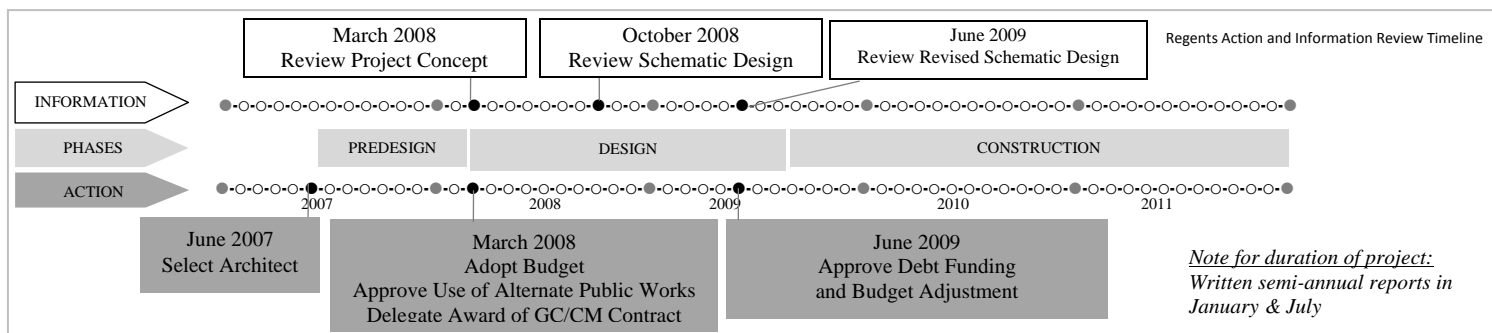


VII. STANDING COMMITTEES

B. Finance, Audit and Facilities Committee

Molecular Engineering Interdisciplinary Academic Building (MEIAB) – Approve Debt Funding and Budget Adjustment



RECOMMENDED ACTION:

It is the recommendation of the administration and the Finance, Audit and Facilities Committee that the Board of Regents approve:

- 1) Revision of the project budget and scope for the Molecular Engineering Building from a \$78,500,000, 77,000 gross square foot (GSF) three-story building to a newly recommended 89,300 GSF four-story building. The revised budget for design and construction is \$77,723,000, and the total project budget is \$78,500,000; and
- 2) The use of the Internal Lending Program to fund up to \$74,000,000 for design, construction, and equipment.

PROJECT DESCRIPTION:

The Molecular Engineering Interdisciplinary Academic Building (MEIAB) will accommodate growth anticipated in this emerging field. This project will be divided into a Research Lab portion and an Ultra-Sensitive Ground Contact Lab portion, each with support space. Phase 1 is recommended to be modified to add a fourth floor of shell and core space resulting in the same 49,000 GSF of finished space, with a new total of 40,300 GSF of shell space for a building total of 89,300 GSF. To the extent that project savings from the established budget are available, these funds may be used to build out additional finished space. Approximately 12,900 GSF of ground contact laboratory shell space is in the base scope, and the tenant improvement of this space is being designed to be fully built out as an alternate. This alternate is being designed to enable the University to potentially benefit from either a favorable construction market, or in anticipation of receipt of grant funding from the National Institute of Standards and Technology.

## VII. STANDING COMMITTEES

### B. Finance, Audit and Facilities Committee

#### Molecular Engineering Interdisciplinary Academic Building (MEIAB) – Approve Debt Funding and Budget Adjustment (continued p. 2)

A second phase remains to be anticipated resulting in a total for both phases 1 and 2 of approximately 160,000 gross square feet. The Phase 1 scope also includes the relocation of Cunningham Hall to a site west of Parrington Hall, and the demolition of the existing Johnson Hall Annex. The revised exterior elevation rendering of a 4-floor Phase 1 and a 4-floor Phase 2 is shown in attachment 4. The currently approved scope shown in the October 2008 Regents meeting for the same elevation is shown in attachment 5.

The project will be located on the Johnson Hall Annex site referenced in the Campus Master plan as the 25C site.

#### PREVIOUS ACTION:

The project was first presented to the Board of Regents in June 2007 and the President was delegated authority to award design contracts to Zimmer Gunsul Frasca (ZGF) Architects. At the March 2008 meeting, the Project Presentation was made to the Finance, Audit and Facilities Committee; the project budget was established at \$78,500,000; the use of alternative public works utilizing the General Contractor/Construction Manager (GC/CM) method of contracting was approved; and the President was delegated authority to award construction contracts, subject to no significant change in scope, the forecast cost being within 10% of the budget and funding being in place. The pre-construction contract was awarded to Hoffman Construction on August 7, 2008. The Schematic Design was presented at the October, 2008 meeting.

#### SCOPE OF THE PROJECT:

The facility will be home for the Institute for Molecular Engineering and Sciences and will provide administrative support for this new group. These administrative spaces, along with the faculty and staff offices, student workstations, and conference/seminar spaces, will support the laboratory functions which make up approximately 80% of the programmed area of the facility.

The research laboratories provide space for three distinct program directions: new faculty; new initiatives; and shared instrumentation laboratories. These spaces will support faculty research in the areas of bio-chemistry, micro-biology, chemistry and other related fields. The laboratories will be used by faculty and graduate students for collaborative and individual research and are located immediately adjacent to office zones to facilitate interaction and collaboration. The instrumentation laboratory spaces are ground contact open labs to house the

VII. STANDING COMMITTEES

B. Finance, Audit and Facilities Committee

Molecular Engineering Interdisciplinary Academic Building (MEIAB) – Approve Debt Funding and Budget Adjustment (continued p. 3)

vibration-sensitive, specialty equipment that is envisioned as a shared resource for both the building and the University.

The building is being designed to be certified at LEED Silver level consistent with RCW 39.35D.

FINANCING PLAN:

The sources and uses of funds for the project are below:

**Sources of Funds**

Internal Lending Program	73,500,000
State Capital Appropriations	<u>5,000,000</u>
Total Sources of Funds	78,500,000

**Uses of Funds**

Design Costs	8,397,000
Construction Costs	62,835,000
Equipment / Other	<u>6,491,000</u>
Total Design and Construction	77,723,000
Cost of Issuance	<u>777,000</u>
Total Uses of Funds	78,500,000

The debt service on the ILP loan will be repaid from two sources: UW building account revenues and indirect cost revenue.

Revenue from the Building Fee and trust lands will service \$53.5M of the project cost or about \$3.7M per year. This revenue has averaged \$9.5M annually over the last three years. It is expected to grow to nearly \$14M by 2012. Building fees and trust land revenue are deposited in the Bond Retirement Account, a non-appropriated fund on deposit with the State Treasurer. By statute, there is a minimum balance requirement in this fund equal to three years of debt service. Remaining balances after debt service and minimum balance requirements are transferred to the Building Account for capital expenditures as needed.

## VII. STANDING COMMITTEES

### B. Finance, Audit and Facilities Committee

#### Molecular Engineering Interdisciplinary Academic Building (MEIAB) – Approve Debt Funding and Budget Adjustment (continued p. 4)

Indirect Cost Recovery (ICR) revenue will service up to \$20M on the project cost or \$1.4M per year. The Molecular Engineering Building will allow the College of Engineering to house new faculty and increase research for existing faculty; Engineering projects that these new research grants will increase indirect cost recovery by approximately \$1.4 million annually.

The Treasury Office has reviewed indirect cost projections with the Office of the Provost and believes that incremental and existing ICR will be sufficient to pay the debt.

#### SCHEDULE:

Architect Selection	June 2007
Pre-design	July 2007 to December 2007
Design	April 2008 to December 2009
Award Pre-Construction Contract	August 2008
Construction	August 2009 to October 2011
Occupancy and Use	January 2012

#### CURRENT PROJECT STATUS:

Rather than funding the project, the State's capital budget for the 2009-11 biennium included an authorization allowing the University to issue bonds to pay for the construction of the Phase 1 building. The amount authorized was approximately \$4 million less than what was requested, and this shortfall would be restored by the recommended financing plan.

The 20% Construction Document design submittal and cost estimate have been prepared by ZGF Architects, and their estimate reconciled with that prepared by Hoffman Construction. The cost estimate is approximately 8% under the currently approved project's construction budget of \$51,841,188. Depending on the results of the bidding, it is possible that additional savings may be achievable within the newly requested project scope. The College of Engineering also intends to seek grant funding of \$10.4 million to supplement a \$3 million match by the University, and these funds would be targeted to pay buildout shell space created by this budget, and the buildout of the ground-contact instrumentation laboratories. In the event that grant funding is received and the base scope of the project is achieved for less than the budgeted amount, any savings will be used for further build-out of shelled space rather than a reduction in borrowing. In that event, the project budget and scope would exceed this request by 10% and would be brought to the Board of Regents for approval before proceeding.

## VII. STANDING COMMITTEES

### B. Finance, Audit and Facilities Committee

#### Molecular Engineering Interdisciplinary Academic Building (MEIAB) – Approve Debt Funding and Budget Adjustment (continued p. 5)

An early work package, including the relocation of Cunningham Hall, demolition of Johnson Hall Annex, shoring, mass excavation, and certain utilities, is ready to be issued for bids promptly upon approval of the use of the ILP recommended above. The remainder of the project will be bid in August, 2009.

#### SIGNIFICANT RISKS OR OPPORTUNITIES:

This is an opportunity to provide a signature building expressive of the University's research capabilities at one of the major campus entries.

The weakened construction market provides the potential to realize additional shell space at a favorable cost.

NIST grant funding is a significant opportunity to realize additional finished space.

#### REVIEW AND APPROVALS

This recommendation has been reviewed and approved by the Senior Vice President and the Vice Provost for Budgeting and Planning.

#### Attachments:

1. Project Budget
2. Indirect Cost Recovery Summary, 2008 - 2017
3. UW Bond Retirement Account Summary, 2006 - 2015
4. Phase 1 and Phase 2 Schematic Design rendering
5. Phase 1 and Phase 2 Current rendering

PROJECT BUDGET

	<u>Total Escalated Cost*</u>	<u>% of TPC</u>
<b>Design</b>		
<i>Pre-Schematic Design Services</i>	\$689,731	0.89%
<i>A/E Basic Design Services</i>	\$3,789,386	4.88%
<i>Extra Services</i>	\$2,059,914	2.65%
<i>Other Services</i>	\$1,236,498	1.59%
<i>Design Services Contingency</i>	\$727,446	0.94%
<b>Consultant Services</b>	<b>\$8,502,975</b>	<b>10.94%</b>
<i>GC/CM Construction Cost (base scope)</i>	\$52,594,045	67.67%
<i>Other Contracts</i>	\$0	0.00%
<i>Construction Contingencies</i>	\$6,358,304	8.18%
<i>Sales Tax (pending deferral)</i>	\$2,800,000	3.60%
<b>Construction*</b>	<b>\$62,834,747</b>	<b>79.45%</b>
<i>Equipment</i>	\$1,000,790	1.29%
<i>Artwork</i>	\$179,256	0.23%
<i>Other costs</i>	\$2,967,630	3.82%
<i>Project Management</i>	\$3,320,000	4.27%
<b>Other</b>	<b>\$7,467,676</b>	<b>9.61%</b>
<b>Total Design and Construction Cost</b>	<b>\$77,723,000</b>	<b>100.00%</b>
<i>Cost of Issuance</i>	\$777,000	1.00%
<b>Total Project Budget</b>	<b>\$78,500,000</b>	
<b><u>Source of Funds</u></b>		
<i>Internal Lending Program</i>	\$73,500,000	94.57%
<i>State Capital Appropriations</i>	\$5,000,000	6.43%
<b>Total</b>	<b>\$78,500,000</b>	<b>100.00%</b>

\* Includes modest labor and materials escalation to midpoint of construction

**ICR Summary, 2008-2017 (\$000)**

	<b><u>2008</u></b>	<b><u>2009</u></b>	<b><u>2010</u></b>	<b><u>2011</u></b>	<b><u>2012</u></b>	<b><u>2013</u></b>	<b><u>2014</u></b>	<b><u>2015</u></b>	<b><u>2016</u></b>	<b><u>2017</u></b>
<b><u>Sources</u></b>										
Indirect Cost Recovery (1)	198,000	199,600	211,000	213,000	216,000	221,000	227,000	232,000	237,000	242,000
<b><u>Uses</u></b>										
Research Cost Recovery (RCR)	65,780	66,990	68,211	70,302	71,280	72,930	74,910	76,560	78,210	79,860
Administrative Support	48,370	45,000	52,000	50,828	51,173	52,090	53,530	54,729	55,929	57,129
Utilities, Insurance, Property Rental	23,520	24,508	26,000	26,000	26,110	26,710	27,325	27,953	28,596	29,254
Research Support	21,750	18,000	15,974	15,000	15,060	16,029	17,505	17,967	18,044	18,490
Current Debt Service (2)	14,180	16,712	18,035	18,573	18,482	18,602	18,622	19,202	20,132	20,132
New Debt Service for Molecular Engineering (3)				677	1,085	1,369	1,369	1,369	1,369	1,369
Specific Building/Function	13,500	18,390	20,780	21,620	22,810	23,270	23,740	24,220	24,720	25,766
Transfer to Capital	10,900	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000
Total Uses	198,000	199,600	211,000	213,000	216,000	221,000	227,000	232,000	237,000	242,000

**NOTES:**

- (1) Federal Stimulus Research Funding (ARRA) is anticipated to increase FY 2010 and 2011 ICR source and Administrative support uses.
- (2) Current Debt service includes Animal Facilities and J-Wing at previously indicated scheduled payment levels.
- (3) Assume loan funded to expenditures, \$19.9M, 5.5%, and a 30 year term.

UW Bond Retirement Account

	Actual			Projected						
	FY 06	FY 07	FY 08	FY 09	FY 10	FY 11	FY 12	FY 13	FY 14	FY 15
<b>Revenue</b>										
50 % of Total Tuition Building Fee (1)	5,448,785	6,047,764	6,853,584	6,853,584	7,786,500	9,225,500	9,857,000	10,945,000	11,697,000	12,503,000
Timber Sales Lease Revenue (2)	1,652,000	1,573,115	2,327,847	2,327,847	2,327,847	2,327,847	2,327,847	2,327,847	2,327,847	2,327,847
Interest on Permanent Account (2)	1,328,645	1,633,620	1,654,230	1,654,230	1,654,230	1,654,230	1,654,230	1,654,230	1,654,230	1,654,230
<b>Total Revenue</b>	<b>8,429,430</b>	<b>9,254,499</b>	<b>10,835,661</b>	<b>10,835,661</b>	<b>11,768,577</b>	<b>13,207,577</b>	<b>13,839,077</b>	<b>14,927,077</b>	<b>15,679,077</b>	<b>16,485,077</b>
<b>Debt Service</b>										
Debt Service on Molecular Engineering Building (3)	-	-	-	-	3,684,116	3,684,116	3,684,116	3,684,116	3,684,116	3,684,116
Total Revenue After Debt Service	8,429,430	9,254,499	10,835,661	10,835,661	8,084,461	9,523,461	10,154,961	11,242,961	11,994,961	12,800,961
Transfer to the Building Account (4)	13,000,000	4,500,000	9,000,000	10,000,000	8,000,000	9,000,000	10,000,000	11,000,000	11,000,000	12,000,000
<b>Revenue After Debt Service and Transfers</b>	<b>(4,570,570)</b>	<b>4,754,499</b>	<b>1,835,661</b>	<b>835,661</b>	<b>84,461</b>	<b>523,461</b>	<b>154,961</b>	<b>242,961</b>	<b>994,961</b>	<b>800,961</b>
Beginning Balance	9,538,159	4,967,589	9,722,088	11,557,749	12,393,410	12,477,871	13,001,332	13,156,294	13,399,255	14,394,216
Plus Revenue After Debt Service and Transfers	(4,570,570)	4,754,499	1,835,661	835,661	84,461	523,461	154,961	242,961	994,961	800,961
Ending Balance UW Bond Retirement Account	4,967,589	9,722,088	11,557,749	12,393,410	12,477,871	13,001,332	13,156,294	13,399,255	14,394,216	15,195,177
Less Minimum Balance Requirement (5)	-	-	-	-	11,052,347	11,052,347	11,052,347	11,052,347	11,052,347	11,052,347
<b>Equals Available Balance</b>	<b>4,967,589</b>	<b>9,722,088</b>	<b>11,557,749</b>	<b>12,393,410</b>	<b>1,425,524</b>	<b>1,948,985</b>	<b>2,103,946</b>	<b>2,346,908</b>	<b>3,341,869</b>	<b>4,142,830</b>

**NOTES:**

- (1) Half of tuition building fee revenue is deposited into the UW Building Account.
- (2) Timber sales and Interest on Permanent Account revenue projections are based on FY 2008 actuals with no growth.
- (3) \$53.5 million in debt over 30 years at 5.5% including 1% cost of issuance.
- (4) After minimum balance requirements and debt service, residual revenue is transferred to the Building Account.
- (5) RCW 28B.20.725 requires a minimum of three years debt service remain in the Bond Retirement Account before any transfers can be made to the Building Account.

ATTACHMENT 3





F-9.4/206-09  
6/11/09





F-9.5/206-09  
6/11/09