

BUSINESS AFFAIRS AND HUMAN RESOURCES
MAY 15, 2019

UNIVERSITY OF IDAHO

SUBJECT

Request for Additional Construction Phase Authorization, Idaho Central Credit Union Arena

REFERENCE

December 2016	Idaho State Board of Education (Board) approved an updated University of Idaho (UI) six-year plan featuring the proposed Arena.
February 2017	The Board authorized Planning and Design Phases for the proposed Arena.
January 4, 2018	The Board authorized naming the proposed Arena the "Idaho Central Credit Union Arena."
March 14, 2019	The Board authorized Bidding, Award and Construction Phases conditional upon subsequent review and approval by the incoming University of Idaho president.

APPLICABLE STATUTE, RULE, OR POLICY

Idaho State Board of Education Governing Policies & Procedure, Section V.K. and V.K.3.c.
Idaho State Board of Education Governing Policies & Procedure, Section V.F.

ALIGNMENT WITH STRATEGIC PLAN

State Board of Education Governance Item.

BACKGROUND/DISCUSSION

The Board authorized conditional approval for the bidding and award phases of the Idaho Central Credit Union Arena project for an amount not to exceed \$46,000,000 on March 14, 2019. This request for an increase in construction phase authorization would therefore raise total project authorization to \$51,000,000.

Hoffman Construction, supported by StructureCraft Builders, provided a final design phase construction cost estimate of \$37,617,938 in late December of 2018. That estimate was developed and tested against the nearly completed construction bid documents. The estimate included a thorough evaluation of market conditions, input from regional subcontractors, projected inflation in construction costs and anticipated construction escalation to the mid-point of construction in CY2020. The total project effort was estimated at \$46,000,000, to include all design and support construction costs, specialty vendors and systems, administrative costs and contingency allowances. This estimate was presented to the board in conjunction with bidding and construction approval in March 2019.

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Hoffman Construction, serving in their role as Construction Manager – General Contractor, has completed the bidding, evaluation and reconciliation of thirty-one subcontractor bid packages encompassing all aspects and phases of the construction. Based on the results and review of the bid packages, Hoffman Construction is recommending a revised guaranteed maximum price (GMP) estimate of \$40,877,399, which represents an increase of \$3,359,461 over the previous construction estimate.

Evaluation of the thirty-one subcontractor bid packages reveals that bid pricing has exceeded design phase estimates in many categories, but most notably in those trades that rely on a robust labor pool such as concrete, framing & drywall, electrical, and structural systems. The regional construction industry around Moscow (to include all of northern Idaho and eastern Washington) is very busy, and labor shortages are driving up bid costs. Hoffman Construction has made numerous efforts to reach out to the subcontracting community in Boise and southern Idaho. Those regions are experiencing similar conditions, and while there is interest in the project, subcontractors in the southern half of the state do not feel they have the resources to complete projects or be price competitive in Moscow. Subcontractors from the western sides of Oregon or Washington are not looking at projects outside of their region.

Hoffman Construction and the UI have evaluated the construction market conditions over the next year. Projections indicate that pricing is likely to remain inflated over the next couple of years. The State of Idaho is releasing a larger-than-average number of construction projects, large K-12 school construction bond projects are being released in Washington at a record rate, and Washington State University has been approved to move forward with several major construction efforts. Hoffman Construction reports that subcontractor bidders are anxious to be awarded a contract for the Arena, otherwise they may have to pull their bids in order to not miss out on other work that is available.

The UI has worked with Opsis Architecture, Hoffman Construction and their respective teams to conduct numerous rounds of value engineering and cost reductions during the design phases of this project. As a result, there are few opportunities left to provide further value engineering and/or cost reduction options that will not compromise the intended function of the building or reduce systems quality to a level that is below minimum university and state standards. Any drastic reductions to the building program, such as a considered removal of the Practice Gym, would be offset by projected fees related to design and structural revisions, delays to the project, and loss of donor funding tied specifically to those spaces.

The project includes ten optional bid alternates which Hoffman Construction has priced as part of the thirty-one subcontractor bid packages, at a cost of \$1,064,530. The value of those bid alternates has been removed from the base GMP Estimate outlined above. Individual bid alternates will only be considered if project savings are realized during construction.

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Therefore, UI is requesting an increase in construction authorization by \$5,000,000, which includes the above referenced increase to the Hoffman Construction GMP estimate of \$3,359,461, as well as \$1,640,539 in construction contingency to provide budget coverage for unforeseen conditions. UI anticipates funding this increase through bond debt service to be offset by fundraising opportunities as they may arise. This action would raise total project authorization to \$51,000,000.

Planning Background

The February 2017 request for planning and design authorization for the proposed Idaho Central Credit Union Arena detailed the long history of the desire of UI to design and construct an events and court sports facility. This history is documented in various planning studies and master plans dating back to the mid-1950's.

In 2014, President Chuck Staben affirmed his commitment to the development of a sustainable, "right-sized" facility suited to campus needs, to be planned and constructed within the means of UI. Accordingly, the University of Idaho now proposes to construct a multi-event and court sports facility. The vision and intention is that the Idaho Central Credit Union Arena will not only be a home for Vandal court sports, but also a gathering space for a variety of campus and community events to enhance student life on UI's residential campus. Further, the University of Idaho has stated an intent that the proposed Idaho Central Credit Union Arena showcase and support Idaho wood and forest products in its design and execution.

Project Description

Upon authorization of the Board in February 2017, UI selected the architectural design team led by Opsi Architects via a national request for qualifications (RFQ) search process. Opsi is supported by Hastings+Chivetta Architects and a robust team of engineers and specialty consultants. In addition, UI conducted a second RFQ process seeking a qualified Construction Manager – General Contractor. Hoffman Construction was selected to provide preconstruction, design phase services, with follow-on construction phase services. Hoffman subsequently held a selection process for a qualified wood engineering and mass timber construction engineer, fabricator and erector. As a result of this process, StructureCraft Builders joined the design and engineering team.

The Idaho Central Credit Union Arena is sited adjacent to the existing ASUI Kibbie Activity Center where it can leverage existing parking and other related resources. In addition to its role supporting student activities and the mission of the Department of Athletics, the Idaho Central Credit Union Arena will serve as the host facility for campus and community events with expected guest attendance figures greater than 1,500, but which are not large enough to justify the operational expenses associated with the 15,000 seat Kibbie Dome.

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Along with the new performance court and seating, the arena features a practice court facility, offices, locker rooms, alumni and conference facilities, and associated support facilities such as concourses, restrooms and concessions spaces.

Opsis Architects and their team of consulting architects, engineers, and specialty consultants completed the design and construction documentation phases in late January 2019. The construction document package was submitted to the Division of Building Safety (DBS) in February 2019 to start the plan review and permit process. The project is expected to be approved for permitting by DBS in May 2019.

Upon receipt of bidding authorization from the Board in March 2019, Hoffman Construction immediately advertised and released thirty-one bid packages to the contracting and subcontracting community. Bids were received in April 2019, and the Hoffman team has been evaluating and reconciling project bids and support costs into May 2019. Hoffman has submitted a revised guaranteed maximum price estimate as outlined above.

Pending authorizations from the Board, construction of the Idaho Central Credit Union Arena is anticipated to start in June 2019 and continue through July of 2021. The facility will be ready for occupancy and use ahead of the 2021 – 2022 Vandal basketball season.

Authorization Request

This request is for additional construction phase authorization necessary to award contracts and construct the proposed Idaho Central Credit Union Arena, University of Idaho, Moscow, Idaho.

The project is consistent with the strategic goals and objectives of the UI. The project is fully consistent with UI's strategic plan, specifically:

Goal 2, Engage – This project carries specific intent to support events and cultural activities which engage with UI's stakeholders, students, staff, alumni and the greater community of the state of Idaho.

Goal 3, Transform – As noted, the proposed Idaho Central Credit Union Arena will host and support events which enrich the collegiate experiences and careers of the students of the University of Idaho. In addition to hosting intercollegiate athletic events, the Idaho Central Credit Union Arena will host a variety of academic and cultural outreach events and activities. These anticipated education, outreach, extension and cultural activities to be conducted at the Idaho Central Credit Union Arena will have the power to engage the community and transform the lives of students and community members alike.

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Goal 4, Cultivate – The events and activities to be hosted by Idaho Central Credit Union Arena facility have the potential to improve cohesion, connectivity and morale within UI. In addition, the education, outreach, extension and cultural activities and events supported by the facility have the potential to cultivate relationships and improve communication and collaboration between UI and the greater community.

This project, and the resultant facility, is fully consistent with the principles, goals, and objectives related to outreach and extension within the University of Idaho's Long Range Campus Development Plan (LRCDP), an arena having been featured in UI's campus plans since the 1950's.

IMPACT

The project is anticipated to be funded largely through donations and development sources. Idaho Central Credit Union has provided a lead gift of \$10,000,000. In addition to donations of funds to finance the project, UI has actively and successfully solicited gifts in kind from Idaho forest products industry sources. Specific gifts of raw timber and fabrication services necessary to form Glu-Laminated beams have been incorporated into, and directly inform, the design concept. Other gifts in kind include the plywood products necessary to sheathe the roof decks, and professional geotechnical and materials testing services.

The donations, development funding and the gifts-in-kind will be supplemented by a dedicated student fee and issuance of construction bonds as required to fund cash flow needs and provide bridge financing necessary for full realization of gifts which mature over time.

The fiscal impact of this effort will be \$51,000,000 in total expenditures and gifts in kind, as follows:

<u>Overall Project Funding</u>		<u>Estimate Budget</u>	
State	\$	Administrative Support	\$ 50,000
Federal (Grant)		A/E & Professional Fees	3,750,000
Other (UI)		Construction, Contractor	42,000,000
Gifted Funds &	33,000,000	Construction, Other	600,000
Gifts in Kind		Const. Contingency	1,600,000
Student Fee	18,000,000	Owner Costs, AV & FFE	2,750,000
Central Reserves	<u> </u>	Project Cont.	<u>250,000</u>
Total	\$ 51,000,000	Total	\$ 51,000,000

ATTACHMENTS

Attachment 1 – Capital Project Tracking Sheet

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STAFF COMMENTS AND RECOMMENDATIONS

The Board approved the ICCU Arena project for a total amount of \$46 million on March 14, 2019, with conditions. Approximately \$18 million of the project costs are planned to come from student facility fees. The Board approved the first facility fee of \$30 in April 2016. That fee has generated approximately \$750,000. The remaining amount will be received from doubling the facility fee from \$30 per year to \$60 per year. The combined \$60 facility fee is expected to generate approximately \$17.5 million over 35 years. The increase in the facility fee was approved by the Board at the April 2019 meeting. The increase in the student facility fee was necessary for the approval of the project.

The other condition was approval by the Executive Director in consultation with the newly named President of the University of Idaho, C. Scott Green. President Green has engaged in discussions with the Executive Director and the original \$46 million project was approved by the Executive Director.

At the March 2019 special Board meeting, the institution indicated they planned to borrow from internal investments or bond for \$29 million. That was broken down to be \$9 million to cash flow the gifts, pledges and sponsorships; \$17 million to cash flow the student portion of the project; and \$3 million to cover the remaining shortfall of the project.

After opening the bids, the institution is requesting approval for a total project cost of \$51 million. This would include bridge financing for \$34 million instead of the original \$29 million approved by the Board. The revised numbers from UI indicate that the total gap in fundraising would be increased from \$3 million to approximately \$7.7 million.

Bonding for the \$34 million is expected to add approximately \$1.9 million in debt service payments for 35 years. While the gifts, pledges, and donations are one-time capital monies that cannot be used to address ongoing budget concerns at the university, debt service payments will result in a long-term increase to the budget. Estimations from UI are that the total debt service (principal and interest) would be \$67.1 million on approximately \$34 million in bonds. This brings the total cost of the project to \$84 million (\$17 million in cash added to the \$67 million in debt service). UI desires to include in the bonds staggered maturities and/or call dates in order to pay off portions of the bonds early and reduce the interest payments.

Board Policy V.F.4.c. limits the debt burden ratio to less than 8%. This means that an institution should not have more than 8% of its total expenditures being used for debt. In 2018, UI had a debt burden ratio of 3.41%. With the addition of the ICCU Arena, UI anticipates the debt burden ratio to climb to 3.86%. Over the past 10 years, UI's debt burden ratio has fallen roughly between 3.5-4.0%.

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If the Board chooses to increase the total cost of the project from \$46 million to \$51 million, the motion below will increase the project amount and the original final approval authorization stays in place.

BOARD ACTION

I move to approve the request by the University of Idaho to authorize a \$5,000,000 increase in the amount authorized by the Board on March 14, 2019 from \$46,000,000 to \$51,000,000 as described in Attachment 1.

Moved by _____ Seconded by _____ Carried Yes _____ No _____

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Office of the Idaho State Board of Education
Capital Project Tracking Sheet
As of May, 2019

History Narrative

- 1 **Institution/Agency:** University of Idaho **Project:** Capital Project Authorization Request, Additional Construction Phase Authorization, Idaho Central Credit Union Arena, University of Idaho, Moscow, Idaho.
- 2 **Project Description:** A project effort to plan, program, design and construct a Capital Project to provide for a new, multi-event and court sports facility to be known as the Idaho Central Credit Union Arena to be located on the main campus of the University of Idaho, Moscow, Idaho.
- 3 **Project Use:** 4,000 seat arena featuring a performance court suitable for varsity Basketball and Volleyball. The vision and intention is that the Idaho Arena will not only be a home for Vandal court sports, but also a gathering space for a variety of campus and community cultural and outreach events to enhance student life on UI's residential campus. The Idaho Central Credit Union Arena will serve as the host facility for campus and community events with expected guest attendance figures greater than 1,500, but which are not large enough to justify the operational expenses associated with the 15,000 seat Kibbie Dome.
- 4 **Project Size:** 66,900 GSF +/-.

Project Cost History:	Sources of Funds				Use of Funds			
	PBF	ISBA	Other	Total Sources	Planning	Use of Funds Const	Other	Total Uses
Initial Cost of Project. Planning, Programming and Design Phase Only. February 2017.	\$ -	\$ -	\$ 3,000,000	\$ 3,000,000	\$ 2,776,500	\$ -	\$ 223,500	\$ 3,000,000
History of Revisions:								
Revised Cost of Project. Bid, Award and Construction Phase Authorization. March 2019.	\$ -	\$ -	\$ 43,000,000	\$ 43,000,000	\$ 973,500	\$ 39,200,000	\$ 2,826,500	\$ 43,000,000
Revised Cost of Project. Additional Construction Phase Authorization Request, May 2019.			\$ 5,000,000	\$ 5,000,000		\$ 5,000,000		\$ 5,000,000
Total Project Costs	\$ -	\$ -	\$ 51,000,000	\$ 51,000,000	\$ 3,750,000	\$ 44,200,000	\$ 3,050,000	\$ 51,000,000

History of Funding:	PBF	ISBA	Other Sources of Funds			Total Other	Total Funding
			Institutional Funds (Gifts/Grants)	Student Revenue	Other****		
Initial Cost of Project. Planning, Programming and Design Phase Only. February 2017	\$ -	\$ -	\$ 3,000,000	\$ -	\$ -	\$ 3,000,000	\$ 3,000,000
Revised Cost of Project. Bid, Award and Construction Phase Authorization. March 2019.	\$ -	\$ -	\$ 25,000,000	\$ 18,000,000	\$ -	\$ 43,000,000	\$ 43,000,000
Revised Cost of Project. Additional Construction Phase Authorization Request. May 2019			\$ 5,000,000			\$ 5,000,000	\$ 5,000,000
Total	\$ -	\$ -	\$ 33,000,000	\$ 18,000,000	\$ -	\$ 51,000,000	\$ 51,000,000