

**California Health Facilities Financing Authority
Children's Hospital Program**

**Childrens Hospital Los Angeles Project Period Extension Request
For Proposition 61 funding**

**Staff Summary
Resolution No. CHP 2010-04
October 28, 2010**

PURPOSE OF REQUEST:

The purpose of this request is to provide an extension (by way of a new resolution) for the project period end date contained in one of two resolutions previously authorized by the Authority in favor of Childrens Hospital Los Angeles ("CHLA"). Specifically, staff is requesting an extension from June 30, 2010 to December 31, 2011 to accommodate seemingly reasonable delays in the completion of CHLA's project.

BACKGROUND:

On June 30, 2005, the Authority approved Resolution No. CHP 2005-09 ("First Resolution"), approving a \$74,000,000 grant for CHLA under the Proposition 61 Children's Hospital grant program. Proceeds of the grant were to be used to fund the construction of a new 460,000 square foot replacement hospital building. The resolution expiration date and the project period end date were both set for June 30, 2010¹.

On April 30, 2009, the Authority approved Resolution CHP-3 2009-01 ("Second Resolution") approving a \$98,000,000 for CHLA under the Proposition 3 Children's Hospital grant program. Proceeds of this grant were similarly to be used to fund the construction of the above referenced replacement hospital building². The project period end date for this grant was set for December 31, 2011.

Even though the Authority approved the Second Resolution in April 2009, the Authority was unable to disburse funds until December 29, 2009 due to action taken by the state's Pooled Money Investment Board in December 2008 to temporarily freeze all of the state's funding for infrastructure projects, including all of the Children's Hospitals projects.

This delay in funding has prevented CHLA from timely completing its project by the June 30, 2010 deadline set forth in the Authority's First Resolution. According to CHLA, as of February 2009, construction was running according to plan and was scheduled for completion by the end of 2009 – well in advance of the June 30, 2010 deadline. Because of the state's delay in funding however, CHLA had no choice but to greatly curtail its construction efforts. When staff performed a site visit on July 20, 2009, construction was at a near standstill - the number of workers was then reduced from a high of 650 to 175.

¹ Initially, the First Resolution contained a project end date of June 30, 2008, but staff subsequently extended the date (as permitted by regulation) to coincide with the resolution end date of June 30, 2010.

² Construction costs roughly doubled between 2005 and 2009.

Though funding capacity was restored in late 2009/early 2010 and CHLA's construction efforts returned to their robust levels, CHLA was not able to complete its project by the June 30, 2010 deadline contained in the First Resolution.

CURRENT CIRCUMSTANCES

CHLA expects construction to be completed by October 30, 2010, but CHLA does not expect to receive the Office of Statewide Health Planning and Development's Notice of Completion prior to April 2011. Given the project period end date contained in the First Resolution expired June 30, 2010 and that CHLA does not expect to receive a final Notice of Completion until April 2011, staff believes it wise to approve a new resolution extending the project end date which staff believes is best to coincide with the project period end date set forth in the Second Resolution - December 31, 2011.

STAFF RECOMMENDATION:

Staff recommends the Authority approve a new resolution serving to extend the project period end date contained in the First Resolution (as subsequently amended by staff) to December 31, 2011.