

Date of Hearing: June 29, 2016

ASSEMBLY COMMITTEE ON LOCAL GOVERNMENT

Susan Talamantes Eggman, Chair

SB 957 (Hueso) – As Amended April 14, 2016

SENATE VOTE: 38-0

SUBJECT: Health care districts: design-build process.

SUMMARY: Allows specified health care districts to use design-build contracting for the construction of a hospital or health facility buildings. Specifically, **this bill:**

- 1) Allows, until January 1, 2025, a health care district that owns or operates a hospital or clinic to use the design-build procedure to construct a building or improvements directly related to the construction of a hospital or health facility building.
- 2) Provides that a health care district must use the design-build procedure that current law establishes for local agencies, as specified.
- 3) Requires a hospital building project using the design-build process authorized by this bill to be reviewed and inspected in accordance with the standards and requirements of the Alfred E. Alquist Hospital Facilities Seismic Safety Act (Hospital Seismic Safety Act) of 1983.
- 4) Makes a number of findings and declarations, and states the Legislature's intent that health care districts use the design-build process solely for buildings associated with hospitals and health care facilities, including clinics and skilled nursing facilities, and not for other infrastructure, including streets, highways, public rail transit, roads, bridges, and water resources facilities.
- 5) Provides that no reimbursement is required by this bill because the only costs that may be incurred by a local agency or school district will be incurred because this act creates a new crime or infraction, eliminates a crime or infraction, or changes the penalty for a crime or infraction, or changes the definition of a crime, as specified.

EXISTING LAW:

- 1) Requires, pursuant to the Local Agency Public Construction Act (LAPC Act), local officials to invite bids for construction projects and then award contracts to the lowest responsible bidder under the traditional design-bid-build project delivery system.
- 2) Authorizes, until January 1, 2025, cities, counties, and specified special districts and transit agencies to use design-build for their public works contracts in excess of \$1 million using either a low bid or best value process.
- 3) Provides for local health care districts, which govern certain health care facilities. Each health care district has specific duties and powers respecting the creation, administration, and maintenance of the districts, including the authority to purchase, receive, take, hold, lease, use, and enjoy property of every kind and description of property within and without the limits of the district.

- 4) Establishes, pursuant to the Hospital Seismic Safety Act, timelines for hospital compliance with seismic safety standards.
- 5) Authorizes the Sonoma Valley Health Care District, the Marin Health Care District, the Last Frontier Health Care District, and the Mayers Memorial Hospital District to use design-build for the construction of a building or improvements directly related to construction of a hospital or health facility.

FISCAL EFFECT: According to the Senate Appropriations Committee, pursuant to Senate Rule 28.8, negligible state costs.

COMMENTS:

- 1) **Bill Summary.** This bill expands a limited authority for several health care districts to use design-build to include all health care districts that own or operate a hospital or clinic. The authority is limited to the construction of a building or improvements directly related to the construction of a hospital or health facility building, and would expire on January 1, 2025. Districts must use the procedures outlined in existing law that apply to local agencies' authority to use design-build. A hospital building project using the design-build process authorized by this bill must be reviewed and inspected in accordance with the Hospital Seismic Safety Act.

This bill is sponsored by the Association of California Healthcare Districts and the State Building and Construction Trades Council.

- 2) **Author's Statement.** According to the author, "Under the design-build method, a single contract covers the design and construction of a project with a single company or consortium that acts as both the project designer and builder. The design-build entity arranges all architectural, engineering, and construction services, and is responsible for delivering the project at a guaranteed price and schedule based upon performance criteria set by the public agency. The design-build method can be faster (and therefore, cheaper) than the design-bid-build method.

"The traditional design-bid-build project approach requires: the separate selection of the design consultant or contractor; completion of design; advertising for bids; and selection of the construction contractor. Typically, design-bid-build projects incur many delays, costly change orders and longer Office of Statewide Health Planning and Development review times resulting in increased costs. Design-build avoids those problems due to the fusion of design and construction activities, thereby resulting in additional time savings and lower project costs.

"Legislation passed in 2013, SB 785 (Wolk), amended [the] Government Code relating to the design-build procurement processes already in law and extends the sunset date for such authorization until 2025. The Legislature has already granted the design build utilization method to four healthcare districts. This bill will ensure that there is uniformity among healthcare districts across all of California rather than utilizing a piece-meal approach. Moreover, this will effectively provide another tool for our healthcare districts to utilize for project deliveries."

- 3) **Background.** The LAPC Act generally requires local officials to invite bids for construction projects and then award contracts to the lowest responsible bidder. This design-bid-build method is the traditional approach to public works construction.

Under the design-build method, a single contract covers the design and construction of a project with a single company or consortium that acts as both the project designer and builder. The design-build entity arranges all architectural, engineering, and construction services, and is responsible for delivering the project at a guaranteed price and schedule based upon performance criteria set by the public agency. The design-build method can be set by the public agency. The design-build method can be faster and, therefore, cheaper, than the design-bid-build method, but it requires a higher level of management sophistication since design and construction may occur simultaneously.

Advocates for the design-build method of contracting for public works contend that project schedule savings can be realized because only a single request for proposals is needed to select the project's designer and builder. The more traditional design-bid-build project approach requires the separate selection of the design consultant or contractor, completion of design, and then advertising for bids and selection of the construction contractor. Proponents add that design-build allows the overlap of design and construction activities, resulting in additional time savings and lower project costs. By avoiding the delays and change orders that result from the traditional design-bid-build method of contracting, proponents argue that design-build can deliver public works faster and cheaper.

Detractors of design-build contend that it eliminates competitive bidding, allows the private contractor or consortium to inspect and sign off on their own work, and increases project delivery costs.

- 4) **Design-Build and Healthcare Districts.** California currently has 80 health care districts. Health care districts were known as hospital districts prior to 1994. Health care districts are formed to "establish, maintain, and operate health care facilities," including, but not limited to, hospitals. Health care districts are governed by elected boards of directors. Health care districts throughout the state need to retrofit existing buildings or build new facilities in order to comply with the Hospital Seismic Safety Act. These districts are faced with escalating construction costs and are looking for the most cost-effective ways to meet seismic standards and provide well-designed and built state-of-the-art facilities to provide health care to the people of the state. One of these methods is design-build contracting.

The Legislature has authorized four health care districts to use design-build (Sonoma Valley Health Care District, the Last Frontier Health Care District, the Marin Healthcare District, and the Mayers Memorial Hospital District) and has restricted that authority to the construction of a building and improvements directly related to a hospital or health facility building. The provisions of this bill are consistent with the limitations and requirements of these prior authorizations.

- 5) **Previous Legislation.** AB 1290 (Dahle), Chapter 34, Statutes of 2015, allowed the Mayers Memorial Hospital District to use the design-build contracting method for the construction of a building or improvements directly related to construction of a hospital or health facility building at the District.

SB 268 (Gaines), Chapter 18, Statutes of 2014, allowed the Last Frontier Health Care District to use the design-build process when contracting for the construction of a building and improvements directly related to a hospital or health facility building at the Modoc Medical Center.

SB 785 (Wolk), Chapter 931, Statutes of 2014, repealed existing law authorizing the Department of General Services (DGS), the Department of Corrections and Rehabilitation (CDCR), and local agencies to use the design-build procurement process, and enacted uniform provisions authorizing DGS, CDCR, and most local agencies to utilize the design-build procurement process for specified public works projects. SB 785 did not allow the use of design-build for health care districts generally, but did include a provision allowing the Marin Healthcare District to use the design-build method established for local agencies under SB 785 and required the Sonoma Valley Health Care District to use the design-build procedure outlined in SB 785, instead of its prior design-build authority.

SB 1005 (Cox) of 2010 would have authorized the Tahoe Forest Health Care District and a health care district authorized by the Office of Statewide Health Planning and Development to use a design-build procedure when assigning contracts for the construction of a hospital or health facility building. SB 1005 was held in the Assembly Appropriations Committee.

SB 1699 (Wiggins), Chapter 415, Statutes of 2008, authorized the use of design-build for the Sonoma Valley Health Care District.

- 6) **Arguments in Support.** The Association of California Healthcare Districts, co-sponsor of this measure, writes, "The Legislature has previously authorized four California Healthcare Districts to utilize design-build for purposes of building new facilities (Sonoma Valley Healthcare District, Marin Healthcare District, Last Frontier Healthcare District, and Mayers Memorial Hospital District) and other Healthcare Districts are seeking similar authorization, especially as seismic retrofit deadlines loom near. SB 957 will allow those Districts that are seeking to expand and modernize their facilities to provide needed services using the efficient and cost-effective means of design-build. Districts can keep costs down, expedite the design and construction process, and save taxpayer dollars while meeting community health care needs."
- 7) **Arguments in Opposition.** None on file.

REGISTERED SUPPORT / OPPOSITION:

Support

Association of California Healthcare Districts [CO-SPONSOR]
State Building and Construction Trades Council [CO-SPONSOR]
Air Conditioning Sheet Metal Association
Air-conditioning & Refrigeration Contractors Association
Bear Valley Community Healthcare District
California Chapters of the National Electrical Contractors Association
California Hospital Association
California Labor Federation
California Legislative Conference of the Plumbing, Heating and Piping Industry
California Special Districts Association
California State Association of Electrical Workers
California State Pipe Trades Council
District Hospital Leadership Forum
Economic Development Corporation of Mariposa County
Finishing Contractors Association of Southern California
International Union of Elevator Constructors
John C. Fremont Healthcare District
Northern California Allied Trades
Petaluma Valley Hospital
Rural County Representatives of California
Santa Rosa Memorial Hospital
Sharp HealthCare
Southern Mono Healthcare District dba Mammoth Hospital
Tri-City Medical Center
United Contractors
Wall and Ceiling Alliance
Western States Council of Sheet Metal Workers

Opposition

None on file

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