



Subject: ATHLETIC CENTER CONSTRUCTION AND FINANCING

Committee: Budget & Finance
Date Filed: 5/19/03

Background:

In May, 2002 the Board of Regents authorized renovation and expansion of the University Services Building to serve the needs of the Athletic Department. F & S Partners was retained in June, 2002 to develop plans.

On December 9, 2002 the Board of Regents approved the design of the Athletic Center as new construction on the soon-to-be-available Eagle Point Campus. A change order was approved by the Board of Regents with F&S Partners for the revised project. A project cost was established of \$6.5 million, and the Texas Higher Education Coordinating Board approved UNT's proposal to build this facility with donated funds on December 10, 2002.

On March 7, 2003 the Board of Regents approved the selection of Turner Construction as the Construction Manager at Risk for the Athletic Center and Dining Facility and limited their work to \$10,000 in pre-construction cost. On April 30, 2003 the Board expanded this contract authorization to allow Turner Construction to proceed only with construction of the Dining Facility and associated infrastructure. During that meeting the Board of Regents also approved Turner Construction as the Construction Manager at Risk for Residence Hall #3.

The design of the Athletic Center is substantially complete. The location of the Athletic Center and its relationship to the dining hall and residence hall have been established. Construction estimates of \$6.5 million for the Athletic Center are still considered accurate if it is built at essentially the same time as the Dining Hall.

The Athletic Director has submitted a report indicating that the current status of donations for the Athletic Center construction is as follows:

FUNDS AVAILABLE: As of May 15, 2003, UNT has in hand the following gifts and firm pledges for the Athletic Center project, less expenditures for design work to date:

Table with 2 columns: Description and Amount. Rows: Cash in hand (\$ 200,000), Firm Pledges (\$1,532,500)

Some of these pledges are for payments over five years and will be received in annual installments until 2007. The pledges listed above, however, are considered very solid and staff considers that these revenues are available for this project in the discussion of financing options.

A timetable was given to the Board that the project would be built in about 14 months; a projected August, 2004 completion would require a construction start by June 1, 2003. This briefing is scheduled so that the Board may consider all possible options for construction and cost impacts.

Financial Analysis/History:

PROJECT COSTS: The cost figures below are based upon the contractor's estimated costs plus the appropriate internal charges for various components of the Athletic Center construction.

The guaranteed maximum price with Turner Construction has not been finally negotiated. The construction component prices and the additional charges outlined below are for planning purposes only. While it appears the total cost of \$6,500,000 for this project remains sound, the component costs could vary considerably until the Construction Manager at Risk receives bids from the various subcontractors. If the Athletic Center and the Dining Facility and the Residence Hall are built simultaneously (while the contractor has crews on the site) the following are current cost estimates for the Athletic Center portion of the project:

<u>Component</u>	<u>Estimated Cost</u>
Design	\$ 450,000
Infrastructure	\$ 900,000
Foundation	\$ 500,000
Structural (Steel and Framing)	\$ 828,000
Shell the entire space	\$1,842,000
Finish out and equip	<u>\$1,980,000</u>
Total	\$6,500,000

Turner Construction has been asked by UNT to calculate the latest day the CM could receive authorization for various stages of the Athletic Center project before additional costs would be incurred and what the additional costs would be. If the contractor is authorized to proceed with work on a delayed schedule, he estimates the following additional charges would be incurred. Until the contractor has entered into a construction contract with UNT, these charges are not guaranteed and are for planning purposes only:

<u>Authorize</u>	<u>Date</u>	<u>Charges</u>
Infrastructure	after 6/1/03 but before 8/15/03	\$ 45,000
Foundation	after 8/15/03 but before 9/15/03	\$ 25,000
Structural Steel	after 9/15/03 but before 11/30/03	\$ 41,400
Building Shell	after 11/30/03 but before 4/1/04	\$ 92,100
<u>Complete Finish out</u>	<u>after 4/1/04 but before 7/01/04</u>	<u>\$ 99,000</u>
Total		\$302,500

If the Athletic Center is not built by Turner Construction as a part of the current contract, we can assume there may be higher costs for:

- Additional start up costs incurred as a new contractor mobilizes to construct a stand-alone Athletic Center project.
- Internal Costs such as duplicate inspections and contract administration.

These costs may well be greater than the \$302,500 in late charges if UNT proceeds with delayed construction under the current contract, but they would vary based on the economy and construction costs at a later time.

PROJECT FINANCE OPTIONS:

1. **TURNKEY CONTRACT/LEASE.** Staff has considered the option of having the Athletic Center built through a lease/purchase agreement, allowing athletic donations to make lease and/or debt service payments over time. Those options are available but will prove significantly more costly over time and are not being recommended.
2. **PAY AS YOU GO.** Authorize Turner Construction to proceed with construction of only that portion of the project that can be built using available donated funds as they are received during the construction period. This would require a minimum of \$900,000 to initiate and complete the subsurface and surface infrastructure work or \$4,070,000 to complete the entire building shell. (According to the Planning and Construction Office, none of the other stages would allow a suitable stopping place for a partially completed project, if additional required donated funds were not available by the scheduled time).
3. **INTERNAL LOAN.** Consider a loan from the University reserves, similar to loans advanced on several previous projects, for some portion of the project cost. Such a loan would be accompanied by a commitment for repayment from athletic donations. Approval by the Coordinating Board may be required because the method of finance for the initial construction would be different than current Coordinating Board approval.
4. **COMBINATION.** Consider a combination of Nos. 2 and 3 above, i.e. authorize some portion of work to proceed with available funds and specify that a loan not to exceed a certain amount will be made in the future if donated funds are not available as required during the construction schedule.

Vice Chancellor for Finance

Legal Review:

There are no outstanding legal issues pertaining to this request.

Vice Chancellor/General Counsel

Schedule: Under the schedule proposed, the following will occur:

1. Contract will be immediately amended to include Athletic Center scope of work but not authorization to begin any work until additional funds are identified.
2. By June 8, contractor needs to know if funding of \$4.07 million has been identified for at least the building shell, the smallest practical portion of the project that we would recommend building. After this date, some additional costs will be incurred.
3. After June 8, if we have not identified at least \$3.0 million in total gifts and pledges which can be combined with a reserve loan, the Athletic Center will not be able to be constructed in time to be fully usable for the 2004 fall athletic season, but work will be

authorized to start whenever the necessary funds are identified. The Athletics Department believes that having the Center under construction in the Fall, 2004 will be a significant boost to the morale and momentum of UNT's intercollegiate athletics program.

Recommendation: We recommend that the Board adopt an Order which authorizes: 1) the expansion of the Turner Construction contract to include the Athletic Center construction with not-to-exceed prices for each phase of the building, 2) no immediate authorization for work to start on the Athletic Center, but authorization for staff and contractor to proceed in coming weeks if sufficient funds and firm pledges are received that will allow at least the building shell to be completed, using at least \$3.0 million of donations and firm pledges of donations along with an internal loan. The internal reserve loan should meet the terms of policies approved by the Board. We propose that the loan have two components: a "bridge" loan to be repaid on a fixed schedule from firm pledges which are known and will be received in future years and, if needed, an additional loan to be repaid from unspecified future athletic donations in an amount not to exceed \$1 million.

Recommended By
Vice Chancellor for
Administrative Services

President

Chancellor

Date

Date

Date