

**VII. STANDING COMMITTEES****B. Finance, Audit and Facilities Committee**Magnuson Health Sciences Center Sixth Floor and RR-Wing 2-Floor Projects PresentationRECOMMENDED ACTIONS

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

1. establishing the project budget for the Magnuson Health Sciences Center (MHSC) Sixth Floor project at \$11.5 million;
2. establishing the project budget for the MHSC RR-Wing 2-Floor project at \$10.5 million;
3. appointing NBBJ as design architect for the MHSC RR-Wing 2-Floor project. In the event of an unsuccessful negotiation with the selected firm, it is recommended that authority be delegated to open negotiations with Ambia Architecture, the firm recommended as first alternate;
4. financing of the construction of the projects referenced above and other accreditation projects executed under delegated authority through the issuance of up to \$25 million in short term notes (commercial paper) and the issuance of long term debt in the amount required to pay off the notes when UW General Revenue Bonds are next issued; and
5. delegation of authority to the President or his designee to execute documents as required to complete the interim and permanent financings, including the authority to set maturities and roll periods for the short term notes and enter into a rate lock prior to obtaining permanent financing.

BACKGROUND

In Fall 2006, the University launched a multi-phased effort to address deficiencies resulting from a site visit by the Association for Assessment and Accreditation of Laboratory Animal Care (AAALAC).

Phase I consisted of the purchase of equipment, relocation of rodents from non-compliant spaces and initial funding of several small capital projects and studies.

The Phase I equipment purchases and relocation work is now complete. Based on information developed from studies undertaken in Phase I, the University has

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determined that there is approximately \$28 million of capital projects required to correct identified deficiencies.

Phase II consists of implementation of the large construction projects identified in Phase I. The two projects discussed in this writeup require approval by the Board of Regents. The other projects listed below are under \$5,000,000 and executed under delegated authority. These projects are as follows:

3018 Western Avenue Entry/Cage Wash	\$2,168,439
HSC I-Wing Surgery Corridor/Cage Wash	\$1,655,494
Environmental Monitors Projects	\$1,876,067

#### **MHSC Sixth Floor Project**

The MHSC Sixth Floor Project will renovate approximately 10,600 square feet of the Department of Comparative Medicine's existing vivarium facility on the sixth floor of the MHSC. This renovation focuses primarily on the G & H Wings portion of the vivarium, which were constructed in 1947. This project will demolish the interior of the existing vivarium in the G & H Wings and construct a state of the art vivarium designed to have a useful life of 25 – 30 years. The work includes new architectural finishes, redundant mechanical, electrical, and plumbing infrastructure systems to be compliant with current AAALAC requirements. The mechanical ventilation, plumbing and electrical systems will be constructed in new penthouse space above the existing facility due to the limited floor height and to provide ease of maintenance. Adjacent areas in the E & F Wings will be upgraded as necessary to surge existing operations out of G & H Wings, and maintain animal care procedures in the remaining sixth floor vivarium.

#### **PREVIOUS ACTION**

At the July 2007 Board of Regents meeting, the President was delegated authority to award a design contract to Ambia Architecture.

#### **PROJECT SCHEDULE**

To meet the commitments from the University of Washington to AAALAC that the animals be housed in compliant spaces requires that the project spaces be ready for occupancy in January 2010.

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Key project milestones are as follows:

Architect Appointment	Completed July 2007
Predesign	March 2008
Preliminary Design	July 2008
Construction Documents	December 2008
Construction	February 2009 through December 2009
Occupancy and Use	January 2010

#### **MHSC RR-Wing 2-Floor Project**

The MHSC RR-Wing tower addition, including the area occupied by this project was constructed in 1966. The MHSC RR-Wing 2-Floor project will renovate approximately 8,600 square feet of the Washington National Primate Research Center's (WaNPRC) existing vivarium facility on the minus one and first floor of RR-Wing. This renovation will demolish the interior of the existing facilities and construct a state of the art vivarium designed to have a useful life of 25 – 30 years. The improvements will include new architectural finishes, redundant mechanical, electrical, and plumbing systems to be compliant with current AAALAC requirements. Improvements include a new two stop elevator, improved circulation, and separation of clean and dirty areas, architectural enhancements addressing cleanable surfaces for the floors, walls and ceilings plus security improvements.

In January 2008, the Capital Projects Office advertised for firms interested in providing architectural design services. Four firms responded to the Request for Qualifications for this project. Two firms were interviewed on February 22, 2008 by a Capital Projects Evaluation Committee which included representatives from the Health Sciences Center administration, WaNPRC, University Campus Engineering, and the Capital Projects Office. It is the recommendation of the Evaluation Committee that NBBJ be appointed design architect for this project, with Ambia as the first alternate.

NBBJ Architecture has an extensive history of design projects at the University of Washington and at a national level working at educational facilities, including a previous master planning, and visioning study for the WaNPRC. Other recent projects at the University of Washington include the MHSC T-Wing School of Medicine 5th Floor Renovation, University

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of Washington Medical Center (UWMC) Surgery Pavilion, Harborview Bond Project and the current UWMC Expansion Project (Phase I).

#### PROJECT SCHEDULE

To meet the commitments from the University of Washington to AAALAC that the animals be housed in compliant spaces requires that the project be ready for occupancy in April 2010.

Key project milestones are as follows:

Architect Appointment	March 2008
Predesign	June 2008
Preliminary Design	October 2008
Construction Documents	March 2009
Construction	May 2009 through March 2010
Occupancy and Use	April 2010

#### CONTRACTING STRATEGY

The Capital Projects Office will be evaluating whether the use of an alternate public works contracting procedure, General Contractor/Construction Manager (GC/CM), authorized by RCW 39.10 or design-bid-build is the best strategy for construction of the MHSC Sixth Floor and MHSC RR-Wing 2-Floor projects. The contracting strategy will be reported when we return for construction approvals for these projects.

#### SIGNIFICANT RISKS OR OPPORTUNITIES

There are several significant and similar risks for all of the projects. Access and construction staging areas are severely limited and difficult. Moving materials to each project will be through occupied spaces with limited access. Staging areas are limited to the construction site. Access to the RR-Wing 2-Floor project will be further hampered by the construction of the UWMC Expansion (Phase I), which could impede access to the loading dock for moving materials.

The MHSC Sixth Floor and MHSC RR-Wing 2-Floor projects are technically challenging design projects with extensive redundancy and reliability requirements for the mechanical and electrical systems. Given the redundant systems requirements it will be a challenge to locate and install the necessary

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cooling, ventilation, and emergency power equipment. In addition, these projects are located adjacent to occupied spaces that will remain in use during the construction. These projects provide the opportunity to provide state of the art vivarium spaces to support the UW teaching and research missions.

#### FUNDING AND FINANCING PLAN

The total cost for all of the accreditation projects is \$27.8 million, which includes renovations to the MHSC Sixth Floor and MHSC RR-Wing 2-Floor, the Western Avenue Entry/Cage Wash and MHSC I-Wing Surgery/Cage Wash, and Environmental Monitors.

The sources and uses are below:

#### **Sources and Uses of Funds**

##### **Sources of Funds**

Long/Short Term Debt	25,000,000
Central Funding	3,102,000
<b>Total Sources of Funds</b>	<b>28,102,000</b>

##### **Uses of Funds**

Western Avenue Cage Wash	2,168,000
I-Wing Cage Wash	1,656,000
HSC Sixth Floor	11,500,000
HSC RR Wing Renovation	10,500,000
Environmental Monitors	2,000,000
Debt Cost of Issuance	278,000
<b>Total Uses of Funds</b>	<b>28,102,000</b>

#### CREDIT ANALYSIS

The debt service will be paid from existing indirect cost. These projects do not generate new revenue, but they are critical to the quality of animal facilities and the continuing success of UW's research enterprise. The Treasury Office has reviewed indirect cost projections with the Office of the Provost and believes that existing indirect cost will be sufficient to pay the debt.

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#### INTERNAL REVIEWS AND APPROVALS

The financing plan has been reviewed and approved by the Senior Vice President for Finance and Facilities and the Vice Provost for Budgeting and Planning.

#### Attachments

- Attachment 1 – Project Budget MHSC Sixth Floor
- Attachment 2 – Project Budget MHSC RR-Wing 2-Floor
- Attachment 3 – ICR Summary 2007 – 2016

**Project Budget MHSC Sixth Floor**

	<b><u>Total Escalated Cost*</u></b>	<b><u>% of TPC</u></b>
Pre-Schematic Design Services	\$210,000	1.80%
A/E Basic Design Services	\$504,000	4.40%
Extra Services	\$170,000	1.50%
Other Services	\$407,000	3.50%
Design Services Contingency	\$266,000	2.30%
<b>Subtotal Consultant Services</b>	<b>\$1,557,000</b>	<b>13.50%</b>
Construction Cost	\$6,713,000	58.40%
Other Contracts		
Construction Contingencies	\$1,306,000	11.40%
Sales Tax	\$722,000	6.30%
<b>Subtotal Construction</b>	<b>\$8,741,000</b>	<b>76.00%</b>
Equipment	\$283,000	2.50%
Artwork		
Other Costs	\$224,000	1.90%
Project Management	\$695,000	6.00%
<b>Subtotal (Other)</b>	<b>\$1,202,000</b>	<b>10.50%</b>
<b>Total Project Cost (TPC)*</b>	<b>\$11,500,000</b>	<b>100.00%</b>
<b><u>Included in above:</u></b>		
Escalation through June 2009	\$648,000	5.60%
<b><u>Source of Funds</u></b>		
General Revenue	\$11,500,000	100.00%
<b>Total</b>	<b>\$11,500,000</b>	<b>100.00%</b>
*Escalated to construction midpoint (June 2009)		

**Project Budget MHSC RR-Wing 2-Floor**

	<b><u>Total Escalated Cost*</u></b>	<b><u>% of TPC</u></b>
Pre-Schematic Design Services	\$85,000	0.80%
A/E Basic Design Services	\$594,000	5.70%
Extra Services	\$64,000	0.60%
Other Services	\$358,000	3.40%
Design Services Contingency	\$242,000	2.30%
<b>Subtotal Consultant Services</b>	<b>\$1,345,000</b>	<b>12.80%</b>
Construction Cost	\$5,943,000	56.60%
Other Contracts	\$42,000	0.04%
Construction Contingencies	\$1,486,000	14.20%
Sales Tax	\$665,000	6.30%
<b>Subtotal Construction</b>	<b>\$8,134,000</b>	<b>77.50%</b>
Equipment	\$246,000	2.30%
Artwork		
Other Costs	\$130,000	1.20%
Project Management	\$645,000	6.10%
<b>Subtotal (Other)</b>	<b>\$1,021,000</b>	<b>9.70%</b>
<b>Total Project Cost (TPC)*</b>	<b>\$10,500,000</b>	<b>100.00%</b>
<b><u>Included in above:</u></b>		
Escalation through October 2009	\$757,000	7.20%
<b><u>Source of Funds</u></b>		
General Revenue Bonds	\$10,500,000	100.00%
<b>Total</b>	<b>\$10,500,000</b>	<b>100.00%</b>
*Escalated to construction midpoint (October 2009)		



**ICR Summary 2007 - 2016**

(in 000's)

<b>SOURCE</b>	<b><u>2007</u></b>	<b><u>2008</u></b>	<b><u>2009</u></b>	<b><u>2010</u></b>	<b><u>2011</u></b>	<b><u>2012</u></b>	<b><u>2013</u></b>	<b><u>2014</u></b>	<b><u>2015</u></b>	<b><u>2016</u></b>
Indirect Cost Recovery	189,000	196,000	204,500	211,800	218,500	225,600	232,400	239,500	246,800	254,300
<b>USES</b>										
Research Cost Recovery (RCR)	64,100	65,110	69,110	72,230	74,580	77,190	79,460	81,790	84,200	86,680
Administrative Support	45,360	47,040	48,500	50,000	51,550	53,150	54,800	56,500	58,250	60,050
Utilities, Insurance, Property Rental	22,000	23,520	24,250	25,000	25,780	26,580	27,400	28,250	29,120	30,030
Research Support	21,170	21,750	16,640	14,250	15,410	16,920	17,470	19,180	20,370	20,280
Debt Service	11,830	14,180	15,860	15,850	15,850	15,220	15,340	15,360	15,940	16,870
Animal Facilities	-	-	852	1,703	1,703	1,703	1,703	1,703	1,703	1,703
Specific Building /Function	13,640	13,500	18,390	20,780	21,620	22,810	23,270	23,740	24,220	24,720
Transfer to Capital	10,900	10,900	10,900	12,000	12,000	12,000	13,000	13,000	13,000	14,000
Total Uses	189,000	196,000	204,500	211,800	218,500	225,600	232,400	239,500	246,800	254,300

Assumptions:

*ICR growth from 2009 is based on CPI (State of Washington, Economic Revenue Forecast, February 2008, Table 1.1 U.S. Economic Forecast Summary) plus revenue growth from additional space in South Lake Union*