

**VII. STANDING COMMITTEES****B. Finance, Audit and Facilities Committee**Business School Project – Phase 1: New Building – Project PresentationRECOMMENDED ACTION:

It is the recommendation of the administration and the Finance, Audit and Facilities Committee that the Phase 1 project budget be established at \$80,000,000; 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

The Business School intends to place itself among the top ranked business schools in the nation. The physical facilities of the Business School require significant upgrading and expansion to house desired program offerings. The Business School intends to supplement its currently assigned space in Mackenzie Hall, Lewis Hall, Bank of America Executive Education Center (BEEC), which includes the Foster Library and Balmer Hall, with two new facilities to form a new unified Business School complex.

Phase 1 is the construction of a new building or buildings predominately for graduate instructional programs, faculty offices, and some undergraduate classrooms and support activities, with funding of \$80 million paid from a combination of donor funds and debt financing to be paid by Business School fund sources. Phase 2 demolishes Balmer Hall and constructs a new building in its place primarily to meet undergraduate program needs. Funding of \$47 million will be requested from the State of Washington as part of the UW's "Restore the Core" legislative effort.

Recent analysis determined that, even with substantial renovations, Balmer Hall could not house classrooms or other spaces that meet the undergraduate program needs of the Business School.

Phase 2 is proposed to begin design in 2008-10 and begin construction upon completion of Phase 1 to allow the Balmer Hall occupants to move into the newly constructed building. Mackenzie Hall and the BEEC will not be modified under the current approach.

Previous Action

At the March 2002 Board of Regents meeting, the Executive Vice President was delegated authority to award design contracts to LMN Architects for the Business School project. The Architectural Opportunities Report (AOR) was presented at the July 2002 meeting and the pre-design status update was presented at the

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November 2003 meeting. LMN Architects refined the Business School's original conceptual program, developed in September 2001, into a pre-design that was completed in January 2003. This pre-design envisioned a series of interconnected new buildings that would add enough additional area to the current Business School program to replace the program space currently in Lewis Hall and Mackenzie Hall. Subsequently, it was decided to keep Mackenzie Hall space as part of the Business School program space and to request State funding to replace Balmer Hall as part of the University's current Restore the Core program. A revised pre-design and conceptual program is being completed which identifies 123,080 gross square feet in the Phase 1: New Building and 60,920 gross square feet in Phase 2, a new building on the Balmer Hall site.

#### Scope of the Project

Phase 1 of the project develops a new building which would house primarily executive education and masters program. The program includes classrooms ranging from 25 to 85 seats, breakout rooms, faculty offices, academic departmental offices, administrative offices, student commons space and support spaces. Based on the current pre-design, the project budget of \$80 million would provide 123,080 gross square feet which includes 65,970 assignable square feet. Funding of \$80 million will be provided using \$60 million of gift funds and \$20 million of debt. Debt service will be paid from additional Business School revenue and cost savings that are made possible by the new facilities.

After Phase 1 is completed and the new building is occupied, the plan is to raze Balmer Hall and build a new facility on that site to meet undergraduate program needs. The building would include a 250-seat auditorium, classrooms, breakout rooms, faculty offices, program offices and support spaces. Phase 2 will proceed as a separate project and the University will position and request funding for this project as part of its Restore the Core legislative effort. Mackenzie Hall will continue to be used to meet other Business School program needs.

#### Phase 1 Schedule

Architect Selection	March 2002
Pre-design	February 2006 to September 2006
Design	September 2006 to September 2008
Award GC/CM Preconstruction Contract	February 2007
Construction	September 2008 to July 2010
Occupancy and Use	September 2010

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##### 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 absolutely critical to the success of our recent Restore the Core projects such as Johnson Hall, Guggenheim Hall and Architecture Hall. During design the GC/CM has been able to provide detailed construction scheduling, input into design constructability issues, coordination of construction documents, determination of construction logistics and needed lay-down areas, 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 by the completion of the schematic design phase.

##### Significant Risks or Opportunities

Extraordinary escalation and "market conditions" in the Seattle commercial building marketplace that reflect an extremely busy construction industry and a limited pool of available equipment and labor.

Provide new instructional spaces that help the Business School meet their goal of being one of the top ranked schools in the nation.

Provide formal and informal interaction spaces that promote synergy and collegiate interaction among faculty and students.

Develop the new buildings to provide a unified physical presence for the Business School.

Obtain State funding to build a new building on the Balmer Hall site as Phase 2.

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**Phase 1: New Building**

**Project Budget**

	<b><u>Total Escalated Cost*</u></b>	<b><u>% of TPC</u></b>
Pre-Schematic Design Services	\$435,001	0.54%
A/E Basic Design Services	\$1,790,850	2.24%
Extra Services	\$1,878,111	2.35%
Other Services	\$1,781,909	2.23%
Design Services Contingency	\$832,419	1.04%
<b>Consultant Services</b>	<b>\$6,718,360</b>	<b>8.40%</b>
GC/CM Construction Cost	\$50,256,758	62.82%
Other Contracts	\$1,635,,179	2.04%
Construction Contingencies	\$6,917,146	8.65%
Sales Tax	\$5,175,199	6.47%
<b>Construction</b>	<b>\$63,984,282</b>	<b>80.0%</b>
Equipment	\$5,574,436	6.97%
Artwork	\$0	0%
Other costs	\$1,301,848	1.63%
Project Management	\$2,421,144	3.03%
<b>Other</b>	<b>\$9,297,428</b>	<b>11.62%</b>
<b>Total Project Cost (TPC)*</b>	<b>\$80,000,000</b>	<b>100.00%</b>
<b><u>Included in Above:</u></b>		
Escalation through August 2009	\$11,743,870	14.68%
<b><u>Source of Funds</u></b>		
Donor Funds	\$60,000,000	75.00%
Business School Debt Capacity	\$20,000,000	25.00%
<b>Total</b>	<b>\$80,000,000</b>	<b>100.00%</b>

\* Escalated to construction midpoint (Aug'09)