

CC-B: SUPPLEMENTAL CAPITAL CONSTRUCTION REQUEST FY07 - 08

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Project Name: COLORADO STATE VETERANS CENTER AT HOMELAKE, DOMICILIARY RENOVATIONS	Contact e-mail: VIKI.MANLEY@STATE.CO.US KEVIN.ROSS@STATE.CO.US
Project Phase: 2	Submission Date:
Risk Management I.D. No. 025 through 049	State Controller Project No. P-0636
Executive Director Approval:	Date: __/__/____
OSPB Approval: Lisa Esgar	Date: 12/10/07____

1. Criteria.

(a) Check One

- Emergency
- New Data
- Technical
- Unforeseen Contingency

(b) Describe the criteria:

This project consists of major renovations to twenty-five Domiciliary Cottages at the Colorado State Veterans Center at Homelake (CSVCH) providing 24/7 assisted living-type health care to veterans. The project has undergone significant revisions in scope since its original conception requiring an increase in the construction budget of \$2,142,857, due principally to three factors (approximate cost impact noted in parentheses):

- 1 **Hazardous Material Abatement** (\$350,000—Design and Construction): Upon further testing during the design phase, the cottages were found to have additional asbestos containing material (ACM) in the interiors of the cottages, in addition to the known ACM in the crawl spaces. This resulted in additional design, abatement and air monitoring requirements, which seriously impacted costs—in addition to negatively impacting the overall construction schedule.

- 2 **High Efficiency Heating/Ventilation System** (\$500,000—Design and Construction): The original project request did not include a cooling/ventilation component for the cottages—it was originally conceived that the existing radiant baseboard heating system would simply be reused, mainly as a cost-saving measure. However, it has since been determined that, in order to bring the cottages up to current standards of health care, the ability to closely control and monitor the resident room temperature is required. In

order to accomplish this, the existing baseboard heating system will be replaced with a new high-efficiency heating and ventilation system comprised of individual fan-coil units in each cottage that will provide each resident with the ability to independently control his interior environment. This system will also contribute to reduced energy costs and higher building performance.

- 3 **High Performance Certification** (\$510,000—Design and Construction): the Department has made the decision to advance this project as a prototype of the new state standards for High Performance Certification in design and construction, in this case to apply for LEED™ for Homes certification. It is estimated at this time that the renovated facility will qualify for LEED for Homes™ Silver Certification.

Although the project does not technically fall under the provisions of the new standards required by SB07-051, the Department has opted to develop this project as a prototype for environmentally responsible design and construction for health care facilities. The project is representative of many Department facilities in that the program is 24/7 health care for residents housed in older buildings in a historical context. It is considered that this project might provide a valuable working model for implementing the new High Performance standards. This approach for the project has been endorsed by the Governor's Energy Office.

Although this approach will have some impact on initial project costs in both design and construction, it is believed that the long-term benefits will justify the initial cost outlay.

- 4 **Construction Cost Escalation** (\$780,000—Construction): The original capital request was based on an estimate prepared by architectural design consultants in 2002. Although a fairly detailed survey of the building conditions was conducted at that time, as the design progressed it became evident that the original schematic cost estimate had not taken into account a number of building factors critical to the buildings' renovation—factors such as the need to replace badly deteriorated interior and exterior finishes, seal the buildings against further water infiltration and mitigate mold problems. Critical life safety systems such as fire protection were also subsequently found to not meet current codes.

Additionally, cost consultants have surveyed local construction firms and determined that qualified contractors for a project of this magnitude are unlikely to be found locally, but more likely from southern front-range communities such as Pueblo or Colorado Springs. This has the effect of adding significant travel and lodging costs to the overall project budget. Our current contractors estimate a 3-5% impact on project budgets for non-local contractors and subcontractors.

Finally, although a certain inflation percentage in the construction industry was taken into account from the 2002 estimate in determining the original project budget, it has become evident since the original project budget was established that those costs have risen far more steeply than what was anticipated. In particular, durable goods such as concrete, steel and copper—all elements critical to this project—have experienced cost escalation far beyond historical norms. The dramatic rise in energy costs over the last two years have impacted virtually all building trades.

In summary, it is estimated that these cost escalation factors have combined to add an overall 15-18% increase in the project budget to what was originally anticipated.

2. Long Bill Appropriation Tables

Appropriation from Long Bill #SB07-239, page #270					
Line Item(s)	Total	CCFE	CF	CFE	FF
CSVCH Domiciliary Renovations	\$3,155,500	\$917,095			\$2,238,405
Requested Revision of Long Bill Appropriation					
Line Item(s)	Total	CCFE	CF	CFE	FF
CSVCH Domiciliary Renovations	\$5,298,357	\$1,667,095			\$3,631,262

3. Justify the change from approved budget request and/or FPP:

The Department believes the need for these requested changes is justified by several factors. The requirement to *eliminate all hazardous materials* from the Cottages interiors is somewhat self-evident—the levels and extent of asbestos containing materials (ACMs) could not be fully determined in advance prior to complete testing of the units. Further testing during the design/investigation period revealed that there were unforeseen ACMs in the unit interiors. These costs represent a relatively minor percentage of the overall project costs, but a critical long-term improvement to the safety and health of the residents.

The *addition of a high performance heating and ventilation system*, while representing a significant initial investment, will dramatically enhance the interior environment and create a much more state-of-the-art facility for providing health care services—particularly for the elderly residents who tend to be more sensitive to temperature variations.

Similarly, *implementing the High Performance Certification standards* to this project, although creating some initial cost impact on the project, will provide long-term benefits to the Department and to the state. The residents of the Cottages will benefit from a more energy efficient environment, the program will enjoy long-term energy cost avoidances, and the Department will have developed a working prototype of the

new design and construction standards—which will serve as a potential model for future renovation and development. Under this program, the Homelake Domiciliary has the very real possibility of becoming the state’s first LEED™ certified facility for Domiciliary care—a hallmark of the State of Colorado’s leadership in environmentally responsible design.

The Department has tried to mitigate the effect of these factors, as well as escalations due to construction industry inflation, job market impact and other factors outside of the Department’s control, by seeking other funding sources to help offset rising project costs. We have requested additional funding from the VA, as well as a \$250,000 matching grant from the State Historical Fund. It is the goal of the Office of State Veterans Nursing Homes to meet the project cost challenges without having to scale back the project scope, negatively impacting the care of our veteran residents, or passing the costs on to the residents in the form of increased rates. Furthermore, it is the belief of the Department that these improvements to this veterans’ facility will result in an environment which will meet the Department’s standards of health care for the next 30 years.

4. Why is it necessary to have the appropriation prior to the Long Bill?

Delaying the additional state share until the Long Bill is signed would cause delays to the project development which, in turn, would jeopardize federal funds needed for both operations and construction.

OPERATIONS: The VA, which licenses and regulates the Domiciliary Cottages, has granted only a *provisional certification* to the program due to the ongoing life safety concerns which will be addressed by this project. VA certification is required to remain eligible for federal operating funds (per diem) received by the program which are essential to ongoing operations. The VA has notified the facility that restoration of full certification is contingent on the Department’s proceeding with the project during this fiscal year.

CONSTRUCTION: For the project construction to be eligible for the 65% federal grant funding, the Department must (a) certify that the entire state funding share is in place, and (b) submit final construction bids to the VA. Delays in appropriating the state funds until the Long Bill is signed will delay the Department’s ability to certify the availability of state matching funds, which will in turn cause further delays to the award of the federal grant and breaking ground for construction.

5. Does this request require revision of a prior appropriation? Yes. Explain.

The FY07-08 appropriation of \$3,155,500 will be revised to the newly requested amount of \$5,298,357 (\$1,667,095 CCFE; \$3,631,262 FF).

Additionally, the Department is seeking award of a State Historical Fund grant in the amount of \$250,000 for this project. These funds are required to providing the additional prerequisites for LEED™ certification and to provide for historical-

standard, energy-efficient window replacement in each of the Domiciliary units. Notification of this award will be in February 2008. Should the Department be successful in receiving these additional state funds, the CCFE portion of this Supplemental Request would be reduced by the amount of the grant.

6. Attach a copy of a complete Form CC-C of the *original* request.

Attached.

7. Attach a new completed Form CC-C (Element #1 only if there was a prior appropriation) to reflect this supplemental request.

Attached.

8. Supplemental Requests Per SB 98-1331

- a) Describe the urgency of the request

The Domiciliary Cottages house up to 46 residents who require a significant level of medical and therapeutic care. Many suffer from mobility problems and a majority receives regular medication and therapy treatment. The Cottages themselves are between 70 and 90 years old and have never been substantially renovated. The presence of hazardous materials combined with the accessibility deficiencies alone have compromised the care and life safety of the residents for a number of years. As a result, the federal VA has repeatedly cited the Department for life safety deficiencies in the Domiciliary Cottages and, in March of this year, *granted the program only provisional certification pending correction of the deficiencies*. If the VA's certification of a federally regulated facility is not renewed, it will jeopardize the program's federal operating funds, thereby jeopardizing the entire program. Completion of the project in a timely fashion is imperative to retain VA funding eligibility, and further delays will certainly compromise the program's viability.

- b) List funds to be restricted: N/A

Long Bill No.	Appropriation	Expenditures	Amount to be restricted