

**VII. STANDING COMMITTEES****B. Finance, Audit & Facilities Committee**Funding Plan for Balmer Hall ReconstructionINFORMATION ONLY

This information item describes the current debt-financed funding plan for the Balmer Hall reconstruction. Since the debt is outside of the Internal Lending Program, it does not require current regental action. In July 2010, the regents will be asked to take action on a Bond Resolution that will authorize the issuance of external debt to fund this and other University projects.

BACKGROUND

On May 15, 2008, the Board adopted the amended the Debt Management Policy, which authorized the creation of the Internal Lending Program (ILP). With a few specific exceptions, this policy states that all borrowing after July 1, 2008 will participate in the ILP. One of the exceptions is "Debt repaid from appropriated University local funds". In the 2010 legislative session, \$42.8 million of UW debt was authorized for Balmer Hall with the debt service to be paid from the UW Building Account, which is an appropriated local fund.

The UW Building Account has revenues from land and timber sales, interest on the Permanent Account, the Metropolitan Tract and the Building Fee portion of tuition. In recent years, annual revenues in this account have averaged \$22 million. Projections for FY10 and FY11 are projected to be \$26 and \$28 million, respectively.

FUNDING PLAN

Subject to regental approval of the annual Resolution in July 2010, debt will be issued to fund both Balmer Hall and UW Tacoma Phase 3 on a project basis, rather than a cash flow basis, as is done under the ILP. The proceeds for both projects, totaling \$50.25 million (\$42.8 million for Balmer and \$7.45 million for UW Tacoma), will become part of a larger bond sale this summer that will also fund ILP cash flows for fiscal year 2011.

Sources and Uses for the Balmer Hall Reconstruction are detailed below:

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B. Finance, Audit & Facilities Committee

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<u>Sources of Funds</u>	
State Appropriations	4,000,000
Building Fee Bonds	<u>42,800,000</u>
Total Sources of Funds	46,800,000

  

<u>Uses of Funds</u>	
Project Design	4,300,000
Project Construction	35,000,000
Equipment, Administration, Other	6,661,000
Debt Issuance Cost	<u>839,000</u>
Total Uses of Funds	46,800,000

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<u>Annual Debt Service</u>	
Building Fee Bonds	2,550,000

PREVIOUS ACTIONS

On May 17, 2007, the regents delegated the authority to the President to award the pre-design and design contracts to LMN architects for the Balmer Hall reconstruction. On February 21, 2008, the Regents established the project budget at 46.6 million and approved the GC/CM contracting method. The Regents reviewed schematic design for the project on April 16, 2009.

*Attachment*

February 2008 Regents Action establishing the Balmer Hall project budget and approving the contracting method.

## ATTACHMENT

*Approved by the Board of Regents on February 21, 2008, item F-13*

### Business School Building, Phase 2 (Balmer Hall Reconstruction) Project Presentation, Budget Approval, Authorization to Award GC/CM and Delegated Authority

#### RECOMMENDED ACTION:

It is the recommendation of the administration and the Finance, Audit and Facilities Committee that the Business School Building, Phase 2 (Balmer Hall Reconstruction) project budget be established at \$46,800,000; that the use of alternative public works utilizing the General Contractor/Construction Manager (GC/CM) method of contracting be approved; and that the President be delegated authority to award construction contracts, subject to no significant change in the scope, the forecast cost being within 10% of the budget and funding being in place.

#### PROJECT DESCRIPTION

Constructed in 1962 for the School of Business, aging but heavily-used Balmer Hall is now due for replacement. The approximately 78,000 gross square foot existing building currently houses 32 general assignment classrooms with 1,250 seats, as well as computer labs, study areas and library collections, but no longer satisfies many needs of those functions and is consequently reaching the end of its useful life. Its concrete structure is deficient seismically and most of its infrastructure, including mechanical, electrical, and communications systems, are inadequate and need to be replaced. Due to the existing concrete structure, floor-to-floor heights and column spacing, the building is very inflexible and difficult to remodel to meet modern teaching needs in terms of accessibility, classroom sizes, sightlines, lighting and acoustics. Balmer Hall is the first of the University's "Restore the Core" building renewal projects where building replacement is the recommended option over renovation.

#### PREVIOUS ACTION

At the May 2007 Board of Regents meeting, the President was delegated authority to award design contracts to LMN Architects for the Business School Phase 2 Balmer Hall reconstruction project.

#### SCOPE OF THE PROJECT

The University has evaluated other alternatives and determined that a total building replacement is the most sensible and cost effective alternative for bringing Balmer Hall up to modern standards. The approximately 61,000 gross square foot replacement building will feature modern classrooms, breakout rooms, a multipurpose meeting/dining room, library stack space, and

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administrative support space. It will connect to the privately funded Phase 1 building to provide an overall increase in classroom capacity of over 40 percent.

The Phase 1 building will serve as the surge space for the Balmer Hall functions, and the demolition of Balmer Hall will begin soon after the Phase 1 building is occupied in September of 2010. In accordance with the requirements of the state of Washington, the project will be designed to achieve Leadership in Energy and Environmental Design (LEED) Silver certification or higher.

SCHEDULE

Architect Selection	May 2007
Pre-design	July 2007 through December 2007
Design	April 2008 through June 2010
Construction	October 2010 to July 2012
Occupancy and Use	September 2012

CONTRACTING STRATEGY

The recommendation of the Capital Projects Office is to use the alternate public works contracting procedure, General Contractor/Construction Manager (GC/CM), authorized by RCW 39.10 for construction of this project. The use of a GC/CM during design has been a significant contributor to the success of our recent Restore the Core projects as well as new building construction projects. During design the GC/CM has been able to provide detailed construction scheduling, input into design constructability issues, coordination of construction documents, determining construction logistics and needed lay-down areas, providing detailed cost estimates and investigation of existing construction as-built conditions. To help meet the overall project schedule, the GC/CM is able to bid out and start construction on early work packages before the construction documents are 100% complete if there are compelling reasons to do so. In today's rapidly escalating construction costs market, the GC/CM has been integral in developing cost savings incrementally rather than waiting for a total construction bid number. The intent is to have a GC/CM chosen and under contract for preconstruction services before the completion of the schematic design phase.

SIGNIFICANT RISKS OR OPPORTUNITIES

An ongoing risk is the current climate of extraordinary escalation and "market conditions" in the Seattle commercial building marketplace that reflects an extremely busy construction industry and a limited pool of available equipment and skilled labor. Use of the GC/CM construction methodology will help mitigate this risk.

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Another challenge will be safely constructing the building on a tight, busy site while not overly disrupting pedestrian flow and ongoing classes in the adjacent buildings.

A major opportunity is to provide the final piece in having a unified and modern building complex for the Foster School of Business which will also significantly improve the University's high-quality teaching spaces.

The Phase 2 reconstruction will offer many opportunities to incorporate sustainable design features to achieve an efficient and sustainable building as mandated by the Washington State legislature.

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**PROJECT BUDGET**

	<b><u>Total Escalated Cost*</u></b>	<b><u>% of TPC</u></b>
Pre-Schematic Design Services	\$232,058	0.49%
A/E Basic Design Services	\$1,354,866	2.89%
Extra Services	\$927,758	1.98%
Other Services	\$1,381,897	2.95%
Design Services Contingency	\$411,498	0.88%
<b>Subtotal/ Consultant Services</b>	<b>\$4,308,077</b>	<b>9.20%</b>
GC/CM Construction Cost	\$32,017,553	68.41%
Other Contracts	\$0	0%
Construction Contingencies	\$3,470,215	7.41%
Sales Tax	\$3,158,411	6.74%
<b>Subtotal/ Construction</b>	<b>\$38,646,179</b>	<b>82.58%</b>
Equipment	\$1,154,770	2.46%
Artwork	\$119,575	0.25%
Other costs	\$730,984	1.56%
Project Management	\$1,840,416	3.93%
<b>Subtotal/(Other)</b>	<b>\$3,845,745</b>	<b>8.22%</b>
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<b>Total Project Cost (TPC)*</b>	<b>\$46,800,000</b>	<b>100.00%</b>
 <b><u>Included in Above:</u></b>		
Escalation through August 2011	\$7,376,502	15.76%
 <b><u>Source of Funds</u></b>		
State Funds	\$46,800,000	100.00%
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<b>Total</b>	<b>\$46,800,000</b>	<b>100.00%</b>

\* Escalated to construction midpoint (August 2011)