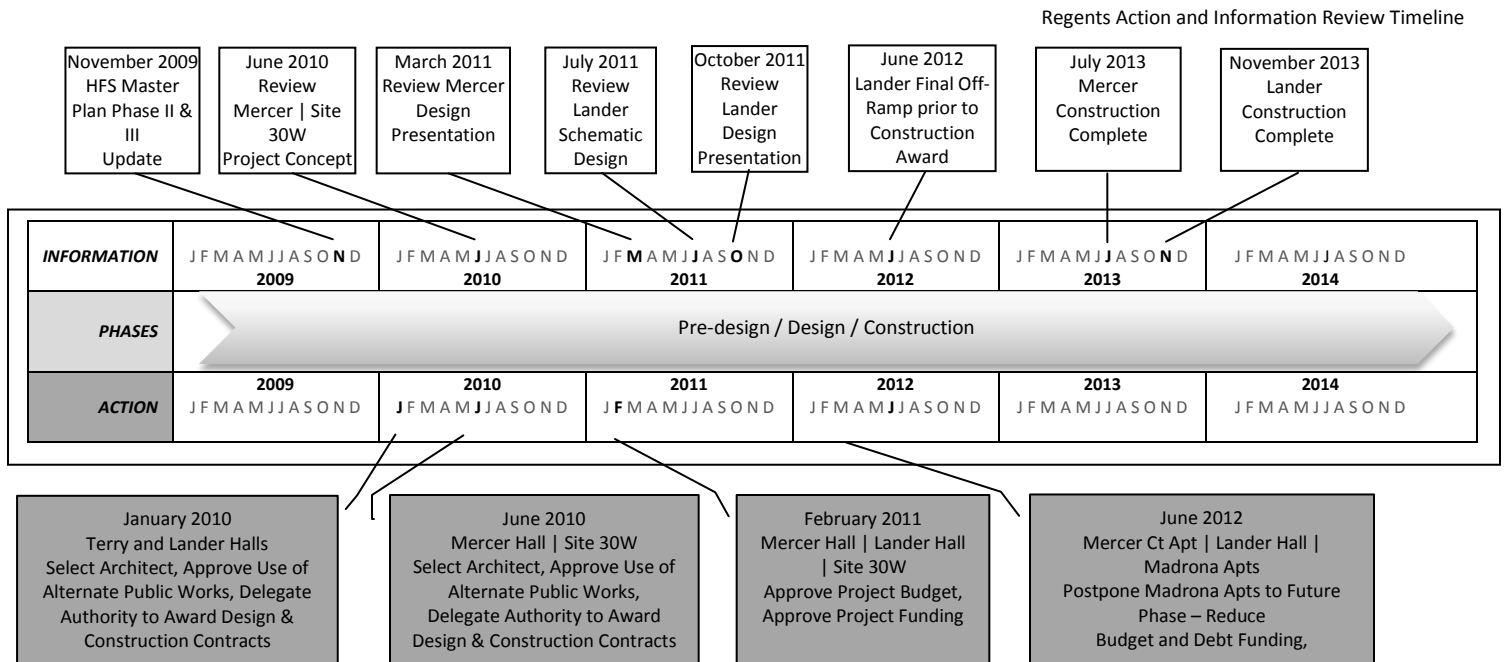


VII. STANDING COMMITTEES

B. Finance, Audit and Facilities Committee

Student Housing Phase II: Mercer Court Apartments, Lander Hall Replacement, and Madrona Apartments Projects – Postpone Madrona Apartments to Future Phase, Reduce Project Budget and Reduce Debt Funding



*Note for duration of project:  
Written semi-annual reports in December & May  
Oral semi-annual updates in March & September*

RECOMMENDED ACTION

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

1. Approve the reduction in the Student Housing Phase II Mercer Court Apartments and Lander Hall Replacement budget from \$257,000,000 to \$195,000,000, this reduction being the result of postponing the Madrona Apartments Project to a future phase of the Housing Master Plan, and
2. Approve the reduction in the Internal Lending Program authorization for Phase II from \$286,100,000 to \$217,100,000.

HOUSING MASTER PLAN

The University of Washington has a goal of providing quality housing for its students and encouraging on-campus residency. Residential on-campus housing provides a community of young scholars who are immersed in a carefully

## VII. STANDING COMMITTEES

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structured living and learning environment with the opportunity to mature and be successful in their educational pursuits.

To achieve this goal, the department of Housing and Food Services (HFS) developed a comprehensive Housing Master Plan that proposed the addition of approximately 2,365 new beds over a ten-year period with a total project budget of approximately \$850 million. The Housing Master Plan was first presented to the Board of Regents in March 2008 and identified several crucial issues with student housing at the University. These included extensive deferred maintenance needs in the current stock of mid-20<sup>th</sup> century high-rise residence halls; the need for additional beds to alleviate the overcrowding in existing student housing facilities; and a demand for on-campus residency from upper division undergraduate and graduate students.

The Housing Master Plan has been updated to address the need to accommodate increased out-of-state and international enrollments. The current forecast is to construct approximately 2,195 new beds over a ten-year period at a cost of approximately \$844 million. HFS will continue to examine the feasibility of increasing density in one or more future projects in order to meet the overall goal of 2,365 net new beds.

The individual projects in the Housing Master Plan are sequenced to achieve three specific objectives: 1) to alleviate existing overcrowding, 2) to provide the surge space necessary to accommodate renovation of the existing residence halls, and 3) to increase the number of new beds to respond to student demand. The phased implementation of the housing plan, in turn, provides for managing project risk through the use of off-ramps (based on expected student occupancy) at key points throughout each phase of implementation. The financial analysis tests for the independent financial feasibility of each phase.

#### PHASE II CHANGES

The design and construction of the Madrona Apartments at Site 30W is being postponed as alternatives for north campus housing are being reconsidered. The Madrona Apartments may be constructed at a future date depending upon student demand. Site 30W is located on an existing parking lot, so construction is independent of other projects.

VII. STANDING COMMITTEES

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The Housing Master Plan for north campus housing anticipated renovation of the existing mid-20<sup>th</sup> century residence halls. Based upon the renovation costs of Lander and Terry Halls, HFS is performing a predesign study of the north campus residence halls to explore the potential for replacing McMahan, Haggett, and McCarty Halls. Hansee Hall, with its significant architectural character, will remain as a renovation project. The study will also consider the feasibility of constructing additional residence beds in the north campus area in lieu of the Madrona Apartments Project on Site 30W. This study will be substantially complete in early summer of 2012.

PROJECT BUDGET

The revised Phase II total project budget is \$195,000,000 and is composed of the following:

	<u>Current</u>	<u>Revised</u>
Mercer Hall Replacement	\$ 118,000,000	\$ 118,000,000
Lander Hall Replacement	\$ 77,000,000	\$ 77,000,000
Madrona Apartments	<u>\$ 62,000,000</u>	<u>0</u>
	<u>\$ 257,000,000</u>	<u>\$ 195,000,000</u>

FINANCING PLAN:

The sources and uses for the project are as follows:

<u>Sources of Funds</u>	<u>Current (\$MM)</u>	<u>Revised (\$MM)</u>
Housing and Food Services	7.0	7.0
Internal Lending Program	<u>279.1</u>	<u>210.1</u>
<b>Total, Source of Funds</b>	<b>286.1</b>	<b>217.1</b>

<u>Uses of Funds</u>	<u>Current (\$MM)</u>	<u>Revised (\$MM)</u>
Design/Construction Cost	244.7	184.9
Furniture, Fixtures and Equipment	12.3	10.1
ILP interest during construction	26.3	19.8
ILP cost of issuance	<u>2.8</u>	<u>2.3</u>
<b>Total, Uses of Funds</b>	<b>286.1</b>	<b>217.1</b>

Annual debt service	19.0	15.0
Repayment source: HFS Housing revenue		

## VII. STANDING COMMITTEES

### B. Finance, Audit and Facilities Committee

#### Student Housing Phase II: Mercer Court Apartments, Lander Hall Replacement, and Madrona Apartments Projects – Postpone Madrona Apartments to Future Phase, Reduce Project Budget and Reduce Debt Funding (continued p. 4)

Removing the Madrona Apartments from the Phase II financial analysis lowers the total borrowing amount for Phase II by approximately \$69 million and annual debt service by approximately \$4 million. The lower Phase II debt service improves HFS debt service coverage and ending reserve balances beginning in 2016.

#### REVISED PROJECT SCHEDULE

##### Mercer Court Apartments

Architect Selection	June 2010
Predesign	June 2010 – October 2010
Design	November 2010 – January 2012
Construction	August 2011 – August 2013
Occupancy	August 2013

##### Lander Hall Replacement

Architect Selection	January 2010
Predesign	March 2010 – October 2010
Design	November 2010 – July 2012
Construction	June 2012 – November 2014
Occupancy	December 2013

#### PREVIOUS ACTIONS

January 2010	Terry and Lander Halls Renovation architect appointment approved, GC/CM alternative public works contracting and delegation to award design and construction contracts approved.
June 2010	Mercer Hall Site and Site 30W architect appointment approved, GC/CM alternative public works contracting and delegation to award design and construction contracts approved. Review project concept.
February 2011	Phase II: Mercer Hall, Lander Hall Replacement and Site 30W (Madrone Apartments) approved project budget and ILP funding.

#### *Attachment*

Capital Projects Office – Summary Project Budget

**UNIVERSITY OF WASHINGTON  
CAPITAL PROJECTS OFFICE - SUMMARY PROJECT BUDGET  
ALTERNATIVE PROCUREMENT (GC/CM)**

PROJECT: Housing Phase 2 (Mercer and Lander Halls)

Project Numbers: 203247 and 203518

ESTIMATED DATE OF COMPLETION: Mercer in August 2013 and Lander in November 2013

<u>Project Budget</u>	<u>Total Escalated Cost</u>	<u>% of TPC*</u>
Pre-Schematic Design Services	\$ 1,220,000	0.6%
A/E Basic Design Services	\$ 7,037,000	3.6%
Extra Services	\$ 4,439,000	2.3%
Other Services	\$ 1,943,000	1.0%
Design Services Contingency	\$ 1,510,000	0.8%
<b>Consultant Services</b>	<b>\$ 16,149,000</b>	<b>8.3%</b>
GC/CM Construction Cost	\$ 128,439,000	65.9%
Other Contracts	\$ -	0.0%
Construction Contingencies	\$ 11,072,000	5.7%
Sales Tax	\$ 13,253,000	6.8%
<b>Construction</b>	<b>\$ 152,764,000</b>	<b>78.3%</b>
HFS Equipment & Furnishings	\$ 10,074,000	5.2%
HFS Contingency	\$ 7,926,000	4.1%
Other Costs	\$ 3,640,000	1.9%
Project Management	\$ 4,447,000	2.3%
<b>Other</b>	<b>\$ 26,087,000</b>	<b>13.4%</b>
<b>Total Project Cost (TPC)</b>	<b>\$ 195,000,000</b>	<b>100.0%</b>
 <b><u>Included in Above:</u></b>		
Escalation at 3% per year *	\$ 10,603,000	5.8%

\*the estimated escalation is calculated from January 2011 to the mid-point of construction for each building project