

2008 Sequoia Hospital Campus Redevelopment Project Annual Report

Project Milestones

Entitlement Process

The EIR process was successfully completed and an Approval to Proceed was issued on July 17, 2007.

Zoning for the redevelopment project was completed with adoption of a Precise Plan by the city of Redwood City. An amendment to the Precise Plan has been prepared to allow flexibility in the 2940 Medical Office Building development, to clarify several points on distance measurements, and to recognize the addition of the Dining Pavilion to the Project. This amendment will be submitted to the city by the end of the year.

Project Approvals

CHW Board of Directors approved the Development Agreement with the Sequoia Healthcare District and approved the project for \$240 Million on June 28, 2007. Final documentation was completed on December 7, 2007.

Parking Garage

Shuttle service and off-site parking for hospital employees was secured with the Church of Latter Day Saints on Edgewood Road and St. Matthias Catholic Church on Cordilleras Drive.

Redwood City issued a building permit on February 14, 2008.

The MRI building was demolished on March 7, 2008.

A Preliminary Notice to proceed was issued to Overaa Construction and garage Design and Construction documents were completed on October 26, 2007. Garage construction began on June 27, 2008 and is now 36% complete.

Hospital Pavilion

50% Construction Documents were completed on May 16, 2008. 100% Construction Documents are due to be completed for Increment 1 construction on November 3, 2008 and Phase 2 documents on January 27, 2009. Increment 1 submission to OSHPD is scheduled for December 15, 2008 and Increment 2 submission on February 4, 2009.

Loading Dock Improvements

Construction documents submitted to OSHPD on March 7, 2008 and OSHPD approval received October 15, 2008.

Loading Dock construction and Off-site Improvement documents submitted to the city of Redwood City on March 8, 2008.

D.P.R. Construction is preparing a Lump Sum Bid Package for review.

SPC/NPC Seismic Retrofit

SPC Increment 1 Documents for Buildings 1, 2 and 3 were complete and submitted to OSHPD on September 29, 2008. SPC Increment 2 Documents for Buildings 5, 6, 8, 9, & 10 are under development. Buildings 4 and 7 are SPC2 rated and acceptable for use until January 1, 2030.

Project Construction Schedule and Projected Completion Dates

	<u>Beginning date</u>	<u>Completion date</u>
Parking Garage	February 2008	July 2009
Loading Dock	November 2008	October 2009
Pavilion Tower Construction	July 2009	April 2012
Dining Pavilion	February 2010	October 2010
NPC Seismic Construction	January 2010	August 2010
Kitchen Construction	October 2010	October 2011
Emergency Department	December 2010	February 2012
SPC Seismic Increment 1	April 2010	May 2013
SPC Seismic Increment 2	September 2010	September 2011

The Development Agreement called for the completion of the project by January 1, 2013. This date was based on a state mandate that required all California acute care facilities to complete certain seismic upgrades by January 1, 2013. To meet that schedule, we compressed the construction sequencing,

requiring that certain of the existing patient care areas would have to undergo significant demolition and reconstruction while in use. That was undesirable, but necessary to meet the state deadline. Now, we can take advantage of a new state extension option for seismic upgrades, that will allow us to stage the project so that we move patients into the new tower, and complete the seismic upgrade in existing space after the patients are moved. From a patient care and operations standpoint, this is a far superior alternative, and it has little impact on the overall project schedule. Most important, the new 150,000 s.f. patient tower pavilion is scheduled for completion and occupancy in April 2012, well ahead of the Development Agreement deadline. We plan to move inpatients to the new tower in April of 2012, and after we have vacated the old nursing units and other space, we will then do the seismic upgrade, and turn them to their new uses, at the latest, by May 2013. The completion of this seismic upgrade is the only part of the project that will extend beyond the January 1, 2013 timeline (see the project construction schedule, above).

As part of these schedule changes, we have been able to accelerate the approvals for the new patient tower pavilion, and actually move up its anticipated opening date. This improvement has resulted from an agreement with OSHPD that allows for submission of the tower documents in two increments, with preliminary approval to begin construction work on the foundations, structure, and other early phase portions of the project, while the remainder of the project documents are under review. The project team has also re-sequenced several minor projects to gain additional time for the completion of the new tower pavilion. The agreement with OSHPD, to allow an early start on the foundation and structure of the tower pavilion and the re-sequenced work allowed the project team to move the completion of the new tower pavilion back from November 2012 to April 2012.

A full understanding of the highly disruptive nature of the seismic retrofit construction is important. The seismic retrofit work involves partial demolition and reconstruction of in-place concrete shear walls, within the inpatient nursing units of the existing hospital. If we had been forced to undertake this work while these inpatient units are in use, it would have required the hospital to shut down major portions of these nursing units for months at a time while the work was being completed, to minimize the stress and impacts to the patients and staff. Furthermore, the loss of patient bed capacity, loss of possible revenue due to space limitations and finally negative patient, physician, and staff satisfaction issues would have been severe. This is what led us to reexamine our planned schedule for this work, and propose that we move patients to the new tower pavilion first.

While one increment of the overall schedule has extended until May 2013, the benefits of the current approach are very significant. Operationally, Sequoia moves into the new patient tower pavilion 6 months earlier than previously anticipated. Therefore, there is no delay in the use of the new building. Furthermore, the project will be saving construction costs on the final phase of the seismic retrofits by not having to perform these construction activities to the existing Hospital (Buildings 5, 6, 8, 9 & 10) during off-hours, on weekends and by closing down the inpatient nursing units. Most important, we avoid patient disruption.

Project Budget Estimate

Key Project Data Information	100% DD OPC Update 10-16-07	50% CD OPC Update 9-26-08	Difference
Total Sq. Footage	203,726	209,781	6,055
Total Site, Land and Construction	\$181,988,365.00	\$192,442,900.00	\$10,454,535.00
Total Equipment	\$11,031,392.00	\$12,116,721.00	\$1,085,329.00
Total Design and Consulting	\$20,745,102.00	\$24,373,241.00	\$3,628,139.00
Total Administrative	\$9,925,337.00	\$13,072,014.00	\$3,146,677.00
Total Owners Contingencies	\$15,174,198.00	\$11,806,134.00	-\$3,368,064.00
Total Financing Costs	\$6,819,243.00	\$6,819,243.00	\$0.00
Total Project Cost including financing	\$245,683,637.00	\$260,630,253.00	\$14,946,616.00
Unfunded Projects	-\$5,686,177.00	\$0.00	
Future MOB Development Cost	\$2,540.00	\$0.00	
Project Demolition	\$0.00	-\$5,630,253.00	
Project Total	\$240,000,000.00	\$255,000,000.00	\$15,000,000.00

The amounts presented in the table above represent project estimates at specific given points in time. It is important to note that the project is not fully drawn, it has yet to be reviewed by OSHPD, and finally, has not yet been contracted. The project team will continue to work on bringing the project in, at or near, the \$240 Million as planned. The estimate has been influenced by a number of factors. Over the course of the year, the plan documents have progressed from a Detailed Design level (DD in table above) to Construction Document level (CD in table above). Engagement of subcontractors and design-assist professionals has refined the actual cost estimates. As noted in the table, the overall project square feet have increased slightly. There are several components to this: the size and location of areas affected by seismic work and renovations have been better defined and the net amount of space increased slightly. A dining pavilion has been added to the project, which has added about 4,000 additional square feet to the project. Finally, as with most current construction projects, recognition of market escalation in labor and material expense has increased the total estimated cost of the project.

CHW will continue to report on schedule and cost issues as provided in the Development Agreement. We are encouraged by progress to date, and believe we are progressing with the best schedule and plan.