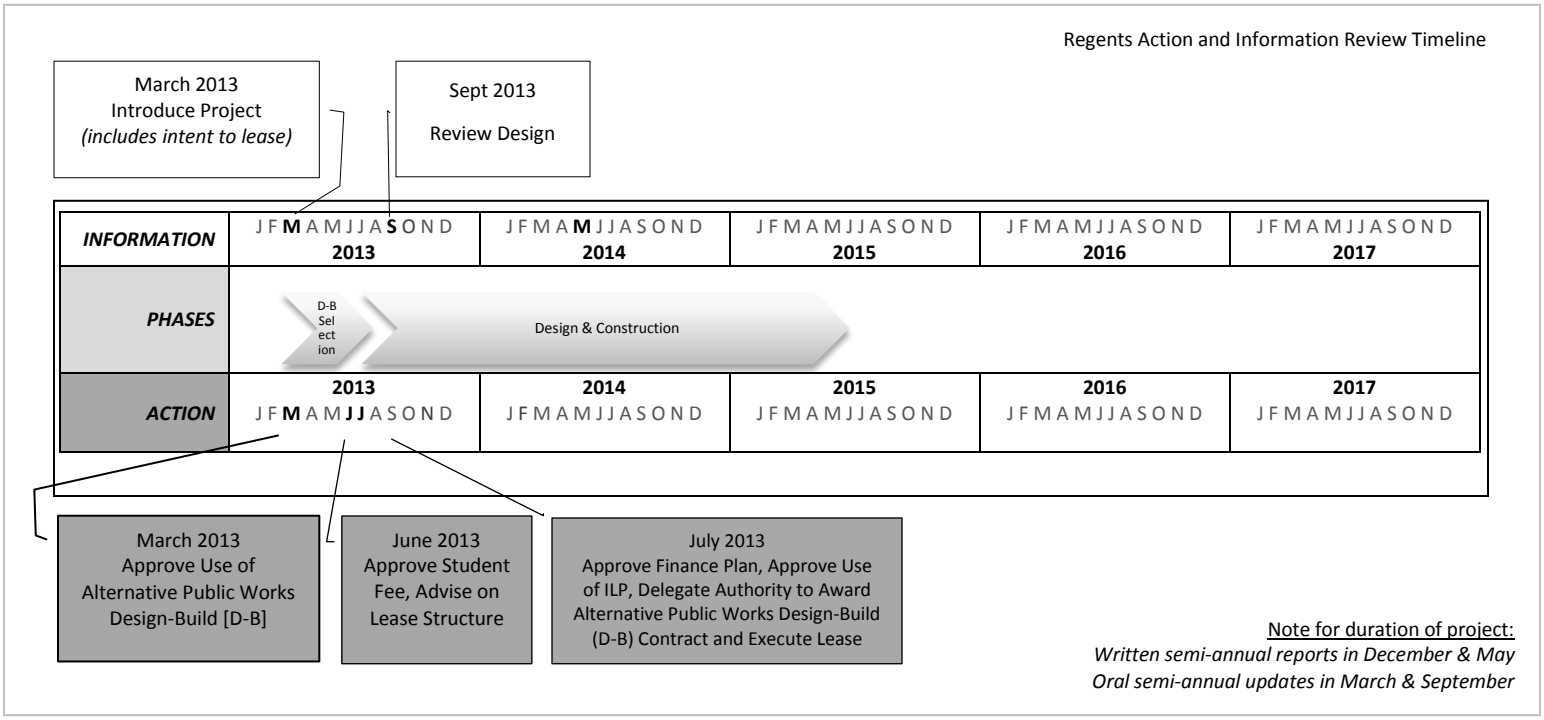
VII. STANDING COMMITTEES

B. Finance, Audit and Facilities Committee

UW Tacoma "University YMCA" Student Center Project – Adopt Project Budget, Approve Use of Internal Lending Program, Delegate Authority to Award Alternative Public Works Design/Build Contracting Method, and Approve Execution of Lease



RECOMMENDED ACTION

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

1. adopt a project budget of $20 million for the UW Tacoma "University YMCA" Student Center;

2. approve the use of the Internal Lending Program (ILP) to fund up to $13 million for design, construction and financing costs; and

3. delegate authority to the President or his designee to:
   a. award a Design/Build contract, subject to the contract sum being within the approved project budget; and
   b. execute a lease and related documents for the facility with the YMCA of Pierce & Kitsap Counties.

B. Finance, Audit and Facilities Committee

UW Tacoma "University YMCA" Student Center Project – Adopt Project Budget, Approve Use of Internal Lending Program, Delegate Authority to Award Alternative Public Works Design/Build Contracting Method, and Approve Execution of Lease (continued p. 2)

PROJECT DESCRIPTION

The "University YMCA" Student Center will be modeled after successful YMCA facilities in Gig Harbor and Silverdale while accommodating a variety of student-oriented program elements. The intent is to construct a facility of similar construction quality that is adapted to the urban environment, topographic features, and scale of the UW Tacoma campus.

The building site is at S. 17th St. and Market St. on the UW Tacoma campus and includes the footprint of the existing Longshoremen's Hall, which will be demolished. The new building will be 65,000-77,000 gross square feet, depending upon the responses provided by the Design-Builders to the Request for Proposal. Program elements will include a gymnasium, cardiovascular and weight training facilities, indoor walking/jogging track, multipurpose rooms, meeting rooms, locker rooms, student government and club space, student assembly and gathering spaces, site development, utilities, and landscaping. The primary goals for the project are:

1. to maximize the building and program square footage within the available budget;
2. to produce a project which, at minimum, meets the level of quality of recent YMCA facilities constructed in Gig Harbor and Silverdale;
3. to complete the facility in time for occupancy in late spring of 2015; and
4. appropriately adapt the University YMCA Project design within the context of the UW Tacoma campus and Tacoma community.

BACKGROUND

During the 2008-09 academic year, UW Tacoma student government and the UW Tacoma Services and Activities Fee (SAF) Committee commissioned a comprehensive Campus Life Facilities Master Plan study. The study identified a student union as the primary facility need of students. In June 2010, the Board of Regents approved setting aside $2 million of the SAF long term fund for a student union project. In June 2011 and June 2012, the Regents approved additional SAF long term fund set-asides for future planning of a student union facility ($10,000 in 2011 and $424,016 in 2012). In June 2013, the Regents approved a new Student Center SAF of $180 per quarter to fund the project budget and use of $4 million of SAF long term funds for the project.

B. Finance, Audit and Facilities Committee

UW Tacoma "University YMCA" Student Center Project – Adopt Project Budget, Approve Use of Internal Lending Program, Delegate Authority to Award Alternative Public Works Design/Build Contracting Method, and Approve Execution of Lease (continued p. 3)

Capitalizing on Chancellor Debra Friedman's experience with YMCA collaborations in Phoenix, UW Tacoma and the YMCA of Pierce and Kitsap Counties are collaborating to build a full-service facility located on the UW Tacoma campus. It would serve UW Tacoma students, faculty and staff, as well as other YMCA members. This innovative collaboration is built on the common commitment of both institutions to serve the community. UW Tacoma is an urban serving university campus, with more than 4,000 students, that seeks to build academic offerings, expand its physical campus and provide student services through mutually beneficial partnerships with its community. The YMCA's vision is to provide access to balanced health for all by working through collaborations and partnerships.

The "University YMCA" Student Center would contribute to the missions of both UW Tacoma and the YMCA. UW Tacoma would gain a campus facility that combines the functions of a student recreation center and a student union. The YMCA would expand service to the 130,000 people it currently serves through healthy living facilities and outreach programs.

The proposed transaction structure provides that the building will be constructed and owned by the UW, leased to the YMCA, and operated and maintained by the YMCA. All UW Tacoma students will become members of the YMCA. Debt service and operations and maintenance costs for the facility will be paid through the recently approved new SAF. One of the special features of this arrangement, especially important to UW Tacoma students, the majority of whom live throughout the South Sound, is that they will have access to any of the nine YMCA facilities throughout Pierce and Kitsap Counties like all members of the YMCA.

CONTRACTING STRATEGY

The project is using the Design/Build (D/B) alternative public works contracting procedure, as authorized by RCW 39.10, for design and construction of this project.

The D/B method is well suited to meet the objectives and circumstances of this project. The objective of occupancy in spring 2015 and the need to engage student representatives in the D/B selection process so they could see design options as they deliberated the new SAF made it important that design commence as quickly as possible. D/B also offers the possibility of a compressed design and construction schedule once the selection of the design builder is made. Design review by the Architectural Commission, the University Architect, and the University Landscape Architect is integrated to ensure design goals are met. D/B provides a guaranteed

UW Tacoma "University YMCA" Student Center Project – Adopt Project Budget, Approve Use of Internal Lending Program, Delegate Authority to Award Alternative Public Works Design/Build Contracting Method, and Approve Execution of Lease
(continued p. 4)

price prior to commencing the design, which will give the UW a high degree of confidence that the final cost will be within the project budget. The D/B competition has already fostered creativity and innovation in developing multiple design solutions as the three shortlisted teams develop their responses to the Request for Proposals.

Finalists' proposals will be evaluated and a final selection recommendation will be made on July 16th. The UW Architectural Commission has interviewed the finalists and has provided comments to the selection committee for their consideration in the evaluation and selection process.

SCHEDULE

D/B Selection	March 2013 – July 2013
Design and Construction	July 2013 – June 2015
Occupancy	June 2015

BUDGET AND FINANCING PLAN

The proposed project budget is $20 million (See Attachment 1).

Sources and uses for the project are as follows:

Sources of Funds	
Internal Lending Program Loan	12,641,000
UW Tacoma SAF Long-Term Funds	4,000,000
UW Tacoma Reserves	4,000,000
Total, Sources of Funds	20,641,000
Uses of Funds	
Project Design and Construction	20,000.000
Capitalized Interest	516,000
Financing Costs	125,000
Total, Uses of Funds	20,641,000
Annual Debt Service for ILP Loan (30 years, 5.5%)	
Student Fees	**861,000**

B. Finance, Audit and Facilities Committee

UW Tacoma "University YMCA" Student Center Project – Adopt Project Budget, Approve Use of Internal Lending Program, Delegate Authority to Award Alternative Public Works Design/Build Contracting Method, and Approve Execution of Lease (continued p. 5)

On June 13, 2013, the Board of Regents approved a new UW Tacoma "University YMCA" Student Center Fee of $180 per quarter to be implemented upon occupancy of the new building. This new fee will first be used to repay debt service on the ILP loan, and second, for the payment to the YMCA for operations of the facility. Any shortfall in revenues of the $180 fee is first the responsibility of the UW Tacoma SAF Fund and next the responsibility of UW Tacoma administration. Because all SAF fees are pledged for repayment, the credit analysis discussed below examines the financial viability of the project using both the new fee and existing SAF fees to meet the project's financial obligations.

CREDIT ANALYSIS

The Treasury Office performed a credit analysis of the project as part of the due diligence for the ILP loan and is comfortable that the combination of the new fee and existing SAF fees will be sufficient to meet all financial obligations of the project (See Attachment 2).

The main financial risk is that student fee collections will be insufficient to repay both debt service and operational payments to the YMCA. This risk is mitigated because SAF revenues are projected to be well in excess of the minimum 1.1 times debt service coverage required by Treasury for most student fee projects. In the event that SAF revenues are insufficient to meet the obligations, the SAF program budget would be reduced before payments to the YMCA or debt service are not made.

Treasury performed three financial stress tests on the base case financial proforma: 1) lowering expected student growth from 8% to 4% after 2016 on the UW Tacoma campus, 2) increasing operational payments to the YMCA by 20% in FY2022, and 3) a combined stress test where both (1) and (2) occur.

In all of the scenarios, revenues from SAF were found to be sufficient to meet all ongoing project obligations. In all of the cases under consideration, reserves were positive and increasing throughout the planning period.

B. Finance, Audit and Facilities Committee

UW Tacoma "University YMCA" Student Center Project – Adopt Project Budget, Approve Use of Internal Lending Program, Delegate Authority to Award Alternative Public Works Design/Build Contracting Method, and Approve Execution of Lease (continued p. 6)

LEASE

The University will lease the facility to the YMCA for 20 years with three 10-year options. The first 10-year option allows the YMCA to extend at its discretion, while the second and third options are mutual, allowing either party to determine whether to continue. Rent is offset by a discounted membership fee. Additional rent will apply if student use of the facility falls below seventy percent. UW is responsible for maintaining the building envelope and grounds while the YMCA is responsible for all internal operations including maintenance and programming. The lease creates an advisory committee comprised of representatives of UW Tacoma and the YMCA, in order to support and monitor operations. Student satisfaction surveys will be conducted annually so that the YMCA may modify program offerings as needed to ensure students are well served. After year 10 of the lease and in five year intervals thereafter, student dissatisfaction triggers a termination option at UW's discretion in addition to standard termination provisions.

The YMCA's Board approved this lease structure at its meeting on December 18, 2012.

REVIEW AND APPROVAL

The project budget of $20 million, the financing plan, the D/B contracting strategy, and the lease terms have been reviewed and recommended for approval by the Chancellor of UW Tacoma, the Senior Vice President, the Vice Provost for Planning and Budgeting, and the Chief Real Estate Officer.

Attachments
1. Summary Project Budget
2. SAF Proforma Financial Results

UNIVERSITY OF WASHINGTON
CAPITAL PROJECTS OFFICE - SUMMARY PROJECT BUDGET
ALTERNATE PROCUREMENT - DB

PROJECT: UWT- University Y Student Center

Project Number: 204286

ESTIMATED DATE OF COMPLETION: June 2015

		Total Escalated Cost	% of TPC
BUDGET SUMMARY:			
PREDESIGN	$	15,000	0%
BASIC DESIGN SERVICES*	$	-	0%
EXTRA SERVICES/REIMBURSABLES	$	66,000	0%
OTHER SERVICES	$	142,000	1%
DESIGN SERVICES CONTINGENCY	$	2,000	0%
CONSULTANT SERVICES	$	225,000	**1%**
	$	-	
CONSTRUCTION CONTRACT*	$	17,206,000	83%
OTHER CONTRACTS	$	-	
CONSTRUCTION CONTINGENCY	$	467,000	2%
SALES TAX	$	1,679,000	8%
CONSTRUCTION COST	$	19,352,000	**94%**
	$	-	
EQUIPMENT	$	-	0%
ARTWORK	$	-	0%
OTHER COSTS	$	107,000	1%
PROJECT ADMINISTRATION	$	315,000	2%
INTEREST AND COST OF ISSUANCE	$	641,000	3%
OTHER COSTS	$	1,063,000	**16%**
TOTAL PROJECT COST (TPC)	$	20,641,000	**100%**
Included in Above:			
Escalation to Mid-point of Construction	$	1,022,000	5%
SOURCE OF FUNDS:			
Internal Lending Program	$	12,641,000	
UWT SAF Long-Term Funds	$	4,000,000	
UWT Reserves	$	4,000,000	
TOTAL SOURCE OF FUNDS	$	20,641,000	

Note: all numbers are rounded

*Design-Build contract includes design and construction costs within the construction contract amount.

ATTACHMENT 1

University of Washington Tacoma

SAF Proforma Financial Results

(dollars in thousands)

Fiscal Year	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026
Beginning Balance	296	739	1,290	2,097	3,220	4,699	6,575	8,903	11,023	13,255	15,547
Current SAF Fees	2,372	2,612	2,849	3,141	3,459	3,810	4,196	4,622	4,771	4,866	4,963
New Fee	2,652	2,869	3,104	3,358	3,633	3,931	4,253	4,602	4,733	4,786	4,844
Interest and Other Revenue	5	13	22	36	55	80	112	151	187	225	264
Total Revenue	5,029	5,493	5,975	6,534	7,147	7,820	8,561	9,376	9,691	9,877	10,072
Less: Debt Service	718	861	861	861	861	861	861	861	861	861	861
Debt Service Coverage	7.01	6.38	6.94	7.59	8.30	9.08	9.94	10.89	11.26	11.47	11.70
Revenue Available for Programs and Operations and Maintenance	4,311	4,632	5,114	5,673	6,286	6,959	7,700	8,515	8,830	9,016	9,211
Less: Payment to YMCA for Operations and Maintenance and Student Membership*	1,932	2,087	2,253	2,434	2,628	2,839	3,066	3,973	4,055	4,055	4,055
Revenue available for Programs	2,379	2,546	2,860	3,239	3,658	4,121	4,634	4,541	4,775	4,961	5,156
Less: Program Expenses	1,936	1,994	2,054	2,116	2,179	2,245	2,306	2,421	2,542	2,670	2,803
Net Revenue	443	552	806	1,124	1,478	1,876	2,328	2,120	2,232	2,292	2,353
Ending Balance	739	1,290	2,097	3,220	4,699	6,575	8,903	11,023	13,255	15,547	17,900
Autumn Quarter FTE Projections (2013 = 3,531)	4,574	4,940	5,335	5,762	6,223	6,720	7,258	7,839	8,000	8,000	8,000

*Based upon Fall Headcount x $400 per year.

ATTACHMENT 2

UWT University Y Student Center

Board of Regents

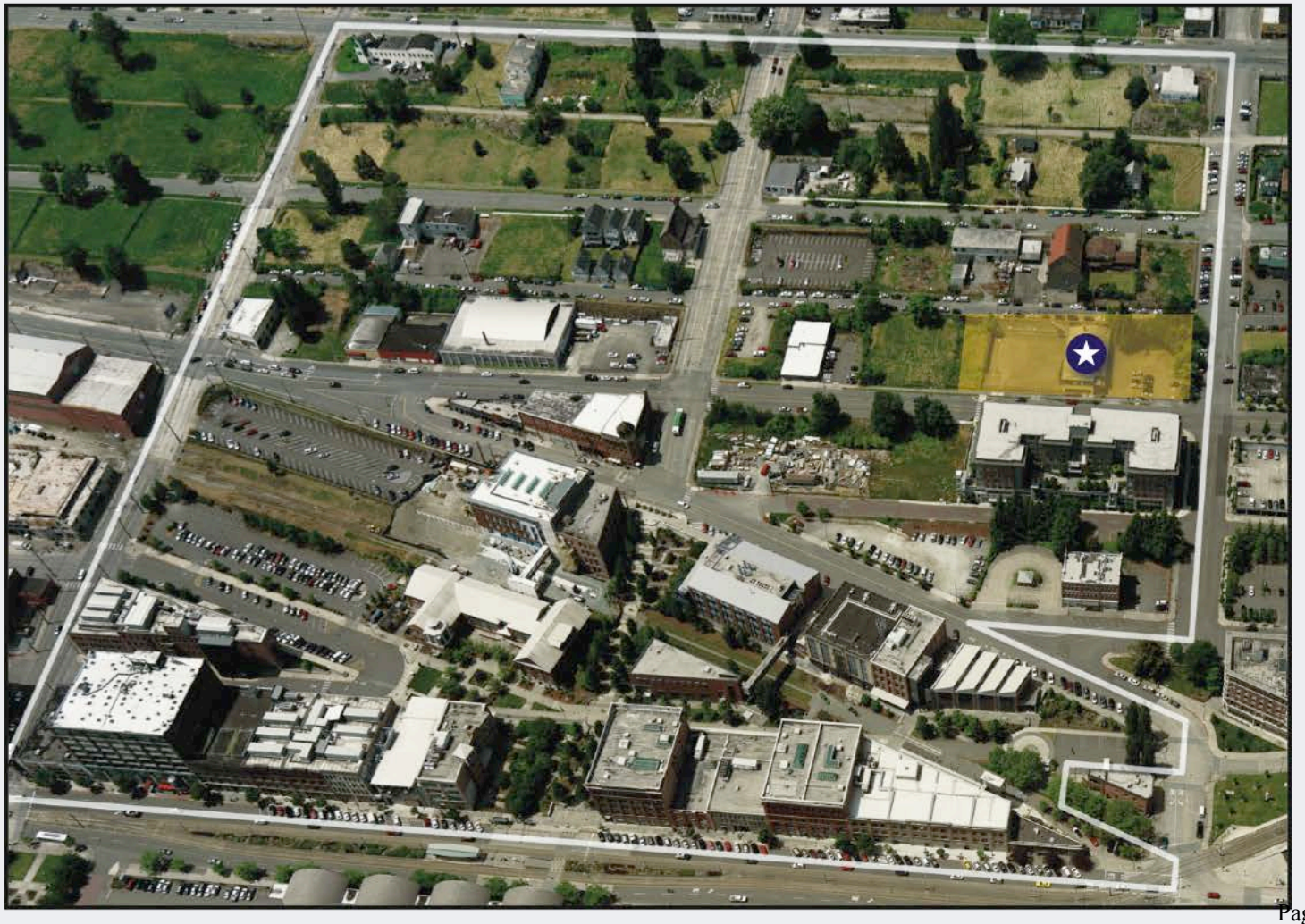
July 11, 2013

UNIVERSITY of WASHINGTON | TACOMA

REGENT ACTION AND INFORMATION TIMELINE

- March 2013
  - Introduce Project
  - Approve Use of Design-Build
- June 2013
  - Introduce Lease Structure
  - Approve Student Fee
- July 2013
  - Adopt Project Budget
  - Approve Finance Plan and Use of ILP
  - Delegate Authority to Award Design-Build Contract and Execute a Lease

UNIVERSITY Y / STUDENT CENTER



University Y Project Description

- Student demand for rec center and student union (2009 student life facilities study)
- $20M project budget, funded by student fees
- 69,000-73,000 SF
- Gymnasium, cardio/weight training, exercise/yoga studios
- Intramural sports
- Student government and club space
- Student gathering space
- Open, flexible space
- Open to faculty/staff with Y membership
- Design/Build process underway and working well