

\$23 million 'design-build' contract for Sonoma Valley Hospital

Unique agreement helps district save millions on seismic, medical upgrades

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SONOMA — Sonoma Valley Hospital officials signed off on a \$23 million design-build contract for seismic upgrades at the 83-bed acute care hospital, making it the first public health care district in the state to utilize a process more commonly employed by private health facilities.

The contract, approved by the board of directors last week, stipulates that the cost of improvements and expansion that will satisfy state safety standards will not exceed \$23 million, a price far lower than what was originally expected, according to Carl Gerlach, chief executive officer of the hospital.

Rather than going through the traditional bidding and negotiating process that health care districts have been required to do, Sonoma Valley sought to expedite the process by way of a design-build contract,

which includes the contractors, architects and engineers in the early phases of planning and design.

"It's a method where essentially under one organization you bring together the essential disciplines to do the project," Mr. Gerlach said.

State law requires health care districts to invite bids for construction projects and to then award contracts to the lowest bidder, a process Mr. Gerlach said can often prompt delays and disagreement over price between contractors, architects and hospitals.

Initial proposals for the construction, which will include a new three-story, approximately 16,000-square-foot wing that will house an improved emergency department, were estimated at between \$38 million and \$40 million, Mr. Gerlach said.

But through the design-build process — which was permitted by legislation from State Sen. Patricia Wiggin, D-Santa Rosa, signed in 2008 — the hospital was able to negotiate a far better price for what officials said is a better project.

"Not only did we reduce costs to the tune of \$10 million, but we've also enhanced the quality of design and what we can bring to the community," Chief Financial Officer Tim Noakes said.

The upgrades at the hospital will be paid for with \$35 million in general obligation bonds that voters approved last year. About \$12 million in bonds has been issued thus far, of which roughly \$4 million will go toward previous bond obligations, Mr. Noakes said.

In addition, the hospital also secured nearly \$13 million in bonds and loans related to making the revamped, seismically safe hospital more energy efficient, Mr. Gerlach said. The California Energy Commission approved two loans totaling about \$3 million after an audit by Pacific Gas & Electric deemed the hospital eligible. Another \$10 million in bonds was secured for clean energy measures.

"We figured we needed to do everything we could," Mr. Gerlach said.

Drawings for the upgrades will be submitted to the Office of Statewide Health

Planning and Development for approval, said Mr. Noakes, adding that significant construction will likely begin next summer.

The state deadline for upgrades, per Senate Bill 1953, is January 2013. Mr. Noakes said the project should be completed by late 2011 or early 2012. He said the design-build process will likely prevent any delays in construction, now that everything is agreed upon.

Construction and design will be carried out by the team of Otto Construction and Nach & Lewis of Sacramento.

The design-build process is commonly used by larger, private hospitals for expansions, Mr. Gerlach and Mr. Noakes said, and has proven to be far more cost-effective.

"To compress the time of the projects adds a significant cost savings," Mr. Noakes said. "Design-build guarantees the price but also the time frame."

Another bill, SB 1005, is currently pending in the Legislature, which would permit other health care districts in California to utilize the design-build process.

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