



DEPARTMENT OF HEALTH AND HUMAN SERVICES  
DIVISION OF HEALTH SERVICE REGULATION

ROY COOPER  
GOVERNOR

MANDY COHEN, MD, MPH  
SECRETARY

MARK PAYNE  
DIRECTOR

May 23, 2017

Dee Jay Zerman  
211 Friday Center Drive  
Suite G015  
Chapel Hill, NC 27517

**Exempt from Review**

**Record #:** 2267  
**Facility Name:** UNC Hospitals  
**FID #:** 923517  
**Project Description:** Upgrade chilled water infrastructure  
**County:** Orange

Dear Ms. Zerman:

The Healthcare Planning and Certificate of Need Section, Division of Health Service Regulation (Agency), determined that based on your letter of May 9, 2017, the above referenced proposal is exempt from certificate of need review in accordance with N.C. Gen. Stat §131E-184(a)(4). Therefore, you may proceed to offer, develop or establish the above referenced project without a certificate of need.

However, you need to contact the Agency's Construction and Acute and Home Care Licensure and Certification Sections to determine if they have any requirements for development of the proposed project.

It should be noted that this determination is binding only for the facts represented by you. Consequently, if changes are made in the project or in the facts provided in your correspondence referenced above, a new determination as to whether a certificate of need is required would need to be made by the Agency. Changes in a project include, but are not limited to: (1) increases in the capital cost; (2) acquisition of medical equipment not included in the original cost estimate; (3) modifications in the design of the project; (4) change in location; and (5) any increase in the number of square feet to be constructed.

If you have any questions concerning this matter, please feel free to contact this office.

Sincerely,

Bernetta Thorne-Williams  
Project Analyst

Martha J. Frisone  
Assistant Chief Certificate of Need

cc: Construction Section, DHSR  
Acute and Home Care Licensure and Certification Section, DHSR  
Paige Bennett, Assistant Chief, Healthcare Planning, DHSR

**HEALTHCARE PLANNING AND CERTIFICATE OF NEED SECTION**  
WWW.NCDHHS.GOV  
TELEPHONE 919-855-3873

LOCATION: EDGERTON BUILDING • 809 RUGGLES DRIVE • RALEIGH, NC 27603  
MAILING ADDRESS: 2704 MAIL SERVICE CENTER • RALEIGH, NC 27699-2704  
AN EQUAL OPPORTUNITY/ AFFIRMATIVE ACTION EMPLOYER



Received 5/19/17  
via email  
Record # 2267



James T. Hedrick Building  
211 Friday Center Drive,  
Ste G014  
Chapel Hill, NC 27517

May 9, 2017

Ms. Bernetta Thorne-Williams  
Healthcare Planning and Certificate of Need Section  
Division of Health Service Regulation, DHHS  
2704 Mail Services Center  
Raleigh, NC 27699-2704

Re: Notification of Exemption / Chilled Water Infrastructure Upgrades / UNC Hospitals  
Main Campus / FID # 932517 / Orange County

Dear Ms. Thorne-Williams:

UNC Hospitals is providing notice of a project exempt from review regarding upgrades to the existing infrastructure of the chilled water systems within UNC Hospitals pursuant to §NCGS 131E-184(a)(4) Exemptions from Review. §NCGS 131E-184(a)(4) Exemptions from Review requires that "...the Department shall exempt from certificate of need review a new institutional health service if it receives prior written notice from the entity proposing the new institutional health service, which notice includes an explanation of why the new institutional health service is required, for any of the following:

(4) To provide parking, heating or cooling systems, elevators, or other basic plant or mechanical improvements, unless these activities are integral portions of a project that involves the construction of a new health service facility or portion thereof and that is subject to certificate of need review."

Portions of the existing infrastructure of the chilled water systems have reached the end of useful life and are in timely need of replacement. The scope of this project includes upgrades to equipment, piping, valves, and controls on the primary, secondary and tertiary chilled water systems including: (1) conversion of primary chilled water loops from constant flow to variable flow; (2) conversion of secondary chilled water loops from two independent loops to one common loop; (3) conversion of secondary chilled water pump speed control from modem-based controls to direct-digital-controls; (4) implementation of automated control logic for staging and loading of chillers, cooling towers and pumps; (5) reduction of secondary chilled water loop pressures and pipeline velocities and; (6) conversion of control valves on high-volume air-handlers from pressure-dependent design to a pressure-independent design.

Upon completion, a reduction in energy consumption is anticipated resulting from the larger chilled water distribution system, and the equipment and control system upgrades. The existing plumbing fixture counts will remain the same. Water usage will not change. Replacement parts for various components of the system are no longer

effective, so delays to repair the system could impact critical life safety systems at the hospital.

The chiller water system upgrades will occur at the UNC Hospitals' buildings and interconnected clinical and nonclinical facilities. All buildings are located at 101 Manning Drive, Chapel Hill, NC. A campus map is available upon request.

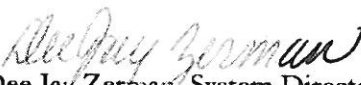
UNC Hospitals anticipates that it will spend approximately \$11.3 million to upgrade the systems. A cost estimate based on recent experiences by McKimm & Creed and UNC Hospitals, and is attached.

This project does not involve the addition of any licensed beds, major medical equipment, licensed programs, health services, or any health care service renovations. This project is not integral to any project that involves a new health service facility or is subject to certificate of need review.

Therefore, in consideration of the above, we understand that this project is exempt from CON review. UNC Hospitals is requesting confirmation that the proposed chilled water system upgrades are exempt from review pursuant to §NCGS. 131E-184(a)(4).

Please do not hesitate to contact me at 984-974-1243 if you need any additional information. Thank you for your prompt consideration of this matter.

Sincerely,

  
Dee Jay Zerman, System Director  
Regulatory Planning  
UNC HCS



ENGINEERS

SURVEYORS

PLANNERS

May 8, 2017

DJ Zerman  
Regulatory Counsel, Strategic Planning  
UNC Hospitals  
101 Manning Drive  
Chapel Hill, NC 27514

Subject: Construction Cost Certification  
Chilled Water Infrastructure Upgrades  
SCO ID#: 17-17120-01

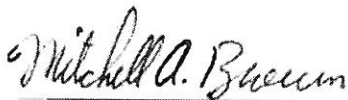
Dear Ms. Zerman:

This is to certify that our office has provided the Proposed Total Capital Cost of Project for the project noted above. This estimate is based on construction document drawings prepared by our office. We believe this is a reasonable construction budget based on generally accepted methods of estimating construction costs and previous experience with similar projects.

Total Construction	\$8,805,000
Design Fees	\$991,000
Project Contingency	\$1,100,000
<u>Owner Reserves</u>	<u>\$400,000</u>
UNC Hospitals Project Budget	\$11,296,000

Sincerely,

McKIM & CREED, INC.



Mitchell A. Brown, PE  
Sr. Project Engineer

cc: Project File

**PROPOSED TOTAL CAPITAL COST OF PROJECT**

**A. Site Costs**

(1) Full purchase price of land	\$	0
Acres _____ Price per Acre \$ _____		
(2) Closing costs	\$	0
(3) Site Inspection and Survey	\$	0
(4) Legal fees and subsoll investigation	\$	0
(5) Site Preparation Costs		
Soil Borings	\$	0
Clearing - Earthwork	\$	0
Fine Grade for Slab	\$	0
Roads - Paving	\$	0
Concrete Sidewalks	\$	0
Water and Sewer	\$	0
Footing Excavation	\$	0
Footing Backfill	\$	0
Termite Treatment	\$	0
Other (Specify)	\$	0
Sub-Total Site Preparation Costs	\$	0
(6) Other (Specify)	\$	0
(7) Sub-Total Site Costs	\$	0

**B. Construction Contract**

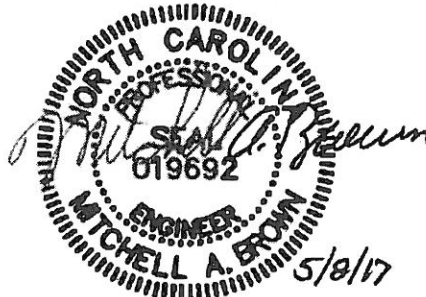
(8) Cost of Materials		
General Requirements	\$	440,000
Concrete/Masonry	\$	0
Woods/Doors & Windows/Finishes	\$	0
Thermal & Moisture Protection	\$	0
Equipment/Specialty Items	\$	0
Mechanical/Electrical	\$	3,082,000
Other (Unit Strut Support)	\$	0
Sub-Total Cost of Materials	\$	3,522,000
(9) Cost of Labor	\$	5,283,000
(10) Other (Specify)	\$	0
Firestopping	\$	0
Asbestos Abatement	\$	0
Window Upgrade	\$	0
HVAC Upgrade	\$	0
(11) Sub-Total Construction Contract	\$	8,805,000

**C. Miscellaneous Project Costs**

(12) Building Purchase	\$	0
(13) Fixed Equipment Purchase	\$	0
(14) Movable Equipment Purchase	\$	0
(15) Furniture	\$	0
(16) Landscaping	\$	0
(17) Consultant Fees		
Architect and Engineering Fees	\$	991,000
Legal Fees	\$	0
Market Analysis	\$	0
Other (Structural fee)	\$	0
Other (Owner Reserves)	\$	400,000
Sub-Total Consultant Fees	\$	0
(18) Financing Costs (e.g. Bond, Loan, etc.)	\$	0
(19) Interest During Construction	\$	0
(20) Other (Project Contingency)	\$	1,100,000
(21) Sub-Total Miscellaneous	\$	2,491,000
(22) Total Capital Cost of Project (Sum A-C above)		\$ 11,296,000

I certify that, to the best of my knowledge, the above construction related costs of the proposed project named above are complete and correct.

*Mitchell A. Brown*  
 \_\_\_\_\_  
 Signature of Licensed Architect or Engineer





May 1, 2017

DJ Zerman  
Regulatory Counsel, Strategic Planning  
UNC Hospitals  
101 Manning Drive  
Chapel Hill, NC 27514

Subject: Water and Energy Conservation  
Chilled Water Infrastructure Upgrades  
SCO ID#: 17-17120-01

Dear Ms. Zerman:

I am writing in regards to G.S. 131E-178 which requires a statement and plan regarding Energy and Water Conservation associated with Certificate of Need project. We will comply with the North Carolina State Building Code and as reasonable and within budget will avail ourselves of sustainable initiatives.

The scope of this project includes upgrades to equipment, piping, valves, and controls on primary, secondary and tertiary chilled water systems including (1) conversion of primary chilled water loops from constant flow to variable flow, (2) conversion of secondary chilled water loops from two independent loops to one common loop, (3) conversion of secondary chilled water pump speed control from modem-based controls to direct-digital-controls, (4) implementation of automated control logic for staging and loading of chillers, cooling towers and pumps, (5) reduction of secondary chilled water loop pressures and pipeline velocities, (6) conversion of control valves on high-volume air-handlers from pressure-dependent design to a pressure-independent design. We anticipate a reduction in energy consumption associated with the larger chilled water distribution system and the equipment and control system upgrades. The existing plumbing fixture counts will remain the same. Water usage will not change.

Sincerely,

McKIM & CREED, INC.

*Mitchell A. Brown*

Mitchell A. Brown, PE  
Sr. Project Engineer

cc: Project File