Architect Selection

Mike McCormick, AIA

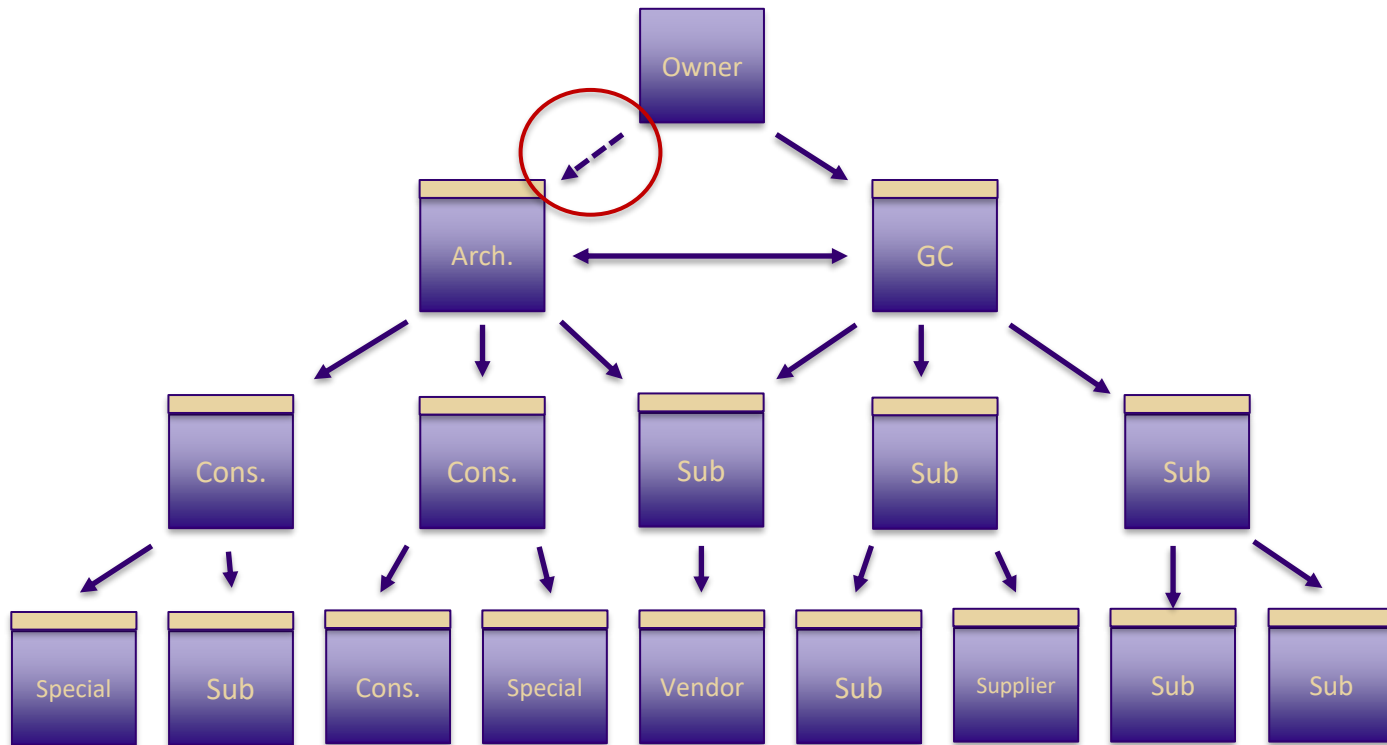**AVP Asset Management & University Architect**

FCUFS
April 23, 2020

TYPICAL MODEL FOR CONTRACTING
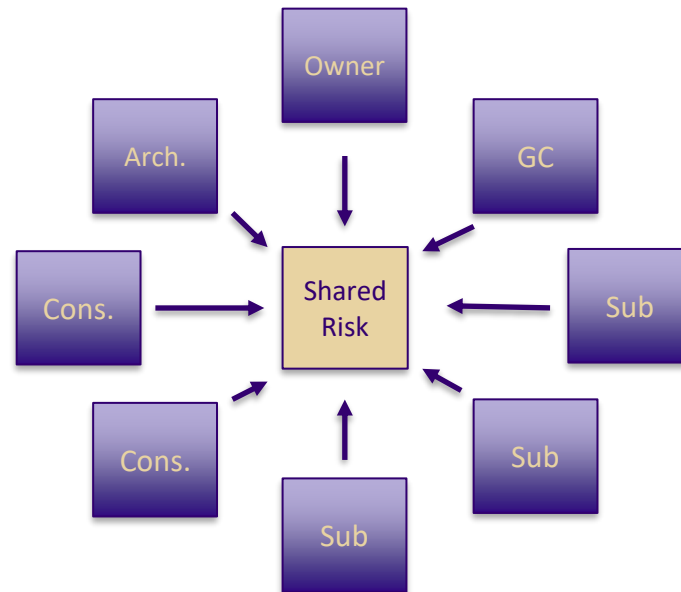
Theory of Compounding Risk

- Distributing Risk/Profit causes fragmentation
- Actually increases overall risk/cost to the project

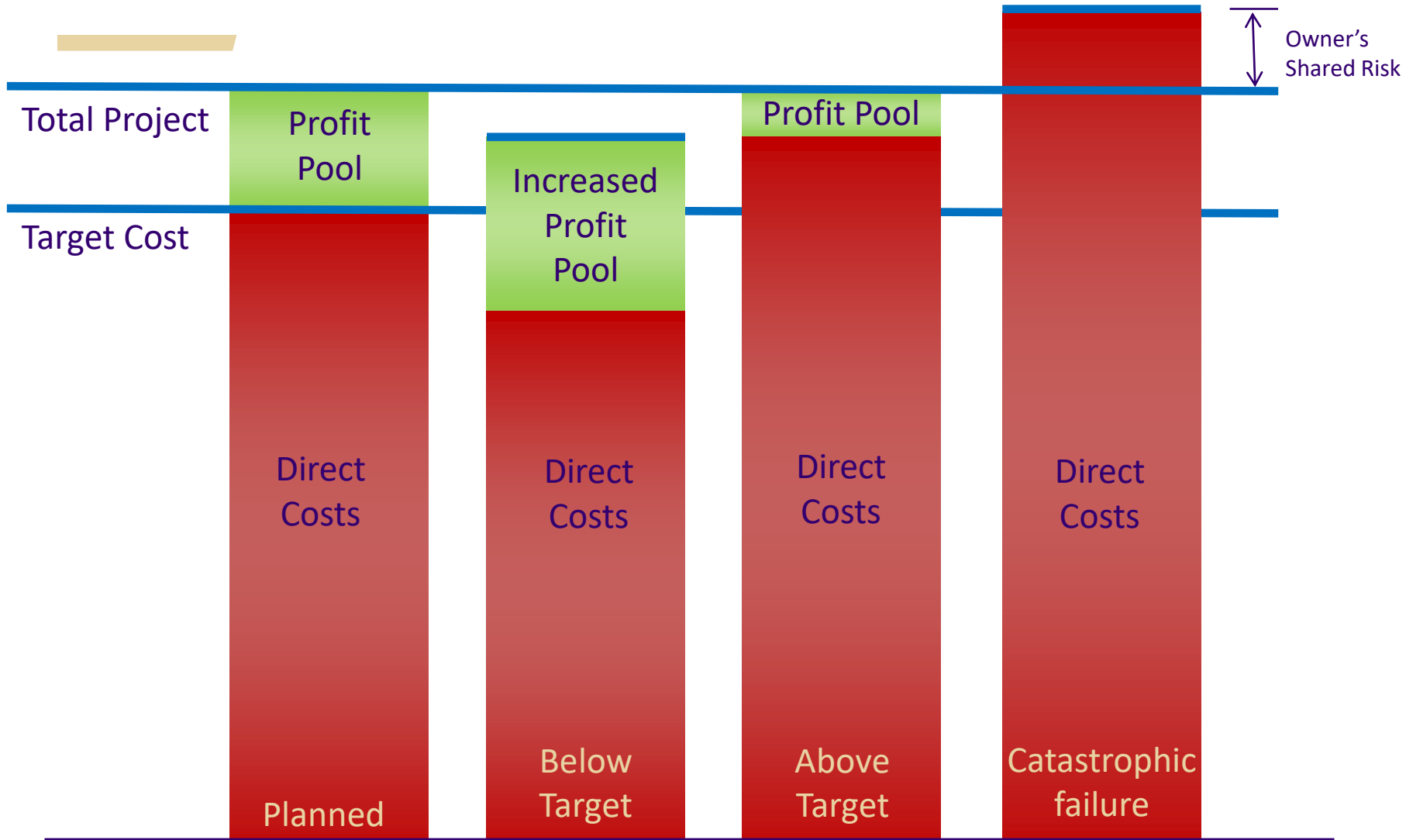# NEW MODEL FOR INTEGRATED D/B

Eliminates contractual barriers to collaboration

- Risk / Profits are shared
- Needs of the project take precedence

RISK REWARD PROPOSITION

Profit depends on <u>Project</u> Success

Design Builder Selection Process

Compliance with RCW 39.10 - Alternative Public Works & Design/Build

- Qualifications based process

- Two step process – SOQ + Proposal

- Evaluation criteria shall include… must be established prior to solicitation

- Evaluation committee must be established

- Honorarium to be paid by owner

- Minimum notification timelines established

- Typically Design Builders are selected as a team - Contractor + Designer

- ***Tends to yield small subset of proposers and architects***

New Architect Selection Process

Selected as a subcontractor to the Builder as part of risk / reward

- Step 1: Solicit interest from top firms across the country

- Step 2: Narrow field to 10-15 firms to receive RFQ

- Step 3: Review and score SOQ's to shortlist 3-5 firms

- Step 4: Visit offices of shortlisted firm to begin team building process

- Step 5: Architectural Commission interviews finalists
   (note some may be eliminated in during office visits)

- Step 6: Architectural Commission makes recommendation to Lou Cariello, who makes final recommendation to builder

- *Results: Pool has been broadened. Shortlisted firms include Kieran Timberlake, ARO, Shigeru Ban, BORA, Lever, SRG, Cannon Design…*

Five Year Capital Budget

Mike McCormick, AIA

AVP Asset Management & University Architect

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Capital Planning: Our Journey

For the last decade, UW has been steadily moving towards a long-term strategic approach to capital planning

2020
Long Term Capital Planning framework and financial "gates" for five-year capital budget

2019
UW Medicine included in capital planning process. Fund sources and demands are grouped and projected over 15 years

2018
Projects scored and full life cycle costs considered

2016
Projects ranked and stress-tested

2013
One Capital Plan "list" developed

Transaction Focused → Strategy Focused

The Challenge: Demand > Sources

Base case assumptions indicate demands exceed sources by $137M per year

Demand Buckets - $9.4B
($ in Billions)

Growth
Clinical
Strategic
Renewal

$10.0
$8.0
$6.0
$4.0
$2.0
$0.0

FY20 - FY34

Source Buckets - $7.4B
($ in Billions)

The Gap: $2.0
Build. Acct.
State
Equity
Philanthropy
Debt

$10.0
$8.0
$6.0
$4.0
$2.0
$0.0

FY20 - FY34
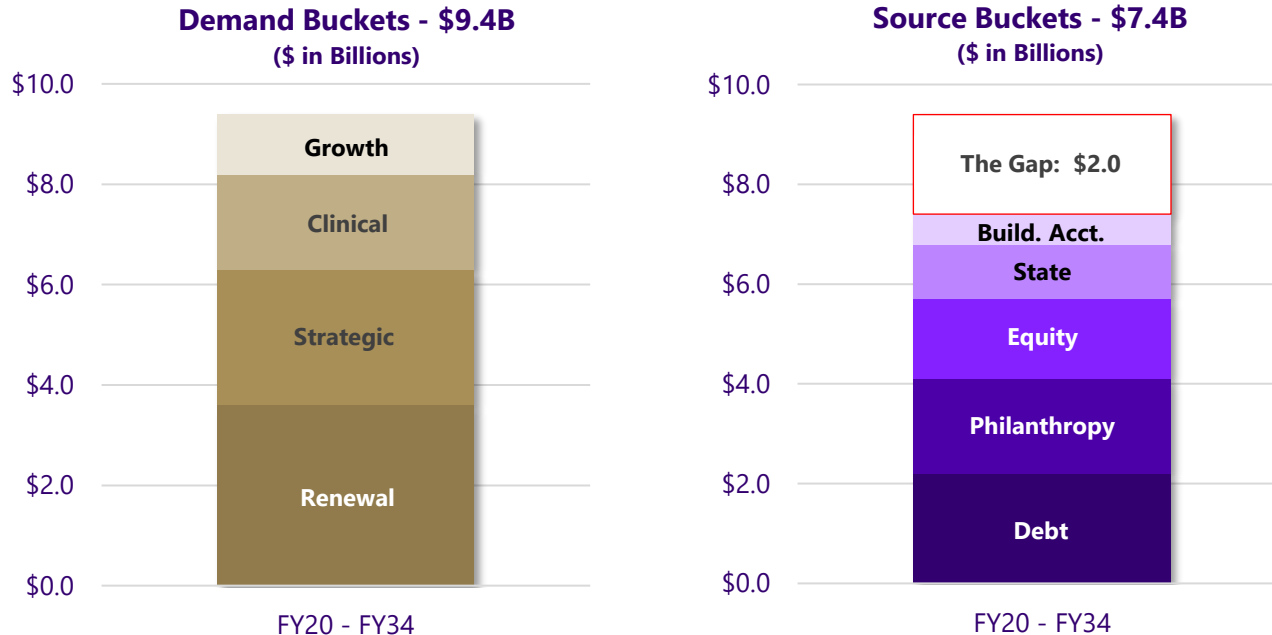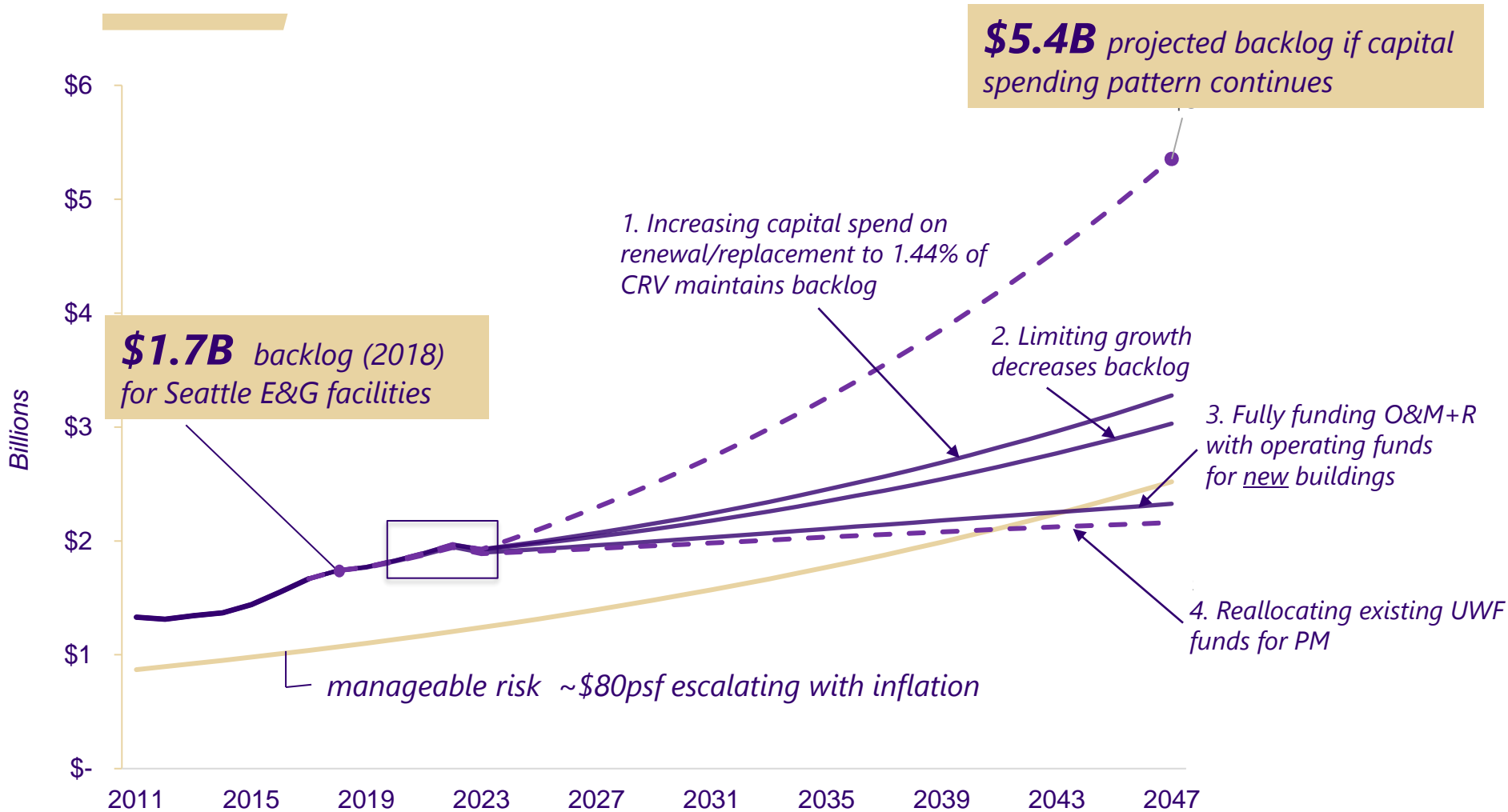
> Growth – investments that add new square footage driven by growth

> Renewal – renovations or replacement of the existing physical infrastructure

> Strategic – investments that have the potential to take the University in new directions through efficiencies, technologies, partnerships, etc.

> Clinical – investments that support the mission and objectives of the Clinical Enterprise

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Proposed Long-Term Capital Strategy

(~$500M/yr = $7.4B over 15 years)

1. **Focus on Renewal / Replacement** - Make capital investments in existing facilities equal to the deterioration rate. This stabilizes deferred maintenance backlog, reduces risk, and preserves historic buildings.

    - *~$240M / yr funded by state, debt, donors & equity (50% of total capex)*

2. **Increase Clinical Investments** - Increase access to debt financing for the clinical enterprise to address strategic, growth, and renewal needs of the clinical operation.

    - *~$125M / yr funded by clinical equity & debt (25% of total capex)*

3. **Limit UW's square footage growth** - Reduce Seattle campus education & general SF growth rate to 0.5% per year by carefully utilizing existing space and establishing clear priorities for new space.

    - *~$75M / yr funded primarily by donors (limited state or debt)*

4. **Leverage partnerships to pursue strategic goals and opportunities** - Plan to commit UW funds well below estimated demand

    - *$180M / yr - ~$50M / yr funded by debt, donors, & equity*

Inflection Point: Deferred Maintenance Strategies

$5.4B projected backlog if capital spending pattern continues

1. Increasing capital spend on renewal/replacement to 1.44% of CRV maintains backlog

2. Limiting growth decreases backlog

$1.7B backlog (2018) for Seattle E&G facilities

3. Fully funding O&M+R with operating funds for new buildings

4. Reallocating existing UWF funds for PM

manageable risk ~$80psf escalating with inflation

Billions

$6
$5
$4
$3
$2
$1
$-

2011   2015   2019   2023   2027   2031   2035   2039   2043   2047

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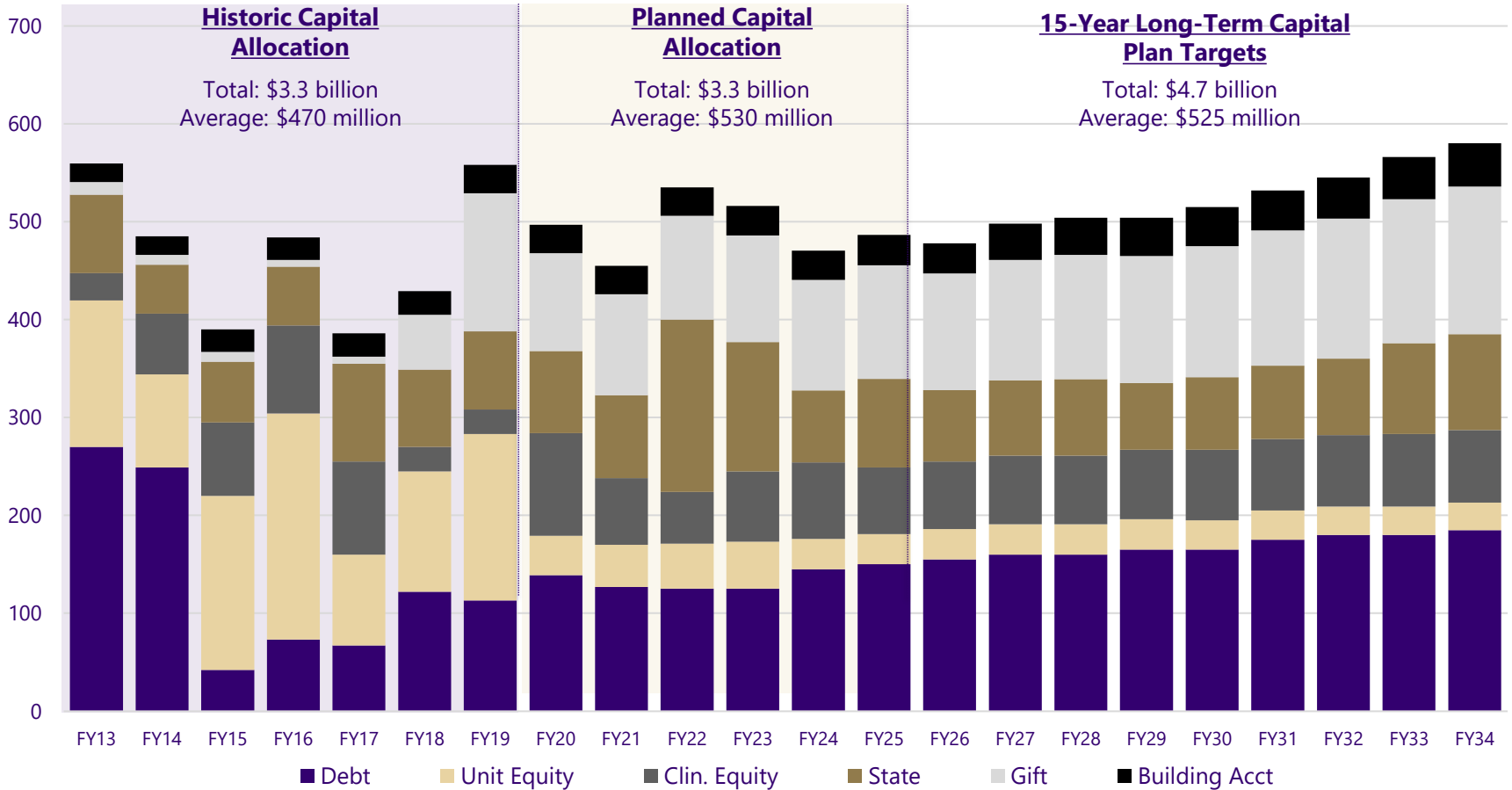
Long-Term Capital Outlay: Demands

Long term strategy assumes increases in clinical investments and renewal with a corresponding reduction in capital spending on growth projects
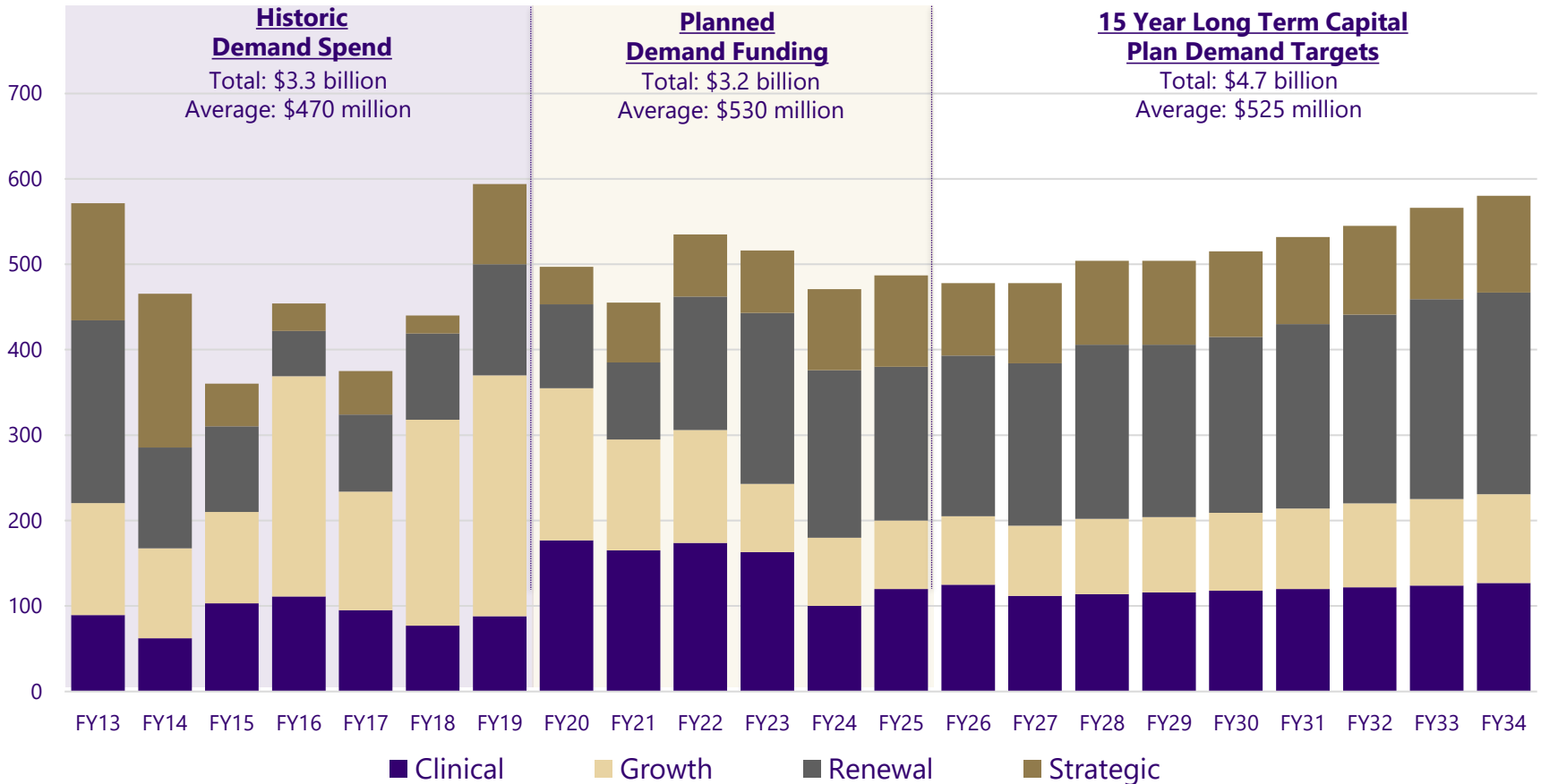
Note: Planned capital budget allocation based upon FY20 capital budget

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Long-Term Capital Outlay: Fund Sources

Long term strategy assumes modest increase in debt, significant reduction in academic equity, stable state funding, continuing success in fundraising

Historic Capital Allocation
Total: $3.3 billion
Average: $470 million

Planned Capital Allocation
Total: $3.3 billion
Average: $530 million

15-Year Long-Term Capital Plan Targets
Total: $4.7 billion
Average: $525 million

Legend: ■ Debt ■ Unit Equity ■ Clin. Equity ■ State ■ Gift ■ Building Acct

Note: Planned capital budget allocation based upon FY20 capital plan

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