

**UNIVERSITY OF HOUSTON SYSTEM  
ADMINISTRATIVE MEMORANDUM**

**SECTION: General Administration**

**NUMBER: 01.B.07**

**AREA: Facilities and Physical Plant**

**SUBJECT: Facilities Acquisition, Construction, or Renovation**

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1. PURPOSE

This administrative memorandum describes the procedures to be followed by all institutions governed by the University of Houston System seeking authorization to lease facilities, acquire property, construct new facilities, expand, renovate or repair existing University of Houston facilities at a cost of \$300,000 or more.

2. POLICY

- 2.1. This administrative memorandum applies to all institutions governed by the University of Houston System (UHS) including any campus, division, college/school, foundation or other UHS entity.
- 2.2. [BOR Policy 55.01.3](#) outlines the general guidelines to be followed in negotiating, executing, and administering all contracts and related necessary legal documents and instruments not requiring board approval. Projects less than \$300,000 will be reviewed and managed by the component facilities management department unless otherwise requested. Projects greater than \$300,000 will be planned, budgeted, designed, and constructed by the University of Houston System Facilities Planning and Construction (FPC) unless otherwise delegated per an approved Component Campus Project Management Approval request submitted to the University of Houston Facilities Planning department.
- 2.3. Request for authorization to acquire or lease property, or to construct new facilities, or to expand or renovate existing academic or auxiliary buildings shall include:
  - a. A needs assessment analysis

Each analysis shall clearly define the purpose of the facility and how it relates to the mission of the institution or entity.

Both degree and non-degree offerings, where applicable, must be consistent with the institution's role and scope mission statement and must comply with the guidelines for offering academic courses as set forth by the [Texas Higher Education Coordinating Board](#).

- b. Evidence of the academic programs ability to meet [Southern Association of College and Schools standards](#).
  - c. For total project costs over \$1,000,000, University of Houston System Facilities Planning must be involved in the development of the project.
  - d. The total initial cost to acquire, lease, construct or renovate the capital asset.
  - e. A five (5) year projected budget for continued operations.
  - f. Ability to establish a capital renewal fund for all new construction.
  - g. For Auxiliary operations, a proforma showing that the lease, construction or renovation is supported by the expected revenue or equity free balance.
- 2.4. Project over \$5,000,000 will need to follow the Capital Improvement Program process.
- 2.5. Projects over \$1,000,000 shall be documented on the submitted MP1 as required by Texas Administrative Code – Title 19, Part 1, Chapter 17, Subchapter K, [§17.101](#). All project estimates used in the MP1 must be validated and approved by University of Houston System Facilities Planning.
- 2.6. Projects shall conform to the master plan for the component university campus where the project will be located.
- 2.7. All System components will record and track capital and renovation projects in plant funds.
- a. Components will establish procedures for the review and approval of cost centers and budgets to be created for capital and renovation projects to ensure appropriate designation of funding source and compliance with restrictions on funding.
  - b. Components will establish procedures for the regular review of funding of construction and renovation projects to help ensure that deficits are identified and appropriate modifications planned.
- 2.8. Funding of construction and renovation projects
- a. Construction and renovation projects funded by bonds and commercial paper proceeds, as well as the related income from investment of proceeds, must be approved by the Senior Vice Chancellor for Administration and Finance or his/her designee. Components will develop

guidelines for the request for use of bond and commercial paper funds, including utilized proceeds and investment income.

- b. All components will identify responsibility for the collection of gifts designated for the funding of construction and renovation projects if gifts have not been fully realized and transferred to plant funds before project commencement.
  - c. Components will develop guidelines to help ensure that funding sources for construction and renovation projects are identified prior to project commencement. Components will develop guidelines to help ensure that project funding that is not fully available at the commencement of the project is monitored to ensure that funding occurs as scheduled.
  - d. Components will develop oversight procedures for the funding of construction, renovation and other projects by internal component loans. These procedures will include the requirement for a signed Memorandum of Understanding (MOU) and an agreed upon repayment schedule.
  - e. Component departments requesting and benefitting from construction and renovation projects are responsible for cost overruns.
  - f. Work on construction and renovation projects will not begin until funding commitments are agreed upon and documented.
  - g. All components will define spending priorities, including the return of funds, for construction and renovation projects funded by multiple sources. Spending priorities will be based on the conditions associated with each funding source.
- 2.9. In addition to the general guidelines listed above, projects that have a fundraising component, including those projects under \$1 million, shall provide the following:
- a. A funding plan which contains:
    - 1. Proposed specified amounts of institutional funds by category, included HEAF allocation and/or other sources (e.g., bonding).
    - 2. Identified fundraising prospects, gift chart and a fundraising business plan that has been approved by Vice Chancellor for University Advancement.
  - b. An approved project scope, description of the facility, and identified naming opportunities.
- 2.10. All projects managed by University of Houston System Facilities Planning and Construction will follow the current Project Delivery Manual.
- 2.11. All projects must result in a complete and usable facility or improvement suitable for its intended functional purpose, meets all applicable building codes, and

satisfies all State, local and University System requirements. Waivers for University System requirements may be submitted to the Facilities/Construction Management Associate Vice Chancellor.

- 2.12. Circumventing programming and approval requirements results in unauthorized incrementation and is prohibited.
  - a. No project may be subdivided for reasons of circumventing programming and approval requirements.
  - b. Each project must result in the user being able to perform the function purpose of the facility (or facilities).
  - c. If the performance of the facility's function purpose requires improvements to other facilities, then the project must include those facility improvements.
  - d. Incrementation(s) should not be confused with project phasing. Phasing is allowed under specific circumstances; however each phase shall result in a complete and usable facility.
  
- 2.13. The following are expressly prohibited:
  - a. Subdividing repairs or construction work into multiple projects for the purpose of avoiding Board of Regents or FPC approval or notification.
  - b. Using in-house workforce or multiple contracts to avoid Board of Regents or FPC approval or notification. Project approvals must be obtained based upon the total project cost including all contracts, subcontracts, material purchases and in-house work.
  
- 2.14. Projects may be phased to ensure efficient use of available resources. Each phase must be complete and usable in and of itself such that the facility is left operational between phases or in the event phases are delayed or never completed. Projects shall not be phased for purposed of incrementation. (See Section 2.11.) Projects that are phased shall be reviewed and approved based on the total cost of all phases to ensure Board of Regents or FPC approval is obtained when required.
  
- 2.15. THECB Reporting
  - a. Facilities Planning and Construction (FPC) will submit all certified MP-1 reports for all UHS Universities.
  - b. FPC will submit/resubmit all Project Applications for UHS Universities which meet the following criteria per Texas Administrative Code – Title 19, Part 1, Chapter 17, Subchapter K, [§17.101](#):

1. All new construction projects including additions to existing buildings with E&G project costs of \$10M or greater. (E&G is Education and General net assignable space used to carry out institutional missions of instruction, research and support as defined by the [Texas Higher Education Coordinating Board](#).
  2. All renovation projects with E&G project costs of \$10M or greater.
  3. Improved real property with a purchase price of \$1M or greater that the institution intends to include in the E&G buildings and facilities inventory.
    - a. If the real property contains structure(s) which will contain E&G space.
    - b. If the real property does not contain a structure(s) with E&G space, it does not have to be reported.
  4. Projects financed with any tuition revenue bonds pursuant to TEC §61.0572 and §61.058.
  5. All Energy Savings Performance Contracts projects require pre-approval by THECB before the contract is executed. After pre-approval is received, a Project Application will be filed per Texas Administrative Code– Title 19, Part 1, Chapter 17, Subchapter I, [§17.80](#).
- c. Project Application Status and Tracking Reports will be completed by component universities which meet the criteria below. The component universities will submit the Project Application Status and Tracking Report to FPC for review. FPC will submit the reports to THECB on behalf of all UHS institutions.
1. All projects which required a Project Application to be filed as described in section 2.15.b.
  2. All capital improvement projects with E&G project costs over \$4M and less than \$10M and/or financed with Tuition Revenue Bonds per Texas Administrative Code – Title 19, Part 1, Chapter 17, Subchapter K, [§17.101](#).

3. REVIEW AND RESPONSIBILITIES

Responsible Party: Associate Vice Chancellor for Facilities/Construction Management

Review: Every five years on or before March 1

4. APPROVAL

Approved: Jim McShan  
Senior Vice Chancellor for Administration and Finance

Renu Khator  
Chancellor

Date: 09/08/2020