

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

It is the recommendation of the administration and the Finance, Audit and Facilities Committee that the Phase 1 project budget be revised from \$80,000,000 to \$95,000,000. The Business School has made substantial reductions in the project scope, but current market conditions prevent achieving the approved Schematic Design within the original \$80,000,000 project budget. The scope of further reductions necessary to maintain the project budget at \$80,000,000 would, in the view of the Business School, make the project untenable.

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 a new building predominately for graduate instructional programs, faculty offices, and some undergraduate classrooms and support activities, with funding of \$95 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 predominantly to meet undergraduate program needs, with funding of \$47 million to 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 needs of the University and the Business School. A Predesign to be submitted to the State by the end of 2007 is expected to confirm this finding.

Phase 2 is proposed to begin design in April 2008 and begin construction upon completion of Phase 1 to allow the Balmer Hall occupants to surge into the new construction. 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.

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The Architectural Opportunities Report (AOR) was presented at the July 2002 meeting and the pre-design status update was presented at the 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 identified 123,080 gross square feet in Phase 1 and 60,920 gross square feet in Phase 2.

At the September 2006 Board of Regents meeting, the Board established the Phase 1 project budget at \$80 million, of which \$60 million is projected from donated funds; approved the use of alternative public works utilizing the General Contractor/ Construction Manager (GC/CM) method of contracting; and delegated authority to the President 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.

At the May 2007 meeting, the Board received a presentation of the Phase 1 Schematic Design, and also approved LMN as the architect for the design of Phase 2.

#### Scope of the Project

Phase 1 of the project will house primarily the executive education and masters programs. The program includes classrooms ranging from 25 to 85 seats, breakout rooms, a 250-seat auditorium, faculty offices, academic departmental offices, administrative offices, student commons space and support spaces. Based on the current Schematic Design and accepted value engineering measures, the project budget of \$95 million would provide 123,080 gross square feet, which includes 65,970 assignable square feet. Funding of \$95 million will be provided using \$75 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.

Phase 1 also includes designing and constructing a basic concrete connection to the Foster Library, as well as a design for the Library modification. The Library modification, including finishing the connection between the Library and the Phase 1 building, could be constructed with \$2 million of additional donations, by the project coming in under budget by a like amount, or some combination of the two.

After Phase 1 is completed and occupied, Phase 2 will raze Balmer Hall and build a new facility on that site, predominantly to meet undergraduate program needs. The building

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would include classrooms, breakout rooms, faculty offices, program offices and support spaces, and a multipurpose meeting/dining room. 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

#### 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.

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**New Business School Project**

**Project Budget**

	<b><u>Total Escalated Cost*</u></b>	<b><u>% of TPC</u></b>
Pre-Schematic Design Services	\$436,032	0.5%
A/E Basic Design Services	\$2,639,323	2.8%
Extra Services	\$1,833,027	1.9%
Other Services	\$2,272,546	2.4%
Design Services Contingency	\$824,474	0.9%
<b>Consultant Services</b>	<b>\$8,005,402</b>	<b>8.5%</b>
*GC/CM Construction Cost	\$63,684,622	67.0%
Other Contracts	\$983,105	1.0%
Construction Contingencies	\$7,444,176	7.8%
Sales Tax	\$5,761,705	6.1%
<b>Construction</b>	<b>\$77,873,608</b>	<b>82.0%</b>
Equipment/ Furnishings	\$5,566,670	5.8%
Artwork	\$0	0%
Other costs	\$1,008,885	1.1%
Project Management	\$2,545,435	2.7%
<b>Other</b>	<b>\$9,120,990</b>	<b>9.6%</b>
<b>Total Project Cost (TPC)*</b>	<b>\$95,000,000</b>	<b>**100.0%</b>

**Included in Above:**

LEED Silver	\$1,230,827	1.3%
Escalation through July 2009	\$10,189,674	10.7%

**Source of Funds**

Business School Donor Funds	\$75,000,000
Business School Debt/Financing (2007-09 Biennium)	\$20,000,000

**Total** **\$95,000,000**

\* Escalated to construction midpoint (July'09)

\*\* Subtotals exceed 100% due to rounding