



UNIVERSITY  
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UNIVERSITY OF HAWAII  
BOARD OF REGENTS

Jan S. Gouveia  
Vice President for Administration

16 OCT 28 P2:49

October 28, 2016

UNIVERSITY OF HAWAII  
PRESIDENT'S OFFICE

16 OCT 28 P2:47

RECEIVED

TO: JAN SULLIVAN  
Chairperson, Board of Regents

VIA: DAVID LASSNER  
President

FROM: JAN GOUVEIA  
Vice President for Administration

SUBJECT: APPROVAL OF FY 2018 – 2019 Biennium Capital Improvement Budget  
Legislative Request

**SPECIFIC ACTION REQUESTED**

In accordance with Regent Policy 8.204, it is recommended that the Board of Regents of the University of Hawai'i (the "Board") (1) approve the proposed FY 2018 – 2019 Biennium Capital Improvement Budget Legislative Request (the "CIP Biennium Budget") for the University of Hawaii (the "University"), and (2) authorize the Administration to seek \$100 million in revenue bond authority from the Hawai'i Legislature to fund capital projects in accordance with the proposed FY 2018 – 2019 CIP Biennium Budget and/or 6-Year CIP Plan for 2018 – 2023. With approval, the University will submit the FY 2018 – 2019 CIP Biennium Budget proposal to the State Department of Budget & Finance for consideration to be included as part of the Governor's budget proposal to the Legislature.

The proposed FY 2018 – 2019 CIP Biennium Budget addresses the capital improvement project requirements to be funded by general obligation bonds for:

- (1) University of Hawai'i at Mānoa
- (2) University of Hawai'i at Hilo
- (3) University of Hawai'i at West O'ahu

(4) University of Hawai'i Community Colleges

(5) University of Hawai'i System

Approval by the Board of this CIP Biennium Budget does not constitute approval of any specific projects identified or anticipated herein. The Administration is still required to obtain all necessary and appropriate Board approvals required by applicable law, rules, University policy or University procedure, which includes but is not limited to construction projects exceeding \$5 million, consultant services exceeding \$1 million, and exemptions from the building moratorium.

## **RECOMMENDED EFFECTIVE DATE**

Upon board approval.

## **EXECUTIVE SUMMARY**

Improvement and modernization of the University's physical assets is key to delivering the President's Strategic Direction that strives for 21<sup>st</sup> century facilities for learning, teaching and research. This CIP Biennium Budget request is the first two years of a 6-Year CIP Plan for FY 2018 – 2023 (the "6-Year CIP Plan"). The 6-Year CIP Plan sets forth a vision of a physical environment that supports and augments the high quality education and research that takes place at our University. It also presents a coordinated, long-term strategy that (1) prioritizes classrooms, laboratories, and student spaces with a focus on improving the learning and research environment, (2) targets those facilities with the highest utility and poorest conditions through upgrades to the interior/exterior structures, building roofs, mechanical and electrical systems, pedestrian pathways, and roadways, and (3) changes the paradigm on how the University manages its space.

Traditionally, the University has developed its CIP program with focus on deferred maintenance. To this end, the University's CIP program consisted of five categories: Planning; Major CIP; Minor CIP; Health, Safety & Code Requirements (HSCR); and Capital Renewal and Deferred Maintenance (CRDM). This 6-Year CIP Plan incorporates the principles of flexible space, shared programming, and modernization, while addressing annual renewals and deferred maintenance, under one CIP category. As such, we have consolidated the categories of HSCR and CRDM, along with minor CIP, into a new class called Renew, Improve and Modernize Projects (RIM Projects).

RIM Projects prioritize ailing facilities with a focus on improving the learning and research environment by holistically upgrading interior/exterior structures, building roofs, mechanical & electrical systems, pedestrian pathways, and roadways. This model shifts the conversation away from one-dimensional objectives of deferred maintenance and capital renewal, and moves toward a multi-faceted approach that improves the quality of our learning and research environments, through the lens of our students and faculty, while addressing our backlog.

More importantly, the 6-Year CIP Plan sets forth a new concept when approaching the prioritization of facility needs and capital investments at the University. By focusing on ways to rethink space as *University* space, rather than *departmental* space, the institution can begin to repurpose and consolidate areas to support priority programs and address facility needs through flexible and adaptable space management. Not only does this foster interdisciplinary collaboration and communication, it maximizes the efficiency of both the capital and operational dollar.

The proposed CIP Biennium Budget constitutes the first two years of a 6-Year CIP Plan that strives to transform the campus landscape and ultimately the experience that individual students, faculty and staff realize at our University of Hawai'i.

## **SYSTEMWIDE CIP BIENNIUM BUDGET**

Consistent with the 6-Year CIP Plan, this CIP Biennium Budget is categorized into the following areas:

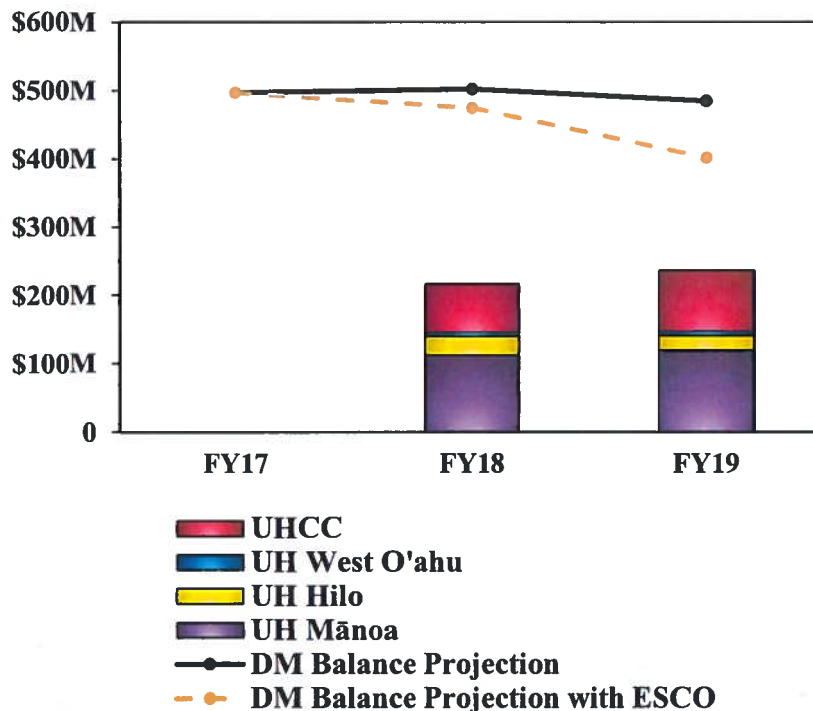
### **Project Categories**

<b>Major Capital Improvement Projects (Major Projects)</b>	Whole building renovations or new structures.
<b>Renew, Improve, &amp; Modernize Projects (RIM Projects)</b>	RIM Projects repair and/or improve campus buildings and infrastructure through modernization efforts. They prioritize classrooms, laboratories, and student spaces centered around improving the learning environment, as well as target those facilities with poorer conditions, through modernizing interior/exterior structures, building roofs, mechanical & electrical systems, pedestrian pathways and roadways.
<b>Minor Capital Improvement Projects (Minor Projects) – UHCC Only</b>	Minor Projects are a subset of RIM Projects that are separately categorized for the Community Colleges only. They address smaller improvements that prioritize classrooms, laboratories, and student spaces targeted at modernizing the learning and research environment through flexible spaces and shared programming.
<b>Planning Projects</b>	Planning Projects are those initiatives that support or deliver long-term development plans for future capital investments in the physical plant that strategically align with the core mission and vision of the campus.

The systemwide CIP Biennium Budget anticipates a request of \$216.6 million in FY 2018 and \$236.1 million in FY 2019. In total, the deferred maintenance balance will go from \$496 million to \$484 million. However, as will be further explained, UH Mānoa plans on soliciting an Energy Service Company (ESCO) to use third-party financing to upgrade energy-consuming infrastructure on the Mānoa campus, which will reduce the deferred maintenance even further to \$401 million.

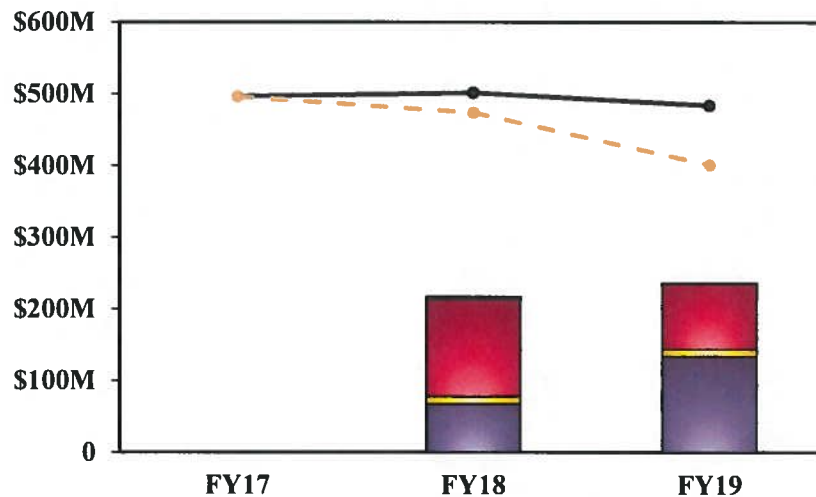
**CIP Biennium Budget Request by Campus (FY 2018-2019)**  
**Total: \$452.6 Million**

Campus	2-Year Budget Request (in Millions)			2-Year Total
	FY17	FY18	FY19	
UH Mānoa		\$112.2	\$119.3	\$231.5
UH Hilo		\$27.8	\$21.6	\$49.3
UH West O'ahu		\$6.1	\$6.3	\$12.4
UHCC		\$70.5	\$88.9	\$159.4
<b>Total Per Year</b>		\$216.6	\$236.1	<b>\$452.6</b>
DM Balance Projection	\$496.3	\$501.5	\$484	
DM Balance Projection with ESCO	\$496.3	\$474	\$401.5	



**CIP Biennium Budget Request by CIP Category (FY 2018-2019)**  
**Total: \$452.6 Million**

Category/Project	2-Year Budget Request (in Millions)			2-Year Total
	FY17	FY18	FY19	
RIM Projects		\$132.6	\$87.9	\$226.8
Major Projects		\$70.5	\$137.2	\$201.3
Minor Projects		\$10	\$10	\$20
Planning Projects		\$3.5	\$1	\$4.5
<b>Total Per Year</b>		\$216.6	\$236.1	<b>\$452.6</b>
DM Balance Projection	\$496.3	\$501.5	\$484	
DM Balance Projection with ESCO	\$496.3	\$474	\$401.5	



- Planning
- RIM Projects
- Minor Projects
- Major Projects
- DM Balance Projection
- DM Balance Projection with ESCO



**UH Mānoa CIP Biennium Budget**

UH Mānoa’s CIP Biennium Budget presents a diversified portfolio of major capital projects, various RIM Projects, and planning initiatives that strategically paces major construction with smaller upgrades on the campus. It anticipates a total of \$112.2 million in FY 2018 and \$119.3 million in FY 2019.

Entering FY 2018, UH Mānoa has a beginning deferred maintenance balance of \$418 million. Based on data currently in Sightlines<sup>1</sup>, UH Mānoa needs an average of \$60 million a year just to address its capital renewal schedule, which only maintains the status quo of a \$418 million backlog. UH Mānoa’s biennium request of just over \$100 million a year to address its aggressive strategy to tackle capital renewal, deferred maintenance, modernization, and major projects stretches the capital dollar beyond just deferred maintenance and, as illustrated in the table below, does not alone bring down the overall deferred maintenance balance.

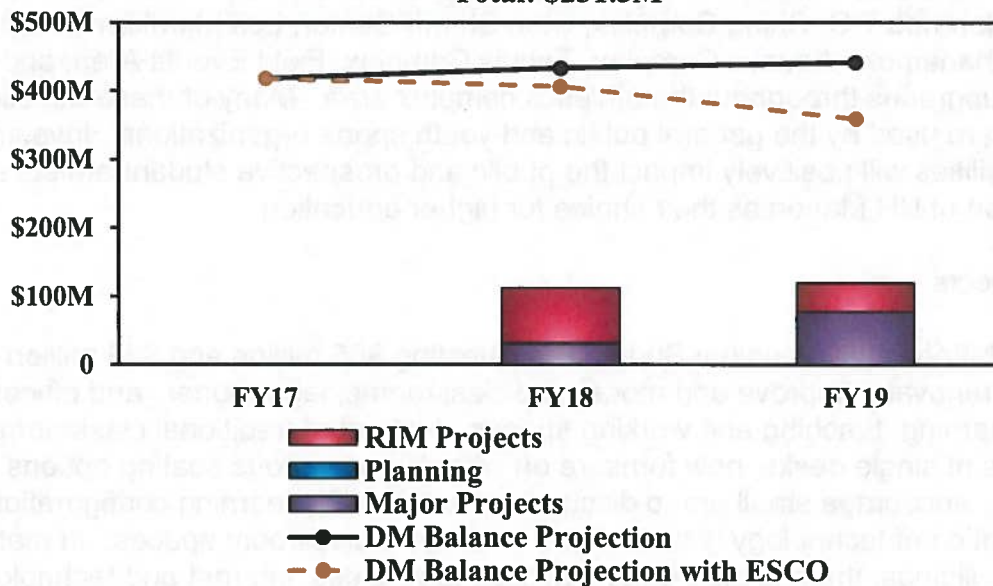
Funding is the number one reason for UH Mānoa’s inability to reverse the backlog trend; the second being the campus’s physical capacity to endure construction without interrupting overall service and support of students, faculty and staff. To that end, UH Mānoa plans to solicit an Energy Service Company (ESCO) to use third-party financing to upgrade energy-consuming infrastructure on the Mānoa campus to realize energy savings, which can be reapplied to address deferred maintenance items. This initiative is anticipated to result in the installation of approximately \$80 million in energy-savings infrastructure improvements and the reduction of deferred maintenance by approximately \$110 million over the first two years. Combined with the 6-Year CIP Plan, UH Mānoa hopes to reduce its overall deferred maintenance by approximately \$114 million (or \$4.2 million without the ESCO initiative) over the term of the plan.

Category/Project	2-Year Budget Request (in Millions)			2-Year Total
	FY17	FY18	FY19	
RIM Projects		\$79.8	\$41.3	\$121
Planning Projects		\$3.5	\$1	\$4.5
Snyder Hall Replacement		\$2	\$48	\$50
Kuykendall Hall		\$0.75	\$1.5	\$2.25
Keller Hall		\$14	\$12	\$26
Sinclair Library		\$0.5	\$4	\$4.5
Physical Science			\$1.5	\$1.5

<sup>1</sup> Sightlines is a private vendor that maintains a database of college and university facilities metrics from over 400 campuses throughout the United States. It serves as the facilities database for the University of Hawai’i system. As is typical with many databases, the data inputted into Sightlines is manually entered by personnel on an annual basis. Over the years, however, the integrity of the data for UH Mānoa has deteriorated due to changes in personnel and limited understanding of the functionality of Sightlines. As such, UH Mānoa is in the process of completely re-evaluating its facilities data in Sightlines, which includes the capital renewal and deferred maintenance figures. This initiative is expected to be completed by summer 2017. Until then, the deferred maintenance figures provided in this 6-Year CIP Plan for UH Mānoa are subject to change.

Hyperbaric Treatment Center	\$1.65		\$1.65
Athletics Complex	\$10	\$10	\$20
<b>Total Per Year</b>	\$112.2	\$119.3	<b>\$231.5</b>
DM Balance Projection	\$418.5	\$433	\$441.8
DM Balance Projection with ESCO	\$418.5	\$405.5	\$359.3

**UH Mānoa CIP Biennium Budget Request (FY 2018-2019)**  
**Total: \$231.5M**



### Major Projects

Currently, Phase 1 of 3 phases to the Mānoa Mini Master Plan is actively underway to select a design-build contractor to demolish Henke Hall, construct a new Life Sciences building, and demolish the Snyder building. Funds have not yet been released, but the University anticipates selection of a final offeror in January 2017. New construction is expected to commence in Spring of 2017 and the demolition of Snyder should occur in Summary of 2019.

Phase 2 of the Mānoa Mini Master Plan is the construction of a new building on the old Snyder site. Funds for programming and design requirements for this phase of \$2 million are requested in FY 2018 with construction funds of \$48 million requested in FY 2019. Additionally, programming funds of \$750,000 for Phase 3 of the Mānoa Mini Master Plan, and \$1.5 million for design requirements are sought in FY 2018 and FY 2019, respectively.

Funds for renovating the Hyperbaric Treatment Center (“HTC”), located in Kuakini Medical Center and operated by the John A. Burns School of Medicine, is also being requested in FY 2018 for \$1.65 million. HTC is the only center in the Pacific that treats all local, military and international patients suffering from the bends – a diving related injury that can be fatal if not properly treated. It operates 24 hours a day and has exercised responsible predictive and preventive maintenance. However, it has not undergone any significant upgrades since its opening in 1983. The funding request included in this CIP Biennium Budget will upgrade the medical gas storage vicinity, delivery and controls system, electrical and telecommunications systems, security system, and overall refresh of the interior and exterior of its facility.

Athletics is also seeking \$10 million in each year of the biennium to address upgrades for the Clarence T.C. Ching Complex, Stan Sheriff Center, Les Murakami Stadium, Duke Kahanamoku Aquatic Complex, Tennis Complex, Field Events Area, and other general upgrades throughout the athletics complex area. Many of these athletic facilities are used by the general public and youth sports organizations. Investment in these facilities will positively impact the public and prospective student-athlete’s perception of UH Mānoa as their choice for higher education.

#### RIM Projects

The UH Mānoa CIP Biennium Budget is requesting \$85 million and \$39 million of RIM funds to renovate, improve and modernize classrooms, laboratories, and offices into quality learning, teaching and working spaces. Instead of traditional classrooms lined with rows of single desks, new furniture on wheels and various seating options can be utilized to encourage small group discussions and flexible learning configurations. The incorporation of technology is also critical to modern classroom spaces. In many of our current buildings, there is inconsistent access to wireless internet and technology via projectors, laptops or tablets. New spaces will have updated and better access to technology, which is critical to taking the University into the 21<sup>st</sup> century.

Some have expressed concern over whether the campus has the bandwidth and capability to timely and responsibly execute tens of millions of dollars worth of projects. Unequivocally, the campus is more than capable and ready to execute projects in a strategic and methodical fashion that ensures the highest and best use of the capital dollar.

In the past, discrete departments at UH Mānoa were defined by buildings. However, with the modern-day need to encourage multi-disciplinary collaboration, the replacement and renovation of buildings provides an opportunity to bring departments together and encourage the sharing of knowledge and ideas.

#### Energy Savings Performance Contract

UH Mānoa plans to solicit an Energy Service Company (ESCO) to use third-party financing to upgrade energy-consuming infrastructure on the Mānoa campus to realize



energy savings, which can be reapplied to address deferred maintenance items. This initiative is anticipated to result in the installation of approximately \$80 million in energy-saving infrastructure improvements and the reduction of deferred maintenance by approximately \$110 million over the first two years. Combined with the 6-Year CIP Plan, UH Mānoa hopes to reduce its overall deferred maintenance by approximately \$114 million (or \$4.2 million without the ESCO initiative) over the term of the plan.

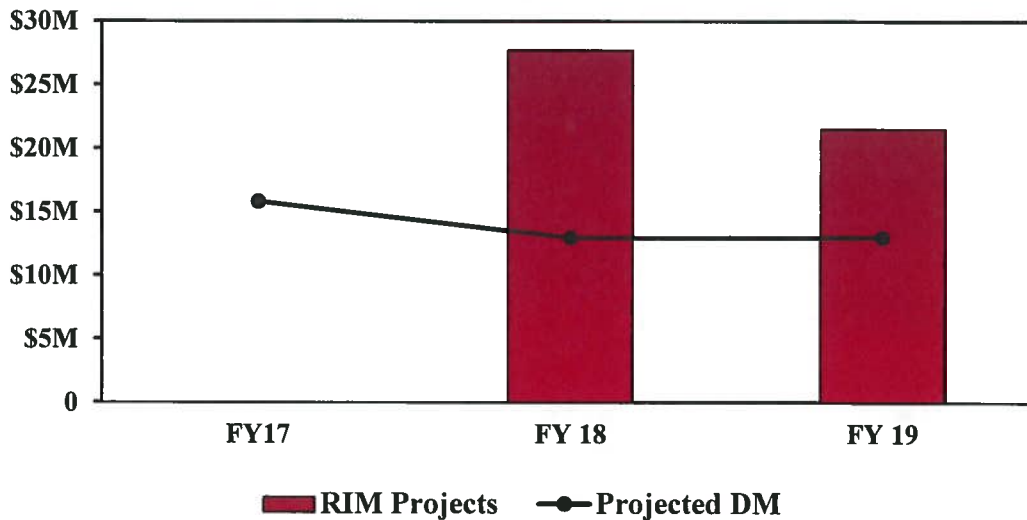
### **UH Hilo CIP Biennium Budget**

UH Hilo's CIP Biennium Budget anticipates no major projects and maintains a steady state of capital renewal and modernization efforts. With only \$23 million in deferred maintenance, the campus is requesting \$27.8 million and \$21.6 million in FY 2018 and FY 2019, respectively, to repair, improve and modernize their facilities. This is forecasted to maintain Hilo's deferred maintenance balance to \$13 million each year.



Category	2-Year Budget Request (in Millions)			2-Year Total
	FY17	FY 18	FY 19	
RIM Projects		\$27.8	\$21.6	\$49.3
<b>Total Per Year</b>		\$27.8	\$21.6	<b>\$49.3</b>
DM Balance Projection	\$15.9	\$13	\$13	

**UH Hilo CIP Biennium Budget Request (FY 2018-2019)**  
**Total: \$49.3M**



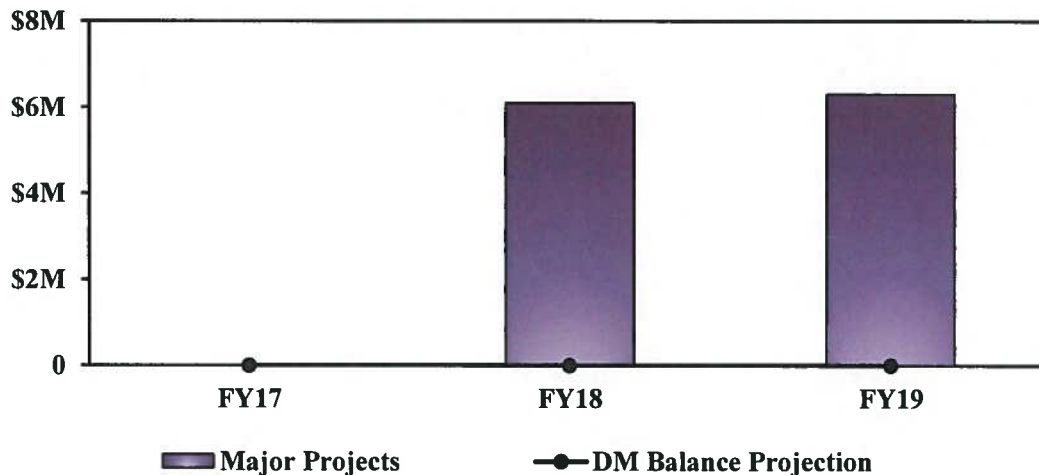
**UH West O`ahu CIP Biennium Budget**

Currently, UH West O`ahu is adding two new buildings to its campus. Groundbreaking for an Administration and Allied Health building is scheduled for December of this year. With funding made available in the current fiscal year, the campus is also commencing the programming and design criteria development for a new Creative Media facility slated to start construction in the latter half of 2018.

UH West O`ahu's CIP Biennium Budget requests \$6.1 and \$6.3 million in FY 2018 and 2019, respectively. These funds will be used for the master planning, design and construction of roadways, utilities, including water, sewer, drainage, electricity and communications, and other related appurtenances to support the phased development of the University's West O`ahu lands.

Category/Project	2-Year Budget Request (in Millions)			2-Year Total
	FY17	FY18	FY19	
West O'ahu Development & Infrastructure		\$6.1	\$6.3	\$12.4
<b>Total Per Year</b>		\$6.1	\$6.3	<b>\$12.4</b>
DM Balance Projection	\$0	\$0	\$0	

**UHWO Biennium CIP Budget Request (FY 2018-2019)**  
**Total: \$12.4M**



***UH Community Colleges CIP Biennium Budget***

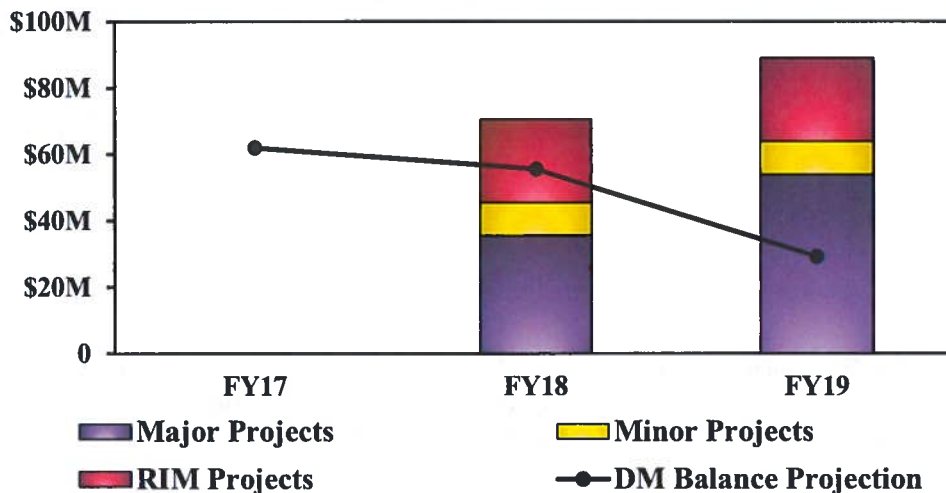
The UH Community Colleges CIP Biennium Budget focuses on a facilities program that minimizes deferred maintenance while enhancing student learning through the creation and implementation of design standards for classrooms and laboratories that reflect modern teaching approaches.

Two major CIP projects are slated for the first biennium of the UHCC 6-Year CIP Plan. FY 2018 anticipates \$30M for phase 2 of the Kapiolani Community Colleges Culinary Institute; and FY 2019 seeks \$45.1M for the previously approved Honolulu Community Colleges Science Building, which got delayed due to sewer permitting issues with the City and County of Honolulu that are not expected to be addressed until FY 2020.

Additionally, the CIP Biennium Budget seeks \$35 million a year for RIM and Minor CIP Projects, as well as \$5.5 million for fascia and sidewalk improvements at Leeward Community College and \$8.8 million for the complete renovation of the administrative, student support spaces, and classrooms in Hale Alaka'i at Windward Community Colleges. As shown in the table below, this plan will bring UHCC's backlog down from \$62 million to \$29 million.

Category/Project	2-Year Budget Request (in Millions)			2-Year Total
	FY17	FY18	FY19	
Minor Projects		\$10	\$10	\$20
RIM Projects		\$25	\$25	\$50
Kap CC Culinary		\$30		\$30
Hon CC Science Building			\$45.1	\$45.1
Haw CC Campus Development		\$0.002	\$0.002	\$0.004
LCC Fascia and Sidewalks		\$5.5		\$5.5
WCC Hale Alaka'i			\$8.8	\$8.8
<b>Total Per Year</b>		<b>\$70.5</b>	<b>\$88.9</b>	<b>\$159.4</b>
DM Balance Projection	\$62	\$55.5	\$29.2	

**UHCC CIP Biennium Budget Request (FY 2018-2019)**  
**Total: \$159.4M**



It should be noted there is a "placeholder" value of \$2,000 for future development of Hawai'i Community College (HaCC). Currently, HaCC is undergoing an LRDP that is evaluating several options for the future site of the campus, including relocating within Hilo closer to Komohana Street or remaining in its current location. A final recommendation to the Board on this matter, however, is not anticipated in the



immediate future. As such, this placeholder value is present in the CIP Biennium Budget and 6-Year CIP Plan.

### ***Revenue Bond Authorization***

The CIP Biennium Budget anticipates funding exclusively by general obligation bonds through appropriation by the Hawai'i Legislature. The Administration seeks authorization from the Board to also request \$100 million in revenue bond authority to fund capital projects in accordance with the proposed FY 2018 – 2019 CIP Biennium Budget and/or 6-Year CIP Plan for 2018 – 2023.

### **ACTION RECOMMENDED**

In accordance with Regent Policy 8.204, it is recommended that the Board (1) approve the proposed FY 2018 – 2019 Biennium Capital Improvement Budget Legislative Request for the University, and (1) authorize the Administration to request authority from the Legislature to issue \$100 million in revenue bonds to fund capital projects in accordance with the proposed FY 2018 – 2019 CIP Biennium Budget and/or 6-Year CIP Plan for 2018 – 2023.

With approval, the University will submit the FY 2018 – 2019 CIP Biennium Budget proposal to the State Department of Budget & Finance for consideration to be included as part of the Governor's budget proposal to the Legislature. Approval by the Board of this CIP Biennium Budget does not constitute approval of any specific projects identified or anticipated herein. The Administration is still required to obtain all necessary and appropriate Board approvals required by applicable law, rules, University policy or University procedure, which includes but is not limited to construction projects exceeding \$5 million, consultant exceeding \$1 million, and exemptions from the building moratorium.