attempt to earn a national \$100M grant competition (UI finished second).

The original design concept was rectangular, with eight stories.

Board of Regents (BOR) approves the design/ budget (\$270M) - No bids were taken for this design.



Spring 2011

UI Hospitals & Clinics engages a new consultant team (Norman Foster), to design a refined children's hospital and plan for long-term development.

Original design is replaced by new plan that maximizes site use, improves appearance/ function and includes a separate parking replacement plan.



June 2012

BOR approves a new/enlarged 12 story Hospital design and budget (\$292M)

As design refinements/ improvements continue, UIHC/UI meet and coordinate with the BOR – plan to consolidate ongoing refinements into a single future budget revision



Summer 2013

The new design is bid - Site/Structure construction begins

September 2015

BOR approves consolidated budget revision (\$360M) – The change represents design refinements made through the design phase and construction phase change orders



University of Iowa Stead Family Children's Hospital



February 2017

UI Stead Family Children's Hospital completed/opened for care

