



THE CHILDRENS HOSPITAL DEMOLITION FINAL REPORT

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For Cherokee Investment Partners
& Park Avenue Uptown LLC

GLOSSARY



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INTRODUCTION



The Abatement, Demolition, and Utility phase of the Children's Hospital project in Denver Colorado is completed as of January 5, 2009.

This document is a "flash" summary of our performance relative to the project goals, along with recommendations for improvements on future projects.

The report is structured as follows:

1. Brief statement of the goal or objective.
2. Actual performance or attainment of the goal or objective.
3. Contributing factors, comments on the performance.
4. Consultants' recommendations for improvements on future projects.



SCOPE OF WORK



The Children's Hospital project presented some very unique challenges rarely encountered on a single project.

It was actually a combination of multiple projects all occurring simultaneously. Our scope of work included: above grade environmental clean up, surgical demolition, standard demolition, mothballing a historical building, re-commissioning the Health Center building, construction, building streets, building sewers, salvage and recycling, and keeping the community happy, all within 10 blocks of downtown Denver.

In addition to accomplishing the stated goals, our team also needed to recognize and satisfy the needs and wants of multiple customers.

1. Cherokee Investment Partners LLC.
(Financial goals, Sustainability goals, Quality Management goals—ISO 14001, Document Control Guidelines)
2. Park Avenue Uptown LLC (Managing Partner)
(Budget goals, Scheduling goals, Safety goals, Recycling goals, Community goals, Accounting goals, etc)
3. Exempla Health Care
Scope of work included surgically cutting away the Health Center from the main Hospital and re-commission it for occupancy. This objective also included the Denver Fire Department and Denver City Building Department to our customer list.
4. Denver Landmark Historical Preservation
Scope of work included surgically cutting away the main hospital from the historically designated Tammen Hall and creating and implementing mothballing procedures to protect the building from the elements.

These projects were complex requiring a high degree of site coordination and team work.

All the contractors, engineers, and management support we selected, accepted all these challenges, and met or exceeded every goal and objective we set out to accomplish.

PRODUCTIVITY SUMMARY



Target Goal

The original schedule called for a sixteen month project. The Operations was scheduled to commence on January 3, 2008 and end on May 1, 2009.

Result

The actual project commenced on January 3, 2008 and demobilized on January 5, 2009. Four months ahead of schedule.

135% Schedule Attainment.

The major contributing factors were:

1. Both the demolition contractor and environmental abatement contractor were in the position to invest in new technology which they were confident would improve their productivity. These investments were not made specifically for this job, but gave them the opportunity to field test equipment at our benefit.
2. Environmental Professional Services (abatement contractor) utilized an industrial floor scraper, called a "Bronco", to remove floor tile. This unit increased their tile removal rate from 16.5 feet per man hour to 120 feet per man-hour. Given the volume of floor tile to be removed on site, it accelerated their schedule by 2.5 months.
3. Fiore and Sons Inc., (demolition contractor) invested in a 125 foot high-reach excavator with a high pressure shear, designed to cut steel beam. This unit increased their demolition rate from 18,000 square feet per hour to 30,000 square feet per hour, and reduced the debris separation time by 30%. In addition, the unit controls debris fall more effectively and increased site safety.
4. Increased project schedule reviews with all contractors to twice daily. This short interval approach allowed us to shuffle activities where no contractor needed to wait for another.

SAFETY SUMMARY



Target Goal

OSHA's "Total recordable case incident rate" for the demolition and abatement industry. 5.0 for 2008, which has now increased to 5.7 effective 2009.

The definition is "The total number of recordable cases per 200,000 man-hours". A "recordable" incident means "any injury that requires treatment beyond first aid or results in time lost from work not counting the day of the injury".

Result

Our actual combined OSHA incident rate for all contractors and support staff was 4.895.

102% attainment to the 2008 standard, 116% attainment to the 2009 standard.

The major contributing factors were:

1. 24/7 oversight by Gobbell Hays Partners Inc. Any non-conformance to the safety guidelines or the contractors guidelines where immediately documented as a "non conformance" to our quality guidelines and required immediate corrective action.
2. Quality contractor selection. Fiore and Sons, Scott Contracting, EPS, and Millender White are mature companies which take safety very seriously. In addition to our efforts, their own safety inspectors were on site every week.



For more detailed information, all the source data by contractor can be found on the Cherokee Intranet / PAU group / General Management section / Safety Stats file.

SALVAGE SUMMARY



Target Goal

\$300,000.00

Result

A total 5276 tons of Copper, Aluminum, Steel, Brass and equipment were recycled for a total value of \$1,964,779. The first \$490,051 went to Fiore and Sons as part of our contract arrangement, and the balance was split 50/50, except the boiler sale which went 100% to PAU/Cherokee. Total revenue to PAU/Cherokee was \$779,865.

Our goal for this category was \$300,000

206% attainment to goal.

The major contributing factors were:

1. Market conditions for recycled metals was extremely favorable. We began the salvage operations at the beginning of the price increases and were 95% complete before the market crashed.
2. Off duty police officers for security vs. a security company. Although this cost might appear high, it paid for itself. This arrangement not only protected our salvage assets, but sent a very positive message to the general community that we care. It also sent a very powerful message to the copper thieves to go somewhere else.
3. Stripping all copper wire. This added activity increased our ratio of #1 polished to #2 by around 20%. That equated to around \$0.30 more income per pound.

Consultant recommendations:

Use real police for security during high value salvage operations. They have cars, radios, they can pursue a suspect off site, and they can make arrests. Security companies can only watch and call 911—BIG DIFFERENCE!

For more detailed information, all the source data can be found on the Cherokee Intranet / PAU group / General Management sections / recycled metals.



RECYCLING SUMMARY



Target Goal

70% construction waste diversion (crushed asphalt, concrete and reused, brick recycling, and metal recycling).

Result

A total of 95,300 tons of material were processed on site including all metals, concrete, asphalt, and debris.

We recycled 5,275 tons of metals, 468 tons of asphalt, and 41,100 tons of concrete (left on site as back fill).

We disposed of 48,531 tons of debris.

A total of 95,374 tons of material were processed on site for a recycle rate of 50%

71% attainment to goal

The major contributing factors were:

1. Children's Hospitals' move out / decommission did not go well. Multiple non-conformances to our final site conditions exhibit made it necessary to divert efforts from salvage to assisting them in removing medical and other materials. The liquidation company they used also destroyed materials targeted for sale. These incidents resulted in us to re evaluate our master schedule resulting in major schedule changes. Estimate impact to our overall recycle is -10%.
2. The original goal of 70% was too aggressive for a hospital complex. Several factors were re evaluated such as; the density of fixtures, bio risk, security risk, and current market condition. The goals established at the Charrette, although admirable, had no historical statistics to establish a realistic goal.
3. We also sponsored 3 community events for our residential neighbors. We allowed them to come on site and remove trees, flowers, and various shrubs that were in the demolition zone. Our community representative organized and monitored these events over several weekends. 350 people participated. These efforts were well received and created good will in the community.

RECYCLING SUMMARY

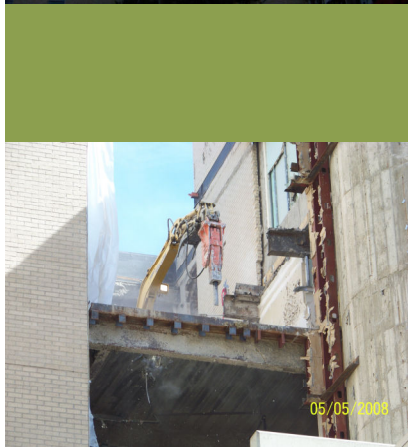
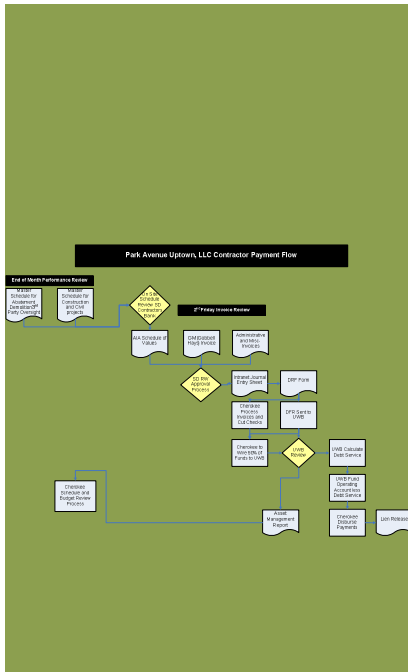


Consultant recommendation:

We collected all the trucking manifests and summarized the data into a spreadsheet. This statistical data will assist you in establishing more realistic recycling goals and job costing.

For more detailed information, all the source data can be found on the Cherokee Intranet / PAU group / General Management sections / volume verification.

ACCOUNTING SUMMARY



Target Goal

Pay all contractors within 10 days. The objectives and reasoning for the goal was:

1. Cost Savings on the primary contracts i.e., abatement and demolition, by negotiating payment terms of 2% to 3% discount net 30 days. This means if we process and pay billings in 10 days we receive a 2% to 3% discount off the total billing. This reduced our costs \$89,000.
2. This arrangement also reduces the amount of funds contractors need to draw on their credit line, and the amount of interest to be paid. The net result reduces their cost of doing business.
3. Credibility. The average payment in this industry is around 60 to 90 days. This extra effort established our "Contractor Trust" at the highest level. In return we had zero "0" change orders generated from the contractors for additional moneys. The only change orders were generated by us or our customers

Result

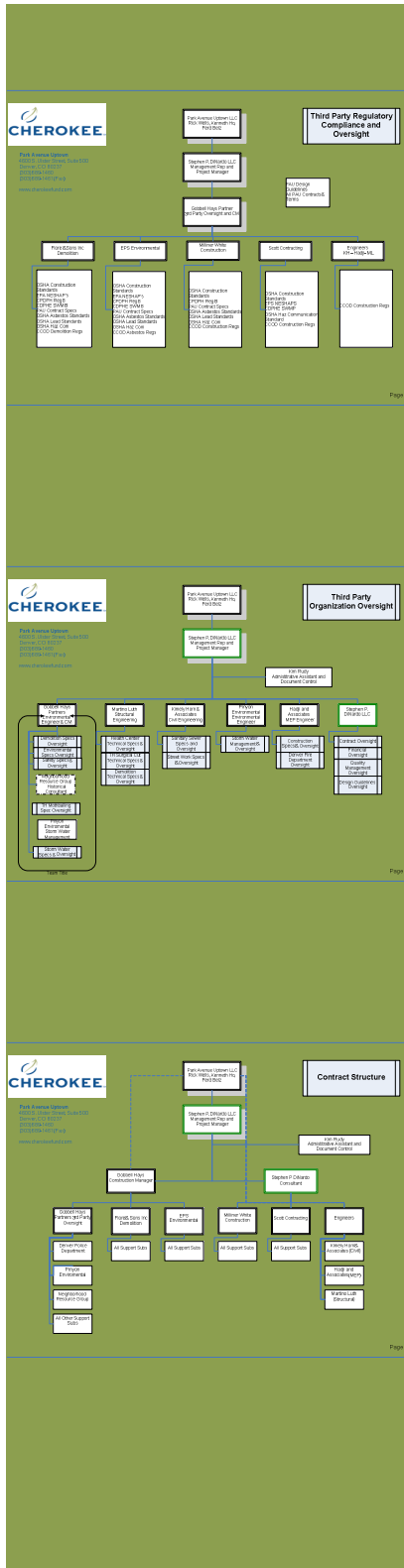
In all 12 months we paid all contractors in less than 10 days.

100% attainment to goal

The major contributing factors were:

1. Everyone believed in the additional value of this effort and collectively worked together to achieve it. This includes the accounting staff at Cherokee, the officers of Cherokee, the officers of PAU, our bank, and our contractors. Everyone was willing to adjust their schedules and routines to make this happen. Very nice job.
2. We designed a customized journal entry process which was installed on the Cherokee intranet so all individuals working the process had instant access to all accounting information. Although not perfect, it helped attain this goal.
3. Special thanks should be given Pam, Wendy, Melissa, and Richelle for adjusting their routines to accommodate this goal. In addition special thanks should go to Kim Rudy (our administrative assistant) for pulling all the bills together in a timely manner. Great team effort.

QUALITY MANAGEMENT SUMMARY



Target Goal

Zero change orders.

All non-conformances to be corrected in 5 days.

The project include many external agreements and guidelines that the contractors needed to conform to. AIA contracts, design guidelines, safety guidelines, community memorandums, Cherokee's ISO-14001 guidelines, various internal policies, and many federal, state, and local codes.

Result

1. We documented 15 non-conformances all corrected in less than 5 days. Nine were safety related, five were non-conformance to technical specifications, and 1 was a non-conformance to documentation. All items were corrected and closed.
2. One minor warning was received from the city of Denver, which was to shovel the sidewalks better. No citations were received from OSHA, city inspectors, or the EPA.

The major contributing factors were:.

1. In my previous occupations, I consulted on the subject of quality and process management and am a registered lead auditor in ISO 14001, ISO 9000, and QS 9000. We began installing quality guidelines from the very beginning of the bid process and technical specification. We set very high quality standards.
2. The procedures and guidelines for non-conformances, design & review, document management, corrective action, and change orders are the same procedures used on all our projects. The contractors we used understood our approach and made an extra effort to conform to it.
3. We emphasized a project team culture and would not let individual contractor cultures govern the site.

Consultants recommendations:

Consider ISO-9001 certification.

Establish quality goals for all aspects of the project not just environmental.

BUDGET SUMMARY



Target Goal

Description	Budget or Goal	Actual	Variance
Children's	9.2 MM	6.2 MM	3.0 MM
Exempla	575 K	587 K	-12 K
Salvage	300 K	780K	580 K

Children's includes the budget lines for all the physical work i.e., Engineering and Project Management, Sub grade environmental, Above grade environmental, Demolition, Infrastructure, and contingencies.

NOTE - The Exempla project was 100% reimbursable. Variance was absorbed by Exempla.

Result

41 % savings to the final budget.

The major contributing factors were:

1. Much time was invested into the preparation of the technical specifications to ensure they were accurate and encompassed all the work. Contractors were given sufficient time to research their work making them comfortable with their bids.
2. Zero change order goal was included into the technical specifications.
3. We negotiated "Stipulated Sum Agreements" with all the major contractors which reduced are cost variance risk to just minor variables, expense, and unforeseen conditions.
4. The appropriate controls, reviews, and procedures to manage the budget were installed. We included spreadsheets into the journal entries allowing us know exactly were we stood against the budget upon each check request. We did not need to wait for an official financial statement to see where we stood.

BUDGET SUMMARY



Consultant's recommendation.

I would recommend some additional time should be spent during the transition of the due diligence budget to the final operating budget. The due diligence budgets (cost categories) tend to encompass multiple costs into general categories, where the actual budget / expense report breaks costs down into more specific line items. This is the transition where the final cost codes are assigned. Although we did a good job overall on coding expenses, multiple items needed to be recoded. A little more interface between the accountants and the operations team during transmission could reduce this.

COMMUNITY AFFAIRS AND SPECIAL EVENTS



We released a monthly news letter to the community to keep them aware of street closures, truck routes, and our schedule. We created a “hot line” for our neighbors so they could call with any questions or concerns. In addition, we attended all the local community meetings.

We received only nine calls on our hot line. One was in regards to the Navy Seal's exercises, two for graffiti, and six wrong numbers. No major complaints.

We had a little fun along the way.

1. We heard rumors that the building was haunted, so we invited in a local paranormal investigator to do their thing! We found no ghosts but the community loved it. Even our local city council woman wanted to participate. She is the yellow coat.
2. We were privileged to host the United States Navy Seals in a joint terrorist training exercise, which included the US Homeland Security, Denver SWAT Team, Denver Fire Department, and Denver Police Department.
3. We hosted the Denver Fire Department and Denver Police Department for multiple training exercises.
4. We allowed our neighbors to salvage all the trees, flowers, and shrubs that were in the demolition zone. They loved it!
5. We also let the big man swing the big stick.

CONTRACTORS / ENGINEERS / CONSULTANTS



The following are the main contractors, engineers and professionals who contributed in making this project a great success.

1. Stephen P. Di Nardo LLC—PAU Management Representative and Project Manager
2. Gobbell Hays Partners, Inc., CM and Environmental / Demolition 3rd party Oversight
3. Fiore and Sons Inc—Demolition Company
4. Environmental Professional Services Inc. -Abatement company
5. Pinyon Environmental—Sub Surface Environmental and Storm Water Management
6. Brown and Caldwell—Sub Surface Environmental
7. Kimely Horn and Associates—Civil Engineering
8. Martino Luth—Structural Engineering
9. Hadji and Associates—Mechanical Engineering
10. Millender White Construction—Construction Company
11. Neighborhood Research Group—Historical Consultant
12. Buchanan Yonushewski Group LLC— Historical Technical Specifications
13. Brownstein Hyatt Farber and Schreck—Project Legal council

CLOSING COMMENTS



The operations project is 100% complete.

All the statistical information, reports, account journals, recycle records, volume verifications, Exempla records, and safety stats, are available in the Cherokee Intranet.

The remaining hard files will be boxed and moved to the Cherokee Denver office.

The close out documents are completed and will be moved to the Cherokee Denver office.

You are welcome to use any of the forms, spreadsheets, journals, and procedures created on this project if you choose.

In summary, we finished ahead of schedule, under budget, met or exceeded all of our goals, and had a little fun along the way.

Good project!

On behalf of myself and all of the contractors, we thank you for the work and look forward to working with you again in the future.

Respectfully submitted

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