

## NEW PETERSBURG MEDICAL CENTER PROJECT

2024 Capital Projects List

November 2023

Last year, the Borough Assembly included \$57M for the New Petersburg Medical Center Project on their Capital Projects List. This year, we think it makes sense to shift our request to focus on the next phase of the project. With the recent award of Department of Treasury grant funds, Petersburg Medical Center has secured funding for Phase 1-3 to include design, site acquisition, planning, site work, and the WERC Building. Phase 4 would complete the main hospital building shell and core. This phase is estimated to cost \$37M. The phasing approach has several inherent advantages. First, it levels the workforce required over the duration of the project, which will result in more local hire. Second, it results in less overall disruption (housing, traffic, etc.) to the community during construction of the facility. This is an important consideration since the project will span several fishing seasons. Third, it allows them to lock in prices early for long lead items. And finally, it provides additional time to complete the funding stack. Feedback received from Senator Stedman's staff was to focus on the next phase of the project, so we believe this is the best strategy for the CAPSIS state request.

**Phase 4 – Main Hospital Building Shell & Core (\$37 million, Summer 2024 – Summer 2025):** Foundations, building envelope, roofing, plus associated soft costs. Due to southeast Alaska weather, it is imperative that the building be enclosed by fall 2024. This will lead to overall savings (e.g., reduce low value expenditures like dehumidification) and improve overall quality control by working in the dry as soon as possible. During Phase 4 it will also be important to procure certain long lead items needed for Phase 5. In today's market, many mechanical and electrical equipment items have extremely long procurement times (e.g., Dawson advises that Air Handling Units are 30 - 40 weeks out and electrical switch gear is 36 – 80 weeks). The state can play a key role in the project and maintain the overall project schedule by funding Phase 4.

### REQUEST

Include \$37 million in the Borough 2024 Capital Projects List. These funds will be used for the following.

- Phase 4 – Main building shell & core
- Leverage other partners to complete the funding stack





## NEW PETERSBURG MEDICAL CENTER PROJECT

*Backup for Borough 2024 Capital Projects List*

*3 November 2023*

Petersburg Medical Center (PMC) has provided medical services to the community of Petersburg for more than 100 years. The hospital was originally built in 1955 and became a federally designated Critical Access Hospital in 2001. PMC is a vital part of the community, providing critical medical services to all residents of the region, as well as supporting seasonal fishing and cannery workers.

PMC employment is a significant part of the local economic engine. 97% of employees and 100% of the medical staff live in Petersburg, injecting \$11-\$12 million per year in salaries into the local economy. According to the Alaska Hospital & Healthcare Association 2022 Workforce Analysis, healthcare has become the most important economic sector in the state, driving growth in other industries. Petersburg Borough has listed PMC as their top priority for capital projects.

PMC's building is outdated, inefficient, and past its useful life. Petersburg needs a modern, efficient healthcare facility that will enhance patient privacy, provide greater accessibility, and ensure the availability of critical services that support our residents here at home.

The new medical center will be located on a 12-acre parcel east of 9th Street between Haugen Drive and Excel Street. There will be two separate buildings: a 19,000-square-foot *Wellness, Education & Resource Center* (WERC) that will house Public Health Nursing, an MRI suite, conference/ training rooms, a public internet resource center, and other support space; and the main 59,000-square-foot hospital building. The main hospital will include 12 acute care beds; 16 long-term-care beds; an Emergency Room; Primary Care Clinic; Physical Therapy; and ancillary support services such as Lab, Imaging, and Pharmacy.





In collaboration with *Dawson Construction*, who is providing pre-construction services for the project, the following phasing plan has been developed for the project.

**Phase 1 – Final Planning, Site Acquisition, and Design (\$6 million, 2022 – 2024):** Accomplished with a combination of HRSA and Department of Treasury grant funds, and a contribution in-kind from the Borough.

**Phase 2 – Site Work (\$6 million, Fall 2023):** Excavation and import of structural fill by Rock-N-Road Construction to make the site shovel ready. Completing Phase 2 in 2023 will allow for a Phase 3 start next spring. Site work will be accomplished using a combination of HRSA and Department of Treasury grant funds.

**Phase 3 – WERC Building (\$17 million, Spring 2024 – Summer 2025):** Direct construction, FF&E (furniture, fixtures & equipment), and associated soft costs. The WERC building is being fully funded by the US Department of the Treasury. These grant funds cannot be used for the main hospital building.

**Phase 4 – Main Hospital Building Shell & Core (\$37 million, Summer 2024 – Summer 2025):** Foundations, building envelope, roofing, plus associated soft costs. Due to southeast Alaska weather, it is imperative that the building be enclosed by fall 2024. This will lead to overall savings (e.g., reduce low value expenditures like dehumidification) and improve overall quality control by working in the dry as soon as possible. During Phase 4 it will also be important to procure certain long lead items needed for Phase 5. In today's market, many mechanical and electrical equipment items have extremely long procurement times (e.g., Dawson advises that Air Handling Units are 30 - 40 weeks out and electrical switch gear is 36 – 80 weeks). The state can play a key role in the project and maintain the overall project schedule by funding Phase 4.

**Phase 5 – Main Building Interior Fit-Out (\$30 million, Summer 2025 – Summer 2026):** Final interior design, finish work, procurement and installation of furniture, fixtures and medical/IT equipment, artwork and transition/move planning. Funding for Phase 5 has not yet been secured.

The phasing plan summarized above has several other inherent advantages. First, it levels the workforce required over the duration of the project, which will result in more local hire. Second, it results in less overall disruption (housing, traffic, etc.) to the community during construction of the facility. This is an important consideration since the project will span several fishing seasons. Third, it allows Dawson to lock in prices early for long lead items. And finally, it provides additional time to complete the funding stack.

## REQUEST

Include \$37 million in the Borough 2024 Capital Projects List. These funds will be used for the following.

- Phase 4 – Main building shell & core
- Leverage other partners to complete the funding stack



**PROGRESS TO DATE**

November 2015:	Existing Facility Code and Condition Survey
January 2020:	Master Plan
May 2021:	Borough Resolution 2021-04 To Donate Land For The Project
May 2022:	Site Selection
September 2022:	Site Due Diligence Studies; Bettisworth North Selected as Project Architect
January 2023:	Preliminary Design Completed
February 2023	Borough Motion Designating the Project Its #1 Priority; Dawson Construction Selected as CM/GC Construction Manager
April 2023:	Borough Resolution 2023-04 Approves Site and Dawson Contract
May 2023:	Public Open House
August 2023:	USACE 404 Permit Issued
September 2023:	Final Plat Approved
October 2023:	NEPA Clearance

**NEXT STEPS / MAJOR MILESTONES**

Start Site Work:	November 2023
Complete Schematic Design:	November 2023
Finalize Schematic Cost Estimates:	December 2024
Start Construction of WERC Building:	Spring 2024
Complete Design:	Summer 2024
Start Construction of Main Hospital:	Summer 2024
Complete WERC Building:	Summer 2025
Complete Main Hospital Building:	Summer 2026

**PHASING PLAN / FUNDING STRATEGY**

The land for the project is being provided by the Borough as a contribution in-kind (\$1.3 million value). An \$8 million HRSA grant awarded in August 2022 is being used for final planning, design, project soft costs and a portion of the sitework. A \$20 million grant from the US Department of the Treasury was approved in October 2023 and will be awarded in November. Note that the Treasury grant included conditions that increased the scope of the project, e.g., enhanced education and training space, a public internet center, and adding an MRI suite to the Imaging Department service line. The overall project design is now at 77,700 sf, with an overall budget of approximately \$96 million. As the design team and contractor prepare more detailed drawings and estimates, the team will continue to look for efficiencies and value engineering initiatives to reduce the overall project budget.

A total of \$29 million has been secured for the project to date. The WERC building is fully funded via the Treasury grant. PMC is requesting \$37 million in next year's State Capital Budget to construct the main building shell & core, leaving only about \$30 million of additional funding needed to complete the project. PMC will work with the congressional delegation, the Rasmuson Foundation, Denali Commission, USDA, and other potential funders -- and conduct a Capital Campaign -- to secure the final increment of funds.