

**VII. STANDING COMMITTEES****B. Finance, Audit and Facilities Committee****Health Sciences Center H-Wing Renovation – Budget Approval and Contract Award****RECOMMENDED ACTION:**

It is the recommendation of the administration and the Finance, Audit and Facilities Committee that the total project budget for the Health Sciences Center (HSC) H-Wing Renovation Project be revised to \$43.2 million, subject to the funding being available; and that the President be delegated authority to award the GC/CM construction contract in two phases, subject to the contract being within budget and the funding being available.

**Project Scope**

In September 2005 the Board of Regents approved a budget for a seismic structural retrofit of HSC H- and G-Wings (which are a single structure), energy code compliance work on the H-Wing exterior and National Institute of Health (NIH) NCCR grant-funded laboratory renovations on H-Wing floors 2, 3 and 4 for the Department of Physiology and Biophysics (PBio). By that same action, the Regents further approved commencement of the design for renovations of the 5<sup>th</sup> floor of F, G, H and I Wings for the Department of Biological Structure (BStr), for which a second NCCR grant had been announced just days before the Regents meeting.

Repair and replacement of dilapidated mechanical, electrical and laboratory utilities systems throughout H-Wing is necessary to allow the PBio and BStr laboratories to operate. The University's 2007-2009 capital budget request, recently endorsed by the Governor, includes funds for this infrastructure work and is discussed in the project funding strategy below. A third NCCR grant received in mid-2006 provided funding to renovate the Fish Lab in H-Wing.

The totality of the above described work is consolidated into the revised scope of the H-Wing Renovation project. A vicinity map of the project is shown in Attachment 1. The total area encompassed by the project scope is 97,000 GSF.

**Project Schedule**

The project schedule is summarized in Attachment 2.

The schedule calls for construction to commence on April 25, 2007. A timely start of construction is essential to minimize escalation costs of approximately \$300,000 per month, ameliorate concerns that grant-funded research is late in commencing, and to address aging of state funds, further explained in the following budget summary.

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In order to meet this schedule, approval of the new budget and expanded scope is requested so that other key milestones can be met. This is discussed further in the funding and delivery strategy below.

Critical to the project schedule is the decanting of existing H-Wing occupants prior to the commencement of construction. The School of Medicine is managing the process of relocating these occupants and their research operations to various facilities throughout the campus. Funding for this relocation and the return to H-Wing after construction is not included in the project budget and has been approved separately as minor repair projects from central, School of Medicine, and department sources.

#### Project Budget

The total project cost estimate to consolidate the scope totals \$43.2 million, as outlined in Attachment 3. The consolidated proposed budget reflects the addition of the BStr laboratory renovations, the Fish Lab and the building infrastructure systems repairs that have been added to the project scope as described above. Escalation and market condition costs in the Seattle area are currently in excess of 1% per month. The budget is based on an April 25 start of construction. Delaying construction would result in increased costs.

The laboratory renovation work is funded by three federal NCRR grants and matching funds from State, central University, School of Medicine and department sources. The major seismic, energy code and building infrastructure systems renovations are funded by State appropriations from the 2003-05 and 2005-07 biennia, with the balance to be funded from the 2007-09 state appropriation and central sources. Construction of items utilizing the 2003-05 State funds needs to commence as soon as possible.

#### Project Funding and Delivery Strategy

In order to maintain the project schedule, Skanska, the GC/CM, must take public subcontractor bids for demolition, hazardous materials abatement, structural work and selected long-lead equipment items in late February, prior to the architect's final completion of the construction documents. The schedule calls for Skanska to then open all remaining subcontractor bids in late April, after completion of the construction documents. The governing State statute requires that Skanska be under contract to the University prior to opening any of the bids, making it necessary to execute a contract in late February. However, a contract for the full value of the construction would require a commitment of all project funds,

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including the full \$10 million contained in the University's 2007-09 capital budget request. Since the commitment for those funds will not be certain until the end of the legislative session in late April, the University intends to award the construction contract in two phases.

In the two-phase contract approach, the Capital Projects Office will negotiate an agreement with Skanska on the guaranteed construction cost (GCC) for the entire project prior to opening the early bids in late February. The first of the two contracts will then be executed for a portion of the total GCC that covers the scope of the early bid packages and for which funds are in hand. The early bids will then be opened. Upon confirmation of the commitment of the 2007-09 biennium funds in late April, the second phase of the contract will be awarded to Skanska, such that the total of the two contract phases equals the previously agreed GCC. The remaining bids will then be opened and the GC/CM would mobilize and begin construction activities.

This strategy ensures that contracts are backed with committed funds and allows the project to proceed on schedule. The strategy also depends upon the appropriation of the full \$10 million state funding requested in the University's 2007-09 Capital Budget Request. Without this full funding, the project is not viable.

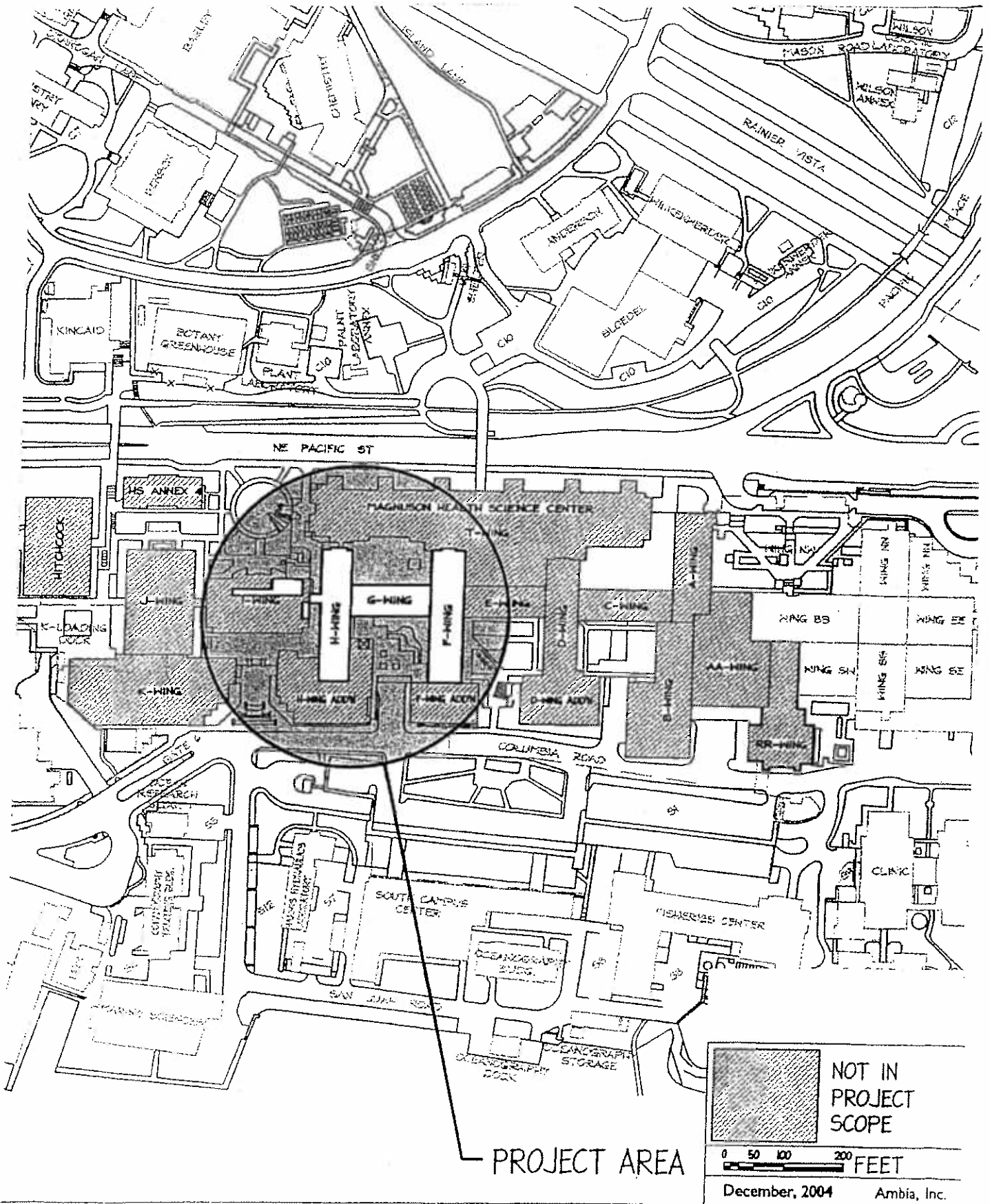
#### ENCLOSURES:

Attachment 1 – H-Wing Vicinity Map

Attachment 2 – Project Schedule

Attachment 3 – Project Budget

Attachment 1



VICINITY MAP



FIGURE 1.0

Attachment 2

10402 Health Science Center H-Wing Renovation															Data: Jan-01-2007;												
Activity Name	Start	Finish	2004			2005				2006				2007				2008				2009				2010	
			Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2
<b>10402 Health Science Center H-Wing Renov:</b>	Sep-03-2004 A	Nov-07-2009	10402 Health Science Center H-Wing Renovation																								
<b>Predesign</b>	Sep-03-2004 A	Jul-01-2005 A	Predesign																								
<b>Schematic Design Phase One</b>	Aug-19-2005 A	Feb-01-2006 A	Schematic Design Phase One																								
<b>Schematic Design Phase Two</b>	Dec-15-2005 A	May-23-2006 A	Schematic Design Phase Two																								
<b>Design Development Phase One</b>	Jan-31-2006 A	Jul-18-2006 A	Design Development Phase One																								
<b>Design Development Phase Two</b>	May-23-2006 A	Oct-30-2006 A	Design Development Phase Two																								
<b>Construction Documents Phase One</b>	Jul-18-2006 A	Jan-30-2007	Construction Documents Phase One																								
<b>Construction Documents Phase Two</b>	Oct-25-2006 A	Apr-25-2007	Construction Documents Phase Two																								
<b>Permit Phase One</b>	Nov-20-2006 A	Mar-29-2007	Permit Phase One																								
<b>Permit Phase Two</b>	Feb-12-2007	May-29-2007	Permit Phase Two																								
<b>Agency Reviews</b>	Dec-27-2006 A	Apr-24-2007	Agency Reviews																								
<b>Construction</b>	Apr-25-2007	Oct-10-2008	Construction																								
<b>GCCM Preconstruction Activities</b>	Apr-18-2006 A	Apr-24-2007	GCCM Preconstruction Activities																								
<b>Occupancy</b>	Oct-10-2008	Jan-29-2009	Occupancy																								
<b>Closeout</b>	Oct-10-2008	Nov-07-2009	Closeout																								

## Attachment 3

## HSC H-WING RENOVATION

Cost Estimate

**Total Escalated Cost  
September 2005**

**Total Escalated Cost  
January 2007**

**\$ of TEC**

**Consultant Services**

Pre-Schematic Design Services	69,000	49,000	0.1%
A/E Basic Services	832,000	1,696,000	3.9%
A/E Extra Services	421,000	651,000	1.5%
Other Services	649,000	1,626,000	3.8%
Design Services Contingency	113,000	257,000	0.6%

**Construction**

MACC- Primary	10,070,000	27,008,000	62.5%
GC/CM Costs	1,536,000	4,975,000	11.5%
Sales Tax on Construction	1,021,000	197,000	0.5%
Construction Contingencies	1,611,000	3,376,000	7.8%
Sales Tax on Contingencies	142,000	45,000	0.1%

**Other**

Equipment			
Artwork		132,000	0.3%
Other Costs	529,000	764,000	1.8%
Project Management	1,153,000	2,434,000	5.6%

<b>Total Escalated Cost</b>	<b>18,146,000</b>	<b>43,210,000</b>	<b>100.0%</b>
<b>Escalation</b> (included in above)	<b>1,560,000</b>	<b>3,028,000</b>	
<b>Unfunded Costs</b> (included in above)			

**Source of Funds**

State Gen'l Fund GO Bond/Notes	13,996,000	19,647,000
UW Non-state Revenue	500,000	6,412,000
Non-state Revenue Grant/Gift	3,650,000	17,151,000
	<b>18,146,000</b>	<b>43,210,000</b>