



# Oregon

Theodore R. Kulongoski, Governor

Department of Human Services

Office of the Director

500 Summer St. NE, E-15

Salem, OR 97301

503-947-5110

Fax: 503-378-2897

TTY: 503-947-5080

September 25, 2008

The Honorable Peter Courtney, Co-Chair  
The Honorable Jeff Merkley, Co-Chair  
State Emergency Board  
900 Court Street NE  
H-178 State Capitol  
Salem, OR 97031-4048



Re: Policy Note Directive for the Oregon State Hospital (OSH) – Policy  
Note HB 5031/HB 5006

Dear Co-Chairpersons:

## **NATURE OF REPORT**

The Department of Human Services (DHS) Addictions and Mental Health Division (AMH) was directed by a Policy Note within HB 5031/HB 5006 from the 2007 Legislative Session, to report to the September 2008 State Emergency Board regarding the Oregon State Hospital siting, design and construction for the facility replacement projects in Salem and Junction City (the Project).

## **AGENCY ACTION**

DHS, in partnership with the City of Salem, has successfully completed four hearings before the Salem Historic Landmarks Commission, and is working closely with city staff on permitting for the construction of the new facility. We have also held extensive communication meetings ranging from special interest groups focused on areas such as security and building design and community partners and neighbors discussing impacts of the new facility, to providing an open house – with more than 300 attending – for staff, patients and their families to review facility plans.



On September 3, 2008, the Oregon State Hospital was the site of the official groundbreaking for the new facility, and on September 13 the doors of the J Building were opened for limited tours to community members who had expressed an interest in viewing the facility before the improvements are made.

DHS will continue to provide information on how the department will develop the best treatment and recovery facilities possible, while working to stay on-time and within budget.

In the attached report, the department is presenting information on the history, budget, timelines and major milestones of the Project.

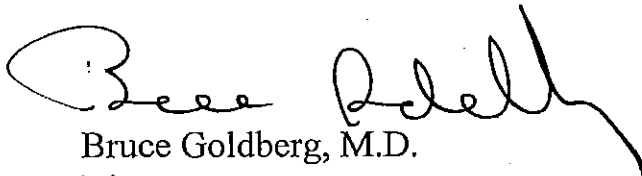
#### **ACTION REQUESTED**

The department requests that the State Emergency Board acknowledge receipt of this report.

#### **LEGISLATION AFFECTED**

None.

Sincerely,

A handwritten signature in black ink, appearing to read "Bruce Goldberg", is written over the typed name.

Bruce Goldberg, M.D.  
Director

#### **Attachments**

CC: Sheila Baker, Legislative Fiscal Office  
John Britton, Legislative Fiscal Office  
Blake Johnson, BAM, Department of Administrative Services  
Michael Kaplan, BAM, Department of Administrative Services  
Bob Nikkel, Department of Human Services

OREGON DEPARTMENT OF HUMAN SERVICES  
REPORT TO THE STATE EMERGENCY BOARD  
SEPTEMBER 2008

OREGON STATE HOSPITAL REPLACEMENT PROJECT

**FIFTH REPORT**

This is the fifth report to the Ways and Means/E-Board Committee in response to HB 5031/HB 5006 Policy Note Directive for the Oregon State Hospital (OSH) regarding site, design and construction for the facility replacement project in Salem and Junction City. The Oregon Department of Human Services (DHS) presented a prior report to the Emergency Board in June 2008.

DHS, in partnership with the City of Salem, has successfully completed four hearings before the Salem Historic Landmarks Commission, and is working closely with city staff on permitting for the construction of the new facility. We have also held extensive communication meetings ranging from special interest groups focused on areas such as security and building design and community partners and neighbors discussing impacts of the new facility, to providing an open house – with more than 300 attending -- for staff, patients and their families to review facility plans.

On September 3, 2008, the Oregon State Hospital was the site of the official groundbreaking for the new facility and on September 13 the doors of the J Building were opened for limited tours to community members who had

expressed an interest in viewing the facility before the improvements are made.

DHS will continue to provide information on how the department will develop the best treatment and recovery facilities possible, while working to stay on-time and within budget.

## **INTRODUCTION**

The 2007 Oregon State Legislative Assembly directed DHS to provide reports to the Legislature and the Interim Emergency Board on the Oregon State Hospital Replacement Project (the project) related to financing, expenditures and other significant issues. These reports are in addition to the joint reporting required by the policy note of the Oregon Department of Corrections (DOC) and DHS on the Junction City property.

As directed by the October 2007 Interim Ways and Means Committee, DHS will only bring forward budget or timeline changes that are due to new and extraordinary circumstances and that have the potential to significantly affect the agency's ability to complete the project. Through this and subsequent reports, DHS will continue to provide information on how the department will develop the best treatment and recovery facilities possible, while working to stay on-time and within the budget of \$458.1 million.

It is important to recognize the additional components needed to support the success of this project. In prior reports you have heard about the need for continued investment in a mental health system of care with "front-end"

services that prevent the need for hospitalization and “back-end” or community services that will ensure a patient’s successful recovery after hospitalization. Both of these aspects are critical, but another vital need to ensure operational success is increasing the level of staff at the new facilities.

The Oregon State Hospital in Salem has experienced critically low levels of staffing, which drive up mandatory overtime rates; lead to unacceptably low staff-to-patient ratios which could cause safety issues for staff and challenges delivering 20 hours per week of active psychiatric treatment. With the development of the new facilities it is important that we not continue business as usual. As part of the development of the 09-11 Agency Request Budget, DHS will forward a policy option package requesting additional staff and the related recruitment resources to support the opening of the new facility in Salem.

## **PROJECT UPDATE:**

### Salem Campus

The project has now completed the schematic design phase of facility development in line with the project schedule detailed in Attachment 1. During this process we have taken the service delivery model and the related support services and developed detailed layouts that OSH staff and consultants have evaluated for function. This now becomes the floor plan for the new facility. From this we move into working on specific room layouts confirming both size and function while creating a detailed list of the fixtures, furniture and equipment needed.

During this process every component of the operation of the new facility is considered as it relates to the design of the buildings and internal green space. For example, the elements of internal and external security for the new facility will be enhanced as part of the building design. The architectural firm of HOK has contracted with Sparling Consultants, a leading design firm specializing in technology and electrical engineering. Working with the design team, the consultants are focusing on a comprehensive and cohesive approach that reduces risk to patients, staff and the community. A group of external stakeholders which includes representation from the District Attorney's office, city, county and state police are providing additional input. This detailed evaluation of all areas of operations will ensure that the new facility will support the programming needs of the hospital. These processes culminate in the final design documents and the information needed to do the final bid processes for the project know as the Guaranteed Maximum Price (GMP), which we plan to establish in March 2009 for the Salem campus.

To this point, the project team has appeared at four hearings before the Salem Historic Landmarks Commission. Issues discussed include the renovation of six cottages on the campus to house individuals transitioning back into their communities, some minor alterations to buildings on the north side of Center Street to house the temporary treatment mall, approval to relocate two building of significance, the crematorium and a greenhouse, and the approval to demolish seven buildings and 10 structures and part of the "J" building. The estimated cost of historic restoration, which is focused on the Kirkbride U, is in the region of \$16 million. This cost is offset by the

estimated 8-to-10 month delay caused by the legal challenge that would be mounted by the group that successfully nominated the site to the federal historic register if the restoration does not take place. In addition, this delay would impact the U.S. DOJ position related to improving patient care and again put the state at risk of a lawsuit. The delay also would have resulted in increased construction costs of approximately \$15 million. It is also important to note that the original budget for the project included \$4 million for historic renovation. The project has also taken other actions to mitigate the impact of this cost to the new facility. With these major successes achieved we now move to the final phase of design where we develop the construction documents.

#### JUNCTION CITY CAMPUS

In line with the centralized system of care model, the Junction City campus will be based on the program design developed for the Salem campus. This creates a standardization of building function that saves the state significant design costs and creates continuity of operations between the two facilities.

#### DHS and DOC COORDINATION

The DOC and DHS collaboration for the development of the Junction City construction continues with weekly meetings where the agencies are working to develop an understanding of the opportunities for shared efficiencies. Taking advantage of co-locating the two agency's facilities, while maintaining their individual identities, will create opportunities for savings in areas such as undertaking a single traffic study to address impacts from both facilities;

investigating in the use of a shared central plant and a wireless/radio system; sharing electrical and natural gas back up systems; sharing wells for irrigation water; and considering a shared warehouse facility. Details of this project will be presented in a separate Emergency Board report.

### **PROJECT RISKS and CHALLENGES**

The agency's goal is to keep the project on time and within budget while designing a state-of-the-art treatment environment. During the past year the design of the facility has been refined, the understanding of the infrastructure developed and the scope of the operational needs advanced. These aspects of design are both space and cost drivers. The master plan, completed in February 2006, made some broad assumptions that have for the most part proven true. But there are exceptions. One exception to this is the change in the service delivery model from multiple residential units and a single downtown to multiple residential units grouped around four neighborhoods and a single downtown. The addition of the neighborhoods was driven by the recognition that it would be extremely impractical, if not impossible, to coordinate 620 individuals and related staff moving through one treatment area. The additional level of segregation within the neighborhoods allows us to group patients with "like" treatment needs and develop treatment plans and groups to maximize success. This additional square footage is a cost driver that we are working to offset within the project.

As reported in our June 2008 Emergency Board document, the project is facing unprecedented increases in construction costs such as diesel fuel, steel,



pre-cast concrete and other building materials. On July 31, 2008, DHS initiated a state construction summit. The meeting, attended by the Department of Administrative Services, the Department of Corrections, Oregon Department of Transportation, University of Oregon and Oregon State University, allowed the agencies to discuss various aspects of their current and upcoming projects and to share cost-saving and cost-avoidance strategies. The majority of the cost-impact conversation revolved around escalation. The group agreed that it would be of benefit to the state for agencies to pool their knowledge related to the best tools, such as the most accurate construction cost index, to estimate escalation. Through this collaboration the agencies also are able to recognize the timing impacts of multiple-agency projects on such critical components as construction labor resources and materials. As a follow-up to this first meeting we are developing a matrix of projects focusing on the issues listed above. The dialog among state agencies will continue.

The project is undertaking an in-depth cost analysis using the value engineering component of the development process. Value engineering is the process where the project team, with assistance from the consultants, analyzes all aspects of the design of the facilities to ensure that no critical features have been missed, while at the same time look for opportunities to reduce construction costs and find operational efficiencies. The first cost analysis report will be completed in December 2008. It will include a summary of current design concepts, cost estimates at mid-point of design, a summary of issues driving up costs and the mitigation taken, and a plan to reduce

costs. As part of this report, we will provide a third-party review by outside experts and other state agencies of the major project cost drivers.

We will present the most accurate picture of these impacts, which will be more clearly understood when the GMP for construction of the Salem facility is established in March 2009. At that point we would also have a cost model applicable to Junction City, assuming we are dealing with the same type of structures. These items, coupled with the direction from the Legislature to absorb the cost of furniture, fixtures and equipment (FF&E) and the passage of the solar energy bill, will need further consideration in managing the budget.

#### The Behavioral Health Integration Project (BHIP) status

Development of the BHIP data system is continuing as scheduled. The contractor solicitation for Quality Control and Planning is in the final stages. Through use of this DAS-required process, the project will use an independent contractor to validate the functional requirements, the software purchasing, implementation plans and the system roll-out. In line with the construction phasing plan, BHIP plans to have the hospital data system in use in spring 2010.

#### **SUMMARY**

DHS is pleased to report significant progress in the project to this point. We continue to undertake extensive community and stakeholder outreach. During the 2007-2009 biennium, staff will continue to update the Legislature on project status as listed in Attachment 2, critical dates.

**SALEM - OSH Site A**

<b>Contract Procurements</b>	May-28-07 A	Dec-06-07 A
Contract Procurements - PM, A/E, CM/CC (Salem)	May-28-07 A	Dec-06-07 A
<b>Historic Review and Analysis</b>	Oct-17-07 A	Mar-27-08 A
Cultural / Historic Resource	Oct-17-07 A	Mar-27-08 A
<b>Expedited Housing</b>	Dec-03-07 A	Jan-30-09
Expedited Housing	Dec-03-07 A	Jan-30-09
<b>Early Hazmat Abatement / Demolition</b>	Feb-04-08 A	Apr-30-09
Early Hazmat Abatement / Demolition	Feb-04-08 A	Apr-30-09
<b>Temp Treatment Mall &amp; Voc Serv Bldg Expansion</b>	May-09-08 A	Feb-27-09
Temp Treatment Mall & Voc Serv Bldg Expansion	May-09-08 A	Feb-27-09
<b>Replacement Hospital</b>	Oct-21-07 A	Oct-03-12
Programming Phase	Oct-21-07 A	Feb-01-08 A
Design Schematic / DD / Const Documents	Feb-11-08 A	Apr-24-09
Hospital Construction	Jun-29-09	Sep-30-11
Occupancy	Oct-05-11	Oct-03-12
Warranty Phase	Aug-21-07 A	Jun-30-09
<b>Deferred Maintenance Projects</b>	Oct-21-07 A	Jun-30-09

**JUNCTION CITY - OSH Site B**

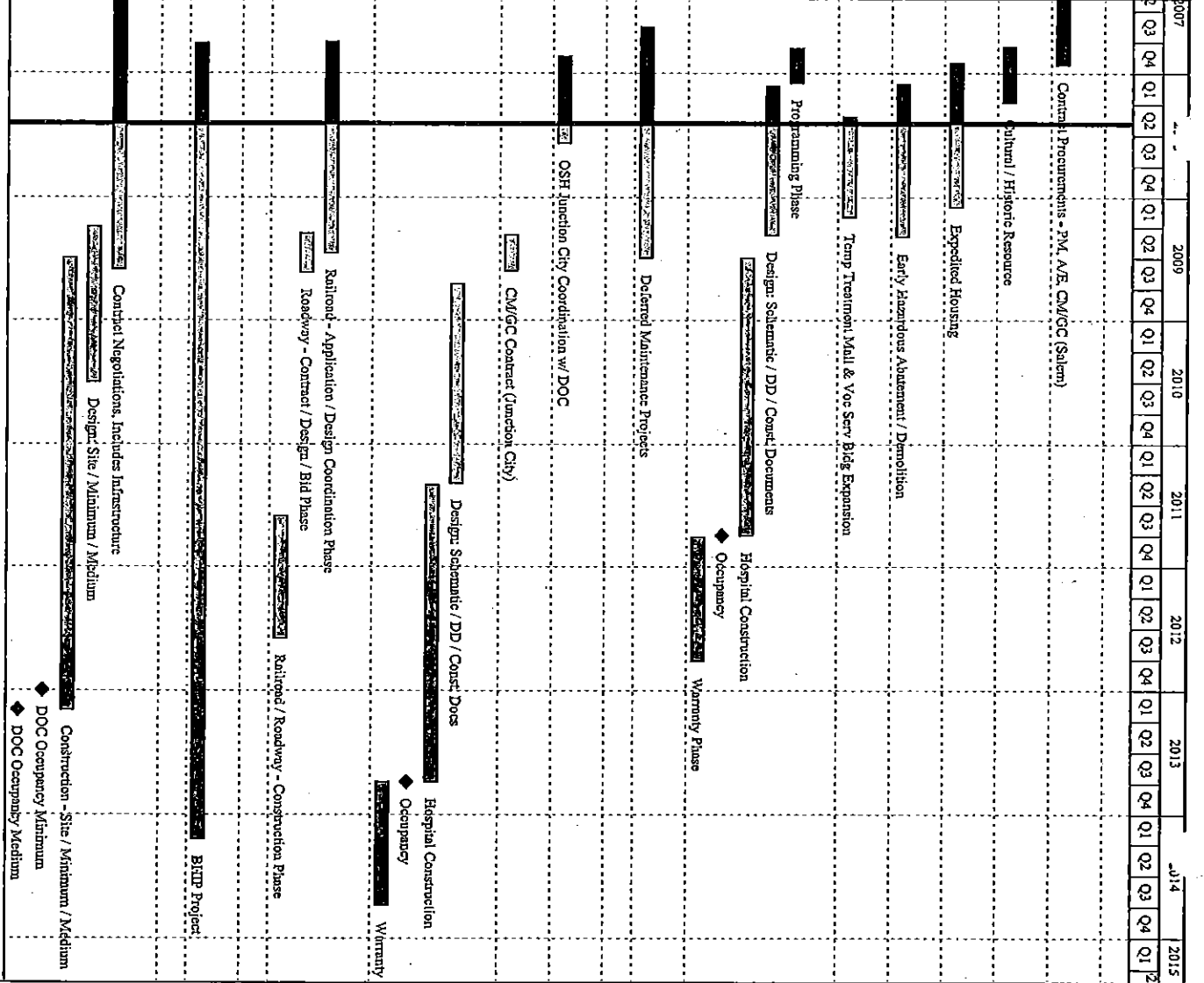
<b>Coordination Package</b>	Nov-14-07 A	Jul-28-08
OSH Junction City Coordination w/ DOC	Nov-14-07 A	Jul-28-08
<b>Contract Procurements</b>	Apr-25-09	Aug-08-09
CM/CC Contract (Junction City)	Apr-25-09	Aug-08-09
<b>Hospital</b>	Sep-14-09	Sep-27-14
Design Schematic / DD / Const Docs	Sep-14-09	Apr-29-11
Hospital Construction	May-02-11	Sep-27-13
Occupancy	Sep-28-13	Sep-27-14
Warranty Phase	Oct-01-07 A	Jun-3-12
<b>Hospital - Off Site Improvements</b>	Oct-01-07 A	Jun-3-12
Railroad - Application / Design Coordination Phase	Apr-16-09	Jun-13-09
Roadway - Contract / Design / Bid Phase	Aug-01-11*	Jul-3-12

**OWNER PROJECTS**

<b>Behavioral Health Integration Project (BHIP)</b>	Oct-05-07 A	Mar-17-14
BHIP Project	Oct-05-07 A	Mar-17-14

**OREGON DEPARTMENT OF CORRECTIONS**

<b>Junction City Prison Project</b>	Jun-01-07 A	Feb-28-13
Contract Negotiations, Includes Infrastructure	Jun-01-07 A	Aug-01-09
Design Site / Minimum / Medium	Apr-01-09	Jun-30-10
Construction - Site / Minimum / Medium	Jul-01-09	Feb-28-13
DOC Occupancy Minimum	Dec-3-12*	
DOC Occupancy Medium	Feb-28-13*	



OSH Replacement Project - Summary Schedule (Jun-13-08)



# OSH Project Planning

Month	Date	Event
September	1 <sup>st</sup>	DOC Awards Off-site Infrastructure Contracts
	3 <sup>rd</sup>	Salem Site Groundbreaking Ceremony
	8 <sup>th</sup>	Round #1 Design Development meetings (9/8 - 9/12)
October	15 <sup>th</sup>	Stakeholder Schematic Design Presentation
	17 <sup>th</sup>	Hazmat / Demolition Work - Bidding Activities Complete
	19 <sup>th</sup>	Completion of Building 35 & 50 Roofing Work
	2 <sup>nd</sup>	Bid opening date for Temporary Treatment Mall
	13 <sup>th</sup>	Round #2 Design Development Meetings (10/13 - 10/17)
	15 <sup>th</sup>	Design Development Phase - 50% Complete
November	20 <sup>th</sup>	Hazmat / Demolition Work Begins
	1 <sup>st</sup>	Temporary Treatment Mall Work Begins
	5 <sup>th</sup>	GMP Negotiations Begin (Final GMP on 2/6/09)
	24 <sup>th</sup>	FR&E Procurement Complete for Transitional Housing
	December	
5 <sup>th</sup>	OSH Project Cost Analysis Report	
5 <sup>th</sup>	Site and Utility Work Bidding Activities Begin	
16 <sup>th</sup>	Wetlands Permit Complete (Junction City)	
10 <sup>th</sup>	*1% Art Contracts Finalized	
25 <sup>th</sup>	Christmas Holiday	

\* Denotes Salem Site Only

**Critical Dates 2008 (Four Month Look-ahead):**

## Department of Human Services State Hospital Replacement Project

