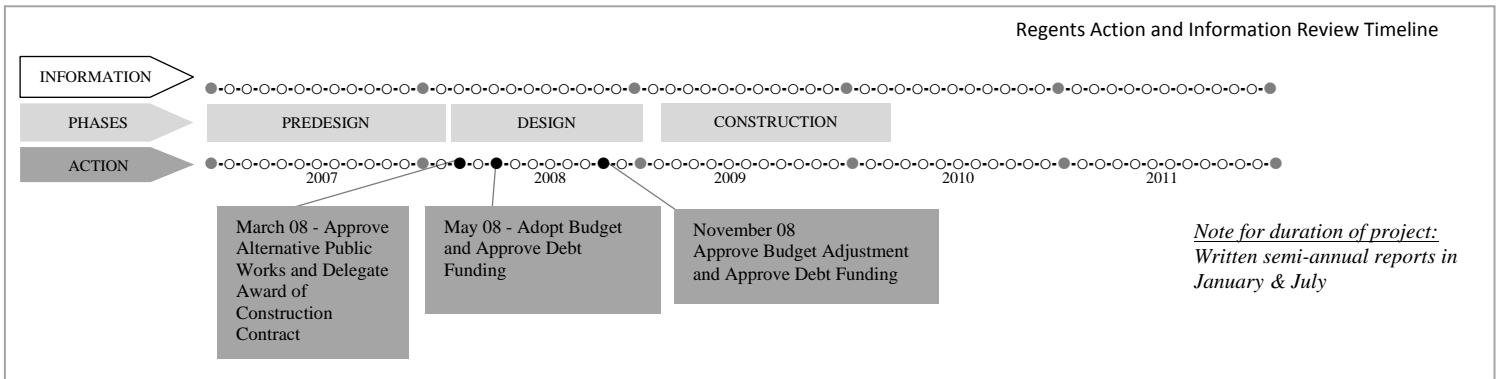


VII. STANDING COMMITTEES

B. Finance, Audit and Facilities Committee

Magnuson Health Sciences Center Sixth Floor and RR-Wing Renovation –
Approve Budget Adjustment and Approve Debt Funding



RECOMMENDED ACTIONS:

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

1. adjusting the previously approved project budgets for the Magnuson Health Sciences Center (MHSC) Sixth Floor project and the MHSC RR-Wing 2-Floor project from a combined total of \$22.0 million to a new combined total of \$28.7 million;
2. using the Internal Lending Program to fund up to \$7 million in additional project costs.

BACKGROUND:

In autumn 2006, the University launched a multi-faceted program to address deficiencies resulting from a site visit by the Association for Assessment and Accreditation of Laboratory Animal Care (AAALAC). Execution of this program continues as reported to the Board of Regents (BOR) in March 2008, when it approved the budgets and financing plans for each of the programs.

This BOR action item applies solely to the two major phases of the AAALAC program: the MHSC 6th Floor and RR Wing 2-Floor projects. The two projects are being designed by separate architects, but will be constructed simultaneously by a single General Contractor/Construction Manager (GC/CM). For clarity in the budgeting, funding and management of these two projects, the administration

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Magnuson Health Sciences Center Sixth Floor and RR-Wing Renovation – Approve rove Budget Adjustment and Approve Debt Funding (continued p. 2)

has chosen to combine them as two phases of a single major project, hereafter referred to as the MHSC 6th Floor and RR Wing Renovation.

PREVIOUS ACTIONS:

In March 2008, the BOR approved the budget and financing plan and delegated authority to complete interim and permanent financing for the entire AAALAC compliance program. In May 2008, the BOR approved the use of the alternative public works GC/CM contracting method and delegated authority to award the construction contract for both phases of the MHSC 6th Floor and RR Wing Renovation.

PROJECT BUDGET ADJUSTMENT:

This request is for an increase in the MHSC 6th Floor and RR Wing Renovation budget in the amount of \$6.7 million. The original project budget failed to accurately identify the costs associated with the sophisticated infrastructure systems necessary to resolve the deficiencies in the two facilities. The relationships between relatively small program areas, high infrastructure needs and complicated installation requirements were not accurately reflected in earlier cost models. There are no existing similar facilities to compare and test earlier cost assumptions. Due to the fast-track nature of the design process, the project team did not have the benefit of the GC/CM's constructability and market expertise until the design was near completion. The revised cost forecast that forms the basis of this budget adjustment request is from the reconciled, independent estimates by the GC/CM and the design teams.

PROJECT SCOPE AND SCHEDULE:

MHSC Sixth Floor Scope

The MHSC Sixth Floor phase 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 phase will demolish the interior of the existing vivarium in the G & H Wings and construct a 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

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Magnuson Health Sciences Center Sixth Floor and RR-Wing Renovation – Approve rove Budget Adjustment and Approve Debt Funding (continued p. 3)

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.

MHSC RR-Wing Scope

The MHSC RR-Wing tower addition, including the area occupied by this phase, was constructed in 1966. This phase 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 facility and construct a 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, separation of clean and dirty areas, security improvements and architectural enhancements addressing cleanable surfaces for the floors, walls and ceilings.

PROJECT SCHEDULE:

The project schedule has been revised to reflect the single, major project approach to bidding, demolition and construction, while maintaining the commitments made to AAALAC for the resolution of the facility deficiencies in both phases of the project.

Key remaining project milestones are as follows:

Phased Construction Documents	November 2008 through January 2009
Demolition	December 2008 through February 2009
Construction	March 2009 through March 2010
Ready to Occupy – 6 th Floor	January 2010
Ready to Occupy – RR Wing	April 2010

FUNDING AND FINANCING PLAN:

The total cost for the MHSC 6th Floor and RR Wing Renovation is \$28.7 million.

The sources and uses are below:

VII. STANDING COMMITTEES

B. Finance, Audit and Facilities Committee

Magnuson Health Sciences Center Sixth Floor and RR-Wing Renovation –
Approve rove Budget Adjustment and Approve Debt Funding (continued p. 4)

Sources and Uses of Funds

Sources of Funds

ILP Loan Approved March 2008 (See Note)	22,000,000
New Debt	<u>6,767,000</u>
Total Sources of Funds	<u><u>28,767,000</u></u>

Uses of Funds

HSC Sixth Floor Original Budget	11,500,000
HSC Sixth Floor Increase	<u>2,350,000</u>
Sub Total HSC Sixth Floor	<u>13,850,000</u>
HSC RR Wing Original Budget	10,500,000
HSC RR Wing Increase	<u>4,350,000</u>
Sub Total HSC RR Wing	<u>14,850,000</u>
Debt Cost of Issuance	<u>67,000</u>
Total Uses of Funds	<u><u>28,767,000</u></u>

NOTE: Excludes AAALAC projects approved in March 2008 that did not experience budget increases; Western Avenue Cage Wash, I-Wing Cage Wash, and Environmental Sensors.

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.

INTERNAL REVIEWS AND APPROVALS:

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

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B. Finance, Audit and Facilities Committee

Magnuson Health Sciences Center Sixth Floor and RR-Wing Renovation –
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SIGNIFICANT PROJECT RISKS:

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

Both phases of the project are technically challenging to design and construct, 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 cooling, ventilation, and emergency power equipment. Both phases are located adjacent to occupied spaces that will remain in use during the construction.

Attachments

1. Project Budget
2. ICA Summary

MHSC 6th Floor and RR Wing Renovation

	<u>Total Escalated Cost*</u>	<u>% of TPC</u>
Pre-Schematic Design Services	\$428,000	1.5%
A/E Basic Design Services	\$1,795,000	6.3%
Extra Services	\$530,000	1.8%
Other Services	\$366,000	1.3%
Design Services Contingency	\$204,000	0.7%
Consultant Services	\$3,323,000	11.6%
Construction Cost	\$19,676,000	68.6%
Other Contracts	\$380,000	1.3%
Construction Contingencies	\$2,951,000	10.3%
Sales Tax (deferred)	\$207,000	0.7%
Construction	\$23,214,000	80.9%
Equipment	\$338,000	1.2%
Artwork		
Other Costs	\$435,000	1.5%
Project Management	\$1,390,000	4.8%
Other	\$2,163,000	7.5%
<hr/>		
Total Project Cost (TPC)*	\$28,700,000	100.0%
<u>Included in above:</u>		
*Escalation	\$305,000	1.1%
<u>Source of Funds</u>		
Long/Short Term Debt	\$28,700,000	100.0%
<hr/>		
Total	\$28,700,000	100.0%

*Escalaton based on GC/CM bid plan.

Magnuson Health Sciences Center Sixth Floor and RR-Wing Renovation

ICR Summary, 2008-2017 (\$000)

	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
<u>Sources</u>									
Indirect Cost Recovery (1)	198,000	203,000	207,000	211,000	216,000	221,000	227,000	232,000	237,000
<u>Uses</u>									
Research Cost Recovery (RCR)	65,780	66,990	68,310	69,630	71,280	72,930	74,910	76,560	78,210
Administrative Support	48,370	46,058	49,198	50,158	51,358	52,559	53,999	55,198	56,398
Utilities, Insurance, Property Rental	23,520	24,508	24,949	25,523	26,110	26,710	27,325	27,953	28,596
Research Support	21,750	19,442	14,828	14,596	15,060	16,029	17,505	17,967	18,044
Current Debt Service (2)	14,180	16,712	17,553	18,092	18,000	18,120	18,140	18,720	19,650
Animal Facilities (new)			482	482	482	482	482	482	482
Specific Building/Function	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	10,900	10,900	10,900	10,900	10,900	10,900
Total Uses	198,000	203,000	207,000	211,000	216,000	221,000	227,000	232,000	237,000

NOTES:

1) ICR growth from 2010 is based on CPI (State of Washington, Economic Revenue Forecast, September 2008, Table 1.1 U.S. Economic Forecast Summary)

2) Includes Animal Facilities (approved March 2008) and J-wing (approved September 2008) debt service