

MINUTES
UNIVERSITY OF HOUSTON SYSTEM
BOARD OF REGENTS
FACILITIES, CONSTRUCTION AND MASTER PLANNING COMMITTEE

Tuesday, May 11, 2010 – The members of the Facilities, Construction and Master Planning Committee of The University of Houston System convened at 12:55 p.m. on Tuesday, May 11, 2010, at the University of Houston in the Athletics/Alumni Center, Melcher Board Room 100B, 3100 Cullen Boulevard, Houston, Texas, with the following members participating:

ATTENDANCE –

Present

Nelda Luce Blair, Chair
Tilman J. Fertitta, Vice Chair
Welcome W. Wilson, Sr., Ex Officio
Kristen Lindley, Student Regent

Absent

Jim P. Wise, Regent

Non-Member of Committee

Carroll Robertson Ray, Regent

In accordance with a notice being timely posted with the Secretary of State and there being a quorum present, Chair of the Committee, Nelda Luce Blair called the meeting to order.

AGENDA ITEMS

1. Approval of Minutes – Item B

On motion of Regent Fertitta, seconded by Regent Wilson and by a unanimous vote, the following minutes from the meeting(s) listed below were approved:

- November 4, 2009, Facilities, Construction and Master Planning Committee Meeting
- February 9, 2010, Facilities, Construction and Master Planning Committee Meeting

2. Approval is requested for changing the project scope to decrease the square footage of the project for University of Houston-Victoria Jaguar Hall – UH-Victoria – Item C – FCMP – 1

Dr. Carlucci, Executive Vice Chancellor for Administration and Finance, stated a full presentation of the details of this item would be given by Tim Hudson, President of UH-Victoria and Wayne Beran, Vice President for Administration and Finance, UH-Victoria.

Prior to their presentations, Dr. Carlucci gave a summary of the timeline of the project. It was first brought to the Board in July of 2009. At that time, UH-Victoria was working on downward expansion and this was part of the program. We started with the price of the

University of Houston System

acquisition and the sellers' consultants, RSM, produced a physical condition assessment of the facility. RSM is a roofers, structures, management consulting firm that works in the hotel industry. RSM rated the condition as fair and stated the renovation costs would be less than \$500,000 which Dr. Carlucci stated was clearly out of line.

We hired C.B. Richard Ellis Lodging Group in July 2009 to evaluate the property and give us their report. At that time, the property was worth approximately \$3 million; but the company also stated they thought the second building was in terrible shape.

In August 2009, a second assessment was given from Teel which stated the property was also worth approximately \$3 million. In October 2009, we had Jones Hill McFarland complete an evaluation of the property and they estimated that it would cost approximately \$4.3 million to renovate the property. In December 2009, this item was brought back to the Board with a \$9 million budget for the scope of the project. At that time, the university used the Jones Hill Report to reduce the purchase price in negotiations with the seller, but we increased the renovation costs. In February 2010, our construction manager (CM) and our architects, who were now onboard, came back with a new renovation price, and that was the item presented at the meeting.

The history shows, that while we have had consultants at various points, since our contractor has now been on site, the consultants' renovation costs have always been low. The request brought before the committee at the meeting was to modify the scope of the project so that we can bring it in on time and on budget.

The original scope of the project comprised of two buildings: (a) the main building and (b) the annex. At the time the evaluation was done, it was clear that the annex, even though it was the newer building, was in very poor condition. The main building, which includes all of the important functions such as the cafeteria, meeting halls, conference center, and the rooms that we have always planned to use in the first round, is in good condition and the plan is still to move forward with it. It was determined that the second part of the project was not something we could renovate for the original cost estimate. The main focus will be on the renovation of the main building only. We will not renovate the annex; in fact, we may go back to the recommendation of C.B. Richard Ellis and demolish the annex property because it is not worth the cost estimate.

Mr. Beran gave a presentation on the property and below is a summary of his remarks.

- The property sits on six acres of land and is approximately 220,000 GSF; 39,000 GSF of which represents the annex building.
- The annex building, being vacant and in poor condition, has major mold problems and would cost approximately \$3.5 million to remove the mold and replace the walls to the inside of the building. The total estimate to bring the annex property backup to speed would be approximately \$5.5 million.
- The new outlook for this project is now a one building facility.
- A pro forma of the main building has been completed.

University of Houston System

- The number of rooms for this facility has changed from 228 to 140. The number of rooms will decrease by 88 which was the number of rooms located in the annex building. This is a significant reduction in rooms.
- The use of the vacant parcel of land from the removal of the annex building would be considered:
 - (a) As a green space;
 - (b) Followed with the option to add parking or redevelop; and/or
 - (c) Possibly increases marketability of the entire property.
- The original assessment of the property (2 building plan) was approximately \$5 million. The new assessment of the property (1 building plan) is approximately \$5.5 million. The major changes to this new assessment are listed below:
 - (a) The general contractor fees were not included in original scope;
 - (b) Increase in roof repairs and asbestos/mold abatement;
 - (c) Additional cost of renovating of offices, classrooms, front lobby area, restaurant and lounge;
 - (d) Raze annex building.
- The total cost of the project was discussed. The initial budget for the main building and the annex was \$9 million; the revised budget for the main building and annex was \$14.5 million; and the revised budget for the main building only, with renovations and the demolition of the annex building, is \$9.5 million.

Dr. Carlucci discussed the evaluation of the project.

1. All of the assessments of the land confirmed it was worth approximately \$3 million. We purchased the property for \$2.7 million which is a reasonable cost for this property.
2. Operating Expenses: American Campus Communities will operate the property so it will be managed by a firm that knows how to run a residence hall.
3. The ability to fill the beds is what makes this project work and this is clearly the function of enrollment and downward expansion. President Hudson and his staff are diligently working to make certain they enroll the freshmen class they recruit and that they are able to fill the beds. Dr. Carlucci feels that it all comes down to enrollment. If you can enroll the students, fill the beds and generate the revenue, the project will work.
4. Dr. Carlucci stated there was no doubt that we had some bad estimates and that every time they opened a wall something else was found, but we now have a contractor onboard so they should be giving us good prices.

Regent Fertitta stated that it was not unusual to have different estimates when you are doing a remodel.

Regent Blair did not disagree with that, but stated this was not an initial remodel; it was a purchase. Not finding that the building had, for example, mold prior to the purchase is unsatisfactory. Regent Blair stressed the following:

1. The property was purchased with the intent of renovating the property;
2. Only after we closed on the property was mold detected; and
3. Why was the mold not found prior to the purchase and the closing of the property?

University of Houston System

President Hudson agreed. He reiterated that a very good effort to do due diligence on this property had been completed. In fact, three estimates were done, but somehow there were some fundamental issues missed.

President Hudson stated that one of the reasons we all addressed downward expansion two years ago was due to formula funding this fall. This is a count year and the state only runs the formula funding off of headcount and student credit hours every other year. If we miss the enrollment targets for this fall that carries forward for the next two-three years of formula funding. Beginning in the fall, it is important for us, in terms of making the business model work, and they are encouraged now with the recruitment efforts being made.

The change in scope was addressed in further detail. Dr. Carlucci stated they not only reduced the rooms but added some additional facilities to the main building as well. This facility now has more classrooms and possibly a training facility. Dr Carlucci said they may go back and value engineer (VE) the number down and check with the campus to make sure the program stays in check.

Mr. Beran had some additional comments concerning this issue.

1. The asbestos estimate was very low and it has now come back as very high;
2. The roof's drainage system, the air conditioning system, and the roof itself: these estimates were very low and are now coming in high; and
3. The commercial kitchen must be totally redone. It was only after the closing and we were able to move the equipment, did we realize this area had to be completely refurbished.

Regent Blair asked if inspections, by certified inspectors, had been thoroughly done on this property. Mr. Beran stated that inspections had been completed. He also stated that this was an ongoing operation at the time the inspections were done and the seller was very reluctant to give us the access needed to do a very thorough inspection of the premises.

Regent Blair suggested that we should probably review our causes of action against some of the individuals who were supposed to be professionals, but did not give us professional opinions or accurate ones. The General Counsel, Dona Cornell, was asked to look into the situation starting with the inspector and going forward.

Regent Blair also asked if bids were given for the tear down of the annex building. No, bids had not been given; the \$500,000 bid is a conservative estimate of the tear down, said Mr. Irvin.

On motion of Regent Fertitta, seconded by Regent Wilson and by a unanimous vote, the change in scope to decrease the square footage of the project for the University of Houston Victoria Jaguar Hall was approved. This item will be placed on the agenda for the Board of Regents meeting on May 18, 2010 for final approval.

3. President's Blue Ribbon Task Force on Safety and Security and the Comparison Report for Crimes on Other Campuses – University of Houston – FCMP – 2

University of Houston System

Dr. Carlucci introduced this item and an update and preview of what is being planned system-wide will be addressed. UH Chief of Police, Malcolm Davis, presented this item and below is a summary of his remarks.

- FBI Unified Crime Report: Table 9 – Offenses Known to Law Enforcement by State by University and College, 2008 (2009 data was not available) was distributed for information. Chief Davis stated that of the 69 Texas colleges and universities reporting 100 or more part 1 offenses, the University of Houston Central Campus ranked fourth with 428 total crimes reported. The University of Texas at Austin reported ranked first with 668; Texas A&M University at College Station ranked second with 500; and Baylor Health Care System ranked third with 479.
- National-wide, the University of Houston Central Campus ranked 44 out of the 558 U.S. colleges and universities reporting 100 or more part 1 offenses. Ohio State University at Columbus, University of California at Davis, and Michigan State University ranked first, second and third, respectively.
- Implementation Estimates for FY2010 was addressed and Initiatives during FY2010 is summarized below.
 - (a) Boarded housing along Wheeler Avenue;
 - (b) Displaying UH Cougar ID Card;
 - (c) Texas Law Enforcement Best Practices;
 - (d) Increased Visibility of UH Police – 5 police officers and 4 security officers;
 - (e) Security Kiosks – 2: one will be located west of the campus over in Lot 12 (stadium parking lot) and the second one will be located in Lot 9C across from the dorm Quadrangle;
 - (f) Safety and Security Marking Campaign; and
 - (g) Card Access Retrofit.
- Implementation Estimates for FY2011 was addressed and is summarized below.
 - (a) Increased visibility of UH Police: add 1 police officer; 12 security officers; 1 police dispatcher; and 2 fire safety technicians.
 - (b) Add 3 Security Kiosks;
 - (c) 1 Icx Tactical Platform;
 - (d) Card Access Retrofit (10 per year @ \$30,000 each);
 - (e) Video Cameras on Cullen;
 - (f) Video Cameras on Wheeler;
 - (g) Defining Campus Perimeter – Perimeter Fencing;
 - (h) License Plate Cameras (3);
 - (i) Overview Cameras (3);
 - (j) Upgrade Stadium Camera Analytics;
 - (k) Police Tactical Equipment – Long Guns;
 - (l) Police Tactical Equipment – 40 Tasers.

TOTAL FY2011 Task Force Security Initiatives - \$3,745,165
(one time cost estimate - \$3,209,129 and \$536,036 recurring estimate)

University of Houston System

Regent Wilson reiterated that he was very satisfied with the police force we have at the University of Houston and considering we have 50,000 individuals on the UH campus on a daily basis, our numbers are reasonable.

This item was for information only and required no committee action. A complete copy of Chief Davis' reports was filed in the Board office.

4. Status Report on Major Capital Projects – UH System – FCMP – 3

Dr. Carlucci stated an introduction into the UHS Capital Facilities Process would be given by Mr. Dave Irvin which would outline how we get to the major projects starting with the calendar of the overlapping cycles that we have to contend with when we are putting together the budget and doing our capital plan.

Mr. Irvin addressed the Texas Space Model. Below is a summary of his remarks.

- The Texas Higher Education Coordinating Board (THECB) calculates Educational and General (E&G) space based primarily on enrollment but also on research activity.
- The THECB also calculates spaces requirements for teaching, library, research, office, and support. This does not include auxiliaries (housing, athletics, retail, student center). Online is calculated the same as in person instruction, but this will change when the next THECB model is given. The deficits will come down significantly once this change is in place.
- The second item the THECB calculates is the utilization of space or space usage efficiency number. This is calculated based on three factors:
 - (a) Overall facilities demand and usage standards for classrooms (45 hours/week) and class labs (35 hours/week);
 - (b) Instructional utilization standards for classrooms (38 hours/week) and class labs (25 hours/week); and
 - (c) Space occupancy standards for classrooms (68%) and class labs (77%).
 - (d) A point formula is awarded in each category above.
- THECB 100% utilization = 300 points; THECB minimum utilization = 150 points; Minimum utilization is required for THECB approval of all future projects. The only campus of the UH System that meets their guideline is currently the University of Houston at an overall score of 158. Out of 45 campuses in the State of Texas, only 19 campuses meet the standards state-wide.
- HEAF is our funding for construction; in FY2010 \$262.5 million was given to all of the the HEAF institutions. In FY2009-FY2010, HEAF appropriations from HB 51 totaled \$53.3 million system-wide (\$36.1 million – University of Houston; \$5.4 million – UH-Clear Lake; \$9.5 million – UH-Downtown; and \$2.3 million – UH-Victoria).
- Since we cannot totally rely on HEAF funds, how do we therefore build new buildings? We rely on Tuition Revenue Bonds (TRBs). These bonds are not based on tuition but rather what the state gives you as an allocation.
- We currently have \$54.6 million outstanding in debt service on our bonds; \$24 million of which is in TRBs and state supported, and \$30 million we have to pay on our own (auxiliaries: e.g., parking, housing).

University of Houston System

- UH System Total Bonds Outstanding:
 - (a) Tuition Revenue Bonds - FY2010 – \$227.2 million and FY2011 - \$213.7 million;
 - (b) Non-Tuition Revenue Bonds – FY 2010 - \$457.2 and FY2011 - \$445.4 million.

This item was for information only and required no committee action. A complete copy of the UHS Capital Facilities Process powerpoint presentation was filed in the Board office.

All documentation submitted to the Committee in support of the foregoing action items, including but not limited to “Passed” agenda items and supporting documentation presented to the Committee, is incorporated herein and made a part of these minutes for all purposes; however, this does not constitute a waiver of any privileges contained herein.

Others Present:

Carl Carlucci
John Antel
Dona Cornell
Elwyn Lee
Grover Campbell
Tim Hudson
Barbara Stanley
Dick Phillips
Karen Clarke
Marquette Hobbs

Craig Ness
Raymond Bartlett
Elaine Charlson
Tom Ehardt
Wayne Beran
Molly Woods
Ed Hugetz
David Bell
Jon Aldrich
Gerry Mathisen

Monica McHenry
Dave Irvin
John Walsh
Mike Emery
Oscar Gutierrez
Malcolm Davis
Don Guyton
Dan Wells
Ed Jones