UNIVERSITY of HAWAI'I®
SYSTEM

Office of Capital Improvements

September 20, 2010

MEMORANDUM

TO: The Honorable Linda Lingle
Governor, State of Hawai'i

THROUGH: Honorable Georgina K. Kawamura
Director, Department of Budget and Finance

VIA: Howard Todo
Vice President for Budget and Finance/Chief Financial Officer

FROM: Brian K. Minaai
Associate Vice President for Capital Improvements

SUBJECT: Request Permission to Negotiate Design, Construction, and Equipment Contracts, and Release of Design, Construction, and Equipment Funds for University of Hawai'i Projects, Statewide, Project Number 10-513, as Authorized by Act 94, Session Laws of Hawai'i 2009, Section 2

Permission is requested for the release of $100,000,000 in revenue bonds for the subject project.

1. This request consists of an allotment of $100,000,000 in revenue bonds to finance the design, construction, and equipment costs for University of Hawai'i capital improvements program (CIP) projects for the University of Hawai'i at Mānoa, University of Hawai'i at Hilo, University of Hawai'i–West O'ahu, and the University of Hawai'i–Community Colleges.

2. Act 94, Session Laws of Hawai'i 2009, amended Act 161, Session Laws of Hawai'i 2007 by increasing the University of Hawai'i revenue bond appropriation to $200,000,000. On July 27, 2009, the Governor approved the allotment on the initial $100,000,000. This allotment request is for the remaining $100,000,000, which the University, with the assistance of the Department of Budget and Finance, is preparing for issuance by October 2010.

   On August 30, 2010, the University of Hawai'i Board of Regents approved a Supplemental Resolution authorizing the issuance of revenue bonds. The University currently has more projects than revenue bonds appropriated; therefore, the Board of Regents approved a listing of $125,000,000 in projects. The programmed use of the revenue bonds is as follows:

1960 East West Road, Biomedical Sciences B-102
Honolulu, Hawai'i 96822
Telephone: (808) 956-7935
Fax: (808) 956-3175
An Equal Opportunity/Affirmative Action Institution

SUBJECT: Request Permission to Negotiate Design, Construction, and Equipment Contracts, and Release of Design, Construction, and Equipment Funds for University of Hawai‘i Projects, Statewide, Project Number 10-513, as Authorized by Act 94, Session Laws of Hawai‘i 2009, Section 2

Campus	Project Title	Allocation
UH Mānoa	Sinclair Library Basement Renovations	6,000,000
UH Mānoa	Edmondson Hall Renovations	14,000,000
UH Mānoa	Regional Biocontainment Laboratory	12,500,000
UH Hilo	Research Building	7,000,000
UH West O‘ahu	Kapolei Campus Development	48,000,000
UH Community Colleges	O‘ahu and Kaua‘i Energy Conservation/Efficiency Projects	29,000,000
UH Maui	Energy Conservation/Efficiency Projects	7,000,000
UH Maui	Hale Haumana Renovation	1,500,000
Proposed Revenue Bond Projects		125,000,000

The final financial determination will be made by the University Administration. Listed below is information for each of the proposed projects.

University of Hawai‘i at Mānoa – Sinclair Library Basement Renovations ($6,000,000)

This project includes $6,000,000 for the design and construction of renovations to the basement of Sinclair Library at the University of Hawai‘i at Mānoa. Sinclair Library was originally constructed in 1956 and its basement has never been completely renovated.

The scope of the project includes the renovation of approximately 12,000 square feet of office space, which will be utilized for the Office of Research Services (ORS), the Research Corporation of the University of Hawai‘i (RCUH), and other research support operations. This interior renovation project includes upgrades to the building’s electrical and mechanical systems.

The structural instability of Gartley Hall required the relocation of the Psychology Department. The University of Hawai‘i at Mānoa plans to consolidate the Psychology Department at Sakamaki Hall, which will displace ORS and RCUH. The Sinclair Library basement provides an ideal location to consolidate research operations.

The University of Hawai‘i at Mānoa intends to finance the debt service of this project via the Research and Training Revolving Fund (RTRF), which is established by §304A-2253, Hawai‘i Revised Statutes.

SUBJECT: Request Permission to Negotiate Design, Construction, and Equipment Contracts, and Release of Design, Construction, and Equipment Funds for University of Hawai‘i Projects, Statewide, Project Number 10-513, as Authorized by Act 94, Session Laws of Hawai‘i 2009, Section 2

University of Hawai‘i at Mānoa – Edmondson Hall Renovation ($14,000,000)

This project includes $14,000,000 in construction for the renovation of Edmonson Hall at the University of Hawai‘i at Mānoa. Edmonson Hall is a four-story structure that was originally constructed in 1963 and has never been completely renovated.

Revenue bonds will be used to renovate the third and fourth floors of Edmondson Hall to convert the old space into modern wet laboratories, offices, and support spaces for research. The first two-floors of Edmondson Hall will also be renovated. Financing of the first two floors will be via the University's Capital Renewal and Deferred Maintenance appropriation.

Quality research space at the University of Hawai‘i at Mānoa is required to enable the institution to attract and retain top researchers. Hawai‘i's unique habitat provides many opportunities for research and training in the areas of marine biology, ecology, and developmental, evolution and conservation biology.

The University of Hawai‘i at Mānoa intends to finance the debt service of this project via the Tuition and Fees Special Fund, which is established by §304A-2153, Hawai‘i Revised Statutes, and/or RTRF.

University of Hawai‘i at Mānoa – Regional Biocontainment Laboratory ($12,500,000)

This project includes $12,500,000 for the design and construction of the Regional Biocontainment Laboratory, which is also referred to as the Pacific Regional Biosafety Laboratory (PacRBL).

On March 2, 2009, the Governor allotted $2,500,000 in general obligation bonds to partially match the federal government's appropriation. This allotment request of $12,500,000 represents the balance of the State's required match of the federal government's $32,500,000.

The PacRBL will consist of approximately 30,000 gross square feet, which will include approximately 8,000 net square feet of laboratory space. The facility will be located at the Kalaeloa Industrial Park area, and is planned to be cooperatively managed and operated by the University and the Department of Defense. University of Hawai‘i faculty and Department of Defense researchers will use the facility for research on infectious diseases. The facility will also be available for use by the State Department of Health,

SUBJECT: Request Permission to Negotiate Design, Construction, and Equipment Contracts, and Release of Design, Construction, and Equipment Funds for University of Hawai‘i Projects, Statewide, Project Number 10-513, as Authorized by Act 94, Session Laws of Hawai‘i 2009, Section 2

and other qualified users conducting research on pathogens requiring a Biosafety Level 3 laboratory.

The PacRBL is critical to the health and security of Hawai‘i the nation, and the world. The threats posed by infectious agents are serious whether they stem from terrorism or natural causes. Recent examples include the rapid spread of the West Nile Virus across the United States, outbreaks of Severe Acute Respiratory Syndrome (SARS), in Asia and Canada, the highly pathogenic Avian Influenza that spread throughout the world through migratory birds, and the Swine Flu. Hawai‘i is particularly vulnerable to the introduction of exotic pathogens because of its geographical location, high frequency of travelers from Asia (where many emerging infectious diseases originate), and the lack of an adequate Biosafety Level 3 lab facility to diagnose exotic pathogens. Hawai‘i vulnerability is further underscored by the fact that tourism could be severely reduced in the event of a local epidemic, particularly if the local response is inadequate.

The PacRBL will significantly enhance the University's research focus on infectious diseases and greatly improve the biomedical research infrastructure to support such research in Hawai‘i and throughout the Asia Pacific region. Existing Biosafety Level 3 space is insufficient to support further growth in this research area and would limit the University's ability to partner with federal agencies such as the National Institutes of Health and the Centers for Disease Control, the Department of Defense, and the biotech industry.

The University of Hawai‘i’s Vice President for Research intends to finance the debt service of this project via the Research and Training Revolving Fund.

<u>University of Hawai‘i at Hilo – Research Building ($7,000,000)</u>

This project includes $7,000,000 for the design, construction, and equipment of a new research facility at the University of Hawai‘i at Hilo.

Grant activity has increased nearly five-fold at the University of Hawai‘i at Hilo in the past ten years; however, there has been nominal increase of research space. The intent of this project is to develop a new research facility at the University Park to provide space for research laboratories, offices, and research support programs such as RCUH.

This Research Building will meet the University of Hawai‘i at Hilo’s short-term need of quality research space. The space will permit sustained growth in research capacity and enable the acceptance of new grants, while providing opportunities for faculty,

SUBJECT: Request Permission to Negotiate Design, Construction, and Equipment Contracts, and Release of Design, Construction, and Equipment Funds for University of Hawai‘i Projects, Statewide, Project Number 10-513, as Authorized by Act 94, Session Laws of Hawai‘i 2009, Section 2

researchers, and students to obtain hands-on experience in research, and provide employment for people in the larger community.

The University of Hawai‘i at Hilo intends to finance the debt service of this project via RTRF and/or the Tuition and Fees Special Fund.

University of Hawai‘i–West O‘ahu – Kapolei Campus Development ($48,000,000)

This project includes $48,000,000 for the construction of Phase IA of the University of Hawai‘i–West O‘ahu in Kapolei.

On June 29, 2010, the Governor approved an allotment of $48,000,000 in general obligation bonds from Act 180, Session Laws of Hawai‘i 2010. The approved allotment is being used to finance infrastructure and three buildings: (1) Classroom Building; (2) Laboratory Building; and (3) Maintenance/Mechanical Building. Of the $48,000,000 million in revenue bonds, $13,700,000 will be used for further infrastructure work and the development of two buildings. Details of the projects are as follows:

Infrastructure:

- mass grading of 30 acres;
- driveways/roadways with sidewalks – 1,280 feet of driveway connecting campus to Kualaka‘i Parkway;
- parking lots – 429 parking stalls; and
- utilities – infrastructure to support two buildings.

Facilities:

- Campus Center/Student Services Building – two-story, 63,469 square foot building; and
- Library/Learning Resources Building – two-story, 60,065 square foot building.

The University of Hawai‘i–West O‘ahu intends to finance the debt service of this project through the proceeds of land sales/leases and/or the Tuition and Fees Special Fund. The use of land revenues are pursuant to the University of Hawai‘i–West O‘ahu Special Fund, which is established by §304A-2166, Hawai‘i Revised Statutes.

SUBJECT: Request Permission to Negotiate Design, Construction, and Equipment Contracts, and Release of Design, Construction, and Equipment Funds for University of Hawai‘i Projects, Statewide, Project Number 10-513, as Authorized by Act 94, Session Laws of Hawai‘i 2009, Section 2

Community Colleges – O‘ahu and Kaua‘i Energy Conservation/Efficiency Projects ($29,000,000)

This project includes energy conservation/efficiency projects for Kaua‘i and O‘ahu-based Community Colleges. This includes Honolulu Community College, Kapi‘olani Community College, Kaua‘i Community College, Leeward Community College, and Windward Community College.

The University of Hawai‘i–Community Colleges intend to select an energy savings company/companies (i.e., performance contracting) that will retrofit and install building equipment to reduce campuses' operational costs. This includes the replacement/upgrade of building lighting, air conditioning retrofits, water conservation (plumbing and irrigation fixtures), and trash management. Also included is energy generating capacities, such as the installation of solar water heaters, wind turbines, and other renewable energy sources.

The University of Hawai‘i–Community Colleges intend to finance the debt service of this project via the Tuition and Fees Special Fund.

University of Hawai‘i–Maui College – Energy Conservation and Efficiency Projects ($7,000,000)

This project includes energy conservation/efficiency projects for the University of Hawai‘i–Maui College.

Similar to the aforementioned project for Kaua‘i and O‘ahu-based Community Colleges, this Maui College project involves the large-scale retrofit of existing buildings, which include the replacement of existing lighting with efficient fixtures, chiller plant and cooling tower retrofit, construction of a new chill water loop system, and installing efficient plumbing fixtures.

Maui has one of the highest electricity rates in the world; therefore, the energy efficiency retrofits are critical to managing its long-term operating cost.

The University of Hawai‘i–Maui College intends to finance the debt service of this project via the Tuition and Fees Special Fund.

SUBJECT: Request Permission to Negotiate Design, Construction, and Equipment Contracts, and Release of Design, Construction, and Equipment Funds for University of Hawai‘i Projects, Statewide, Project Number 10-513, as Authorized by Act 94, Session Laws of Hawai‘i 2009, Section 2

University of Hawai‘i–Maui College – Hale Haumana Renovation ($1,500,000)

This project includes the complete renovation of Hale Haumana, a group of four old wooden structures that were previously used for student housing. Three of the structures have four two-bedroom style units, for a total of twelve apartment units. The fourth structure served as a laundry area and recreational lounge.

Maui College intends to transform the old dilapidated buildings into a learning laboratory for the Hospitality and Tourism Program The project will renovate the four buildings, which include the rehabilitation of the wooden structures, stairways, walls, and electrical and plumbing infrastructure. The apartment units will be renovated into attractive resort/hotel style guest rooms, and the laundry/recreation lounge will be converted into a guest lounge, office, and exercise spa.

Maui College has gained the support of several major resorts, which have agreed to “adopt a room” by providing interior furnishings, appliances, and cabinetry. The College has also garnered the support of construction trade unions, which have agreed to volunteer the labor for this renovation project. The $1,500,000 for this project would enable the contracting of a general contractor to oversee the project and to finance construction materials.

Maui College will market the resort/hotel rooms to the community, and it is anticipated that revenues generated from the guest rooms will finance the debt service of this project.

3. The University of Hawai‘i Board of Regents has authorized the issuance of $100,000,000 for the projects identified above. The University of Hawai‘i’s Vice President for Budget and Finance/Chief Financial Officer ensures that upon completion, projects will comply with the following:

   a. All applicable Federal, State, and County laws, statutes, codes, ordinances, and rules and regulations;
   b. Educational specifications and standards for facilities; and,
   c. Americans with Disabilities Act standards.

   Department contact: Howard Todo (808) 956-8903

   The University respectfully requests to defer transfers to the Works of Art Special Fund until final determination is made on projects. The Works of Art assessment is not applicable to infrastructure and energy conservation/efficiency projects.

SUBJECT: Request Permission to Negotiate Design, Construction, and Equipment Contracts, and Release of Design, Construction, and Equipment Funds for University of Hawai‘i Projects, Statewide, Project Number 10-513, as Authorized by Act 94, Session Laws of Hawai‘i 2009, Section 2

The following documents are attached, as required:

1. CIP Project Information and Justification Sheet (Table R)
2. CIP Summary of Proposed Expenditures (CIP Form 2)
3. Allotment Advice (Form A-15)
4. Schedules of Proposed Projects

RECOMMEND:

_____ APPROVAL _____ DISAPPROVAL

_____ Date: _____
Director of Finance

_____ APPROVED _____ DISAPPROVED

_____ Date: _____
Governor of Hawai‘i

Attachments

c: President Greenwood
Vice President Gaines
Vice President Morton
Chancellor Hinshaw
Chancellor Straney
Chancellor Awakuni
Associate Vice President Unebasami

TABLE R (5/97)

CAPITAL PROJECT INFORMATION AND JUSTIFICATION SHEET

Expending Agency	UOH
Program ID	UOH 900
Project Number	513

Island	Sen. District	Rep. District	Priority No.	Prev. Priority No.	Project Scope	Scope Codes	Date
Statewide	N/A	N/A	N/A	N/A	N/I/A	N - New I - Renovation A - Addition R - Replacement O - Ongoing	20-Sep-2010

PROJECT TITLE: SYS, University of Hawai‘i Capital Improvements Program Projects, Statewide

PROJECT DESCRIPTION: Design, construction, and equipment for University of Hawai‘i capital improvements program projects, pursuant to Act 94, Session Laws of Hawai‘i 2009.

TOTAL ESTIMATED PROJECT COST (In Thousands of Dollars)

	PRIOR APPROPRIATIONS (Including MOF)						BUDGET REQUEST (Including MOF)		FUTURE YEARS	TOTAL PROJECT COST
	ACT YR ITEM	ACT YR ITEM	ACT YR ITEM	ACT YR ITEM	ACT YR ITEM	ACT YR ITEM				
COST ELEMENT	161-07-Sec. 7	94-09-Sec. 2								
PLANS	13,136	0								13,136
LAND	17,000	0								17,000
DESIGN	456	2,259								2,715
CONSTRUCTION	64,788	122,641								187,429
EQUIPMENT	4,620	100								4,720
TOTALS	100,000 E	125,000 E*								225,000 E

*Authorized amount is $100 million; final determination of projects to be made by UH Administration.

PROJECT INFORMATION AND JUSTIFICATION:

a. Total scope of project.

Act 94, Session Laws of Hawai‘i 2009, amended Act 161, Session Laws of Hawai‘i 2007 by increasing the University of Hawai‘i revenue bond appropriation to $200 million. On July 27, 2009, the Governor approved the allotment on the initial $100 million. This allotment request is for the remaining $100 million, which the University, with the Department of Budget and Finance, is preparing for issuance by October 2010. On August 30, 2010, the University of Hawai‘i Board of Regents approved a Supplemental Resolution authorizing the issuance of bonds. The University currently has more projects than revenue bonds appropriated; therefore, the Board of Regents approved a listing of $125 million in projects. The programmed use of the revenue bonds are as follows: UHM Sinclair Library Renovations ($6 million); UHM Edmondson Hall Renovations ($14 million); UHM Regional Biocontainment Laboratory ($12.5 million); UHH Research Building ($7 million); UHWO Campus Development ($48 million); Community Colleges on O‘ahu and Kaua‘i Energy Conservation/Efficiency Projects ($29 million); UH Maui Energy Conservation/Efficiency Projects ($7 million); and UH Maui Hale Haumana Renovation ($1.5 million).

b. Identification of need and evaluation of existing situation.

The projects will address space needs for research related programs, instructional and academic support spaces, and energy conservation/efficiency projects for University of Hawai‘i campuses.

c. Alternatives considered and impact if project is deferred

Using the authorization in Act 94, Session Laws of Hawai‘i 2009, Section 2 is the most viable alternative to finance these projects in the current economic climate. Should the projects be deferred, the University will be unable to provide sufficient and safe education and research facilities, which are necessary to serve the State's demand for higher education. Further, deferral of this project will result in continuance of high operational costs for utilities and adversely impact operating budgets.

d. Discuss what improvements will take place when project is completed (including benefits to be derived and/or deficiencies this project intends to correct)

- Specific improvements at the University of Hawai‘i at Mānoa include: (1) renovation of Sinclair Library Basement; (2) Renovation of Edmondson Hall; and development of a new Regional Biocontainment Laboratory.
- Specific improvements at the University of Hawai‘i at Hilo include: development of a new Research Building.
- Specific improvements at the University of Hawai‘i–West O‘ahu include: development of a new campus.
- Specific improvements for O‘ahu and Kaua‘i-Based Community Colleges: Energy Conservation/Efficiency Projects.
- Specific improvements for Maui College: (1) Energy Conservation/Efficiency Projects; and (2) renovation of Hale Haumana.

e. Impact upon future operating requirements (show initial and ongoing funding requirements by cost element, including position count, means of financing, fiscal year

Operating budget requirements will be primarily financed with University of Hawai‘i special funds and revolving funds.

f. Additional information.

The final financial determination of projects to be funded will be made by the University Administration.

CIP PROJECT SUMMARY OF PROPOSED EXPENDITURES

DATE: September 20, 2010

PROJECT: SYS, University of Hawai'i CIP Projects, Statewide

DEPARTMENTAL PRIORITY NO. ___OF_____

TITLE: SYS, University of Hawai'i CIP Projects, Statewide

CAPITAL PROJECT No UH 513

	SOURCE OF FUNDS (ACT/ITEM, ACCOUNT NUMBER, FEDERAL, COUNTY, PRIVATE)							
COST ELEMENTS	Act 161/07 Section 7 B08-655F	Act 94/09 Section 2 B09-661F						**TOTAL**
LAND ACQUISITION	17,000,000							17,000,000
Land								
Consultant Services								
Staff Support								
PLANS	13,136,000							13,136,000
Consultant Services								
Staff Support								
DESIGN	456,000	2,259,000						2,715,000
Consultant Services								
Staff Support								
CONSTRUCTION	64,524,491	122,641,000						187,165,491
Basic Bid								
Alternates								
Contingency								
Consultant Services								
Staff Support								
Other Costs								
EQUIPMENT	4,620,000	100,000						4,720,000
Basic Bid								
Consultant Services								
Staff Support								
WORKS OF ART	263,509							263,509
TOTAL PROJECT COST	100,000,000	125,000,000						225,000,000
ALLOTTED TO DATE*	100,000,000	- -						100,000,000
ALLOTMENT REQUEST	- -	125,000,000						125,000,000
BALANCE	- -	- -						- -
FUNDS APPROPRIATED	100,000,000	125,000,000						225,000,000
	1,2]	3]						

	*(AA# & DATE)	COMPLETION
PLANS:	10-0002	Jan-2010
LAND:	10-0002	Feb-2010
DESIGN:	10-0002; This Request	Oct-2011
CONST:	10-0002; This Request	Aug-2012
EQUIP:	10-0002; This Request	Apr-2013

COMMENTS:

1. $38,437,382 of Construction renovation related work is not applicable to Works of Art assessment.
2. Works of Art charges to be assessed at a later date.
3. Works of Art charges to be assessed at a later date.

STATE OF HAWAII

ALLOTMENT ADVICE

TO: The Honorable M.R.C. Greenwood, President

University of Hawaii

ADVICE NO. _____ xxxxxxxx

COMPTROLLER'S NO. _____ xxxxxxxx

I have this day approved the following allotment from the general obligation bond fund appropriation authorized by Act 161, SLH 2007, Section 7, as amended by Act 94, SLH 2009, Section 2, for the purpose indicated.

TC	F	YR	APP	D	ALLOT CAT	SOURCE/ OBJECT	ITEM	TITLE AND PURPOSE OF ALLOTMENT	MOF	AMOUNT	
xxx	x	xx	xxx	xx	xx	xxxx	xxxxxx	(20 x)	x	xxxxxxxxxxx	xx
531	B	09	661	F	20			Regular Allotment SYS, University of Hawai‘i Capital Improvement Program Projects, Statewide. (L/S) Purpose: To finance the cost of plans, land acquisition, design, construction and equipment for University of Hawai‘i capital improvement program projects. Total Allotment - $100,000,000.00 UH Job No. 513	E	100,000,000	00

GOVERNOR, STATE OF HAWAII

DATE: _____

DIRECTOR OF BUDGET AND FINANCE

Project Schedules for Proposed University of Hawai‘i Revenue Bond Projects

Project Title	Amount	Use of Funds			Design		Construction		Equipment	
		Design	Construction	Equipment	Start	Complete	Start	Complete	Start	Complete
Sinclair Library Basement Renovations University of Hawai‘i at Mānoa	6,000,000	300,000	5,700,000	0	Oct-2010	Feb-2011	Mar-2011	Jan-2012	N/A	N/A
Edmondson Hall Renovations University of Hawai‘i at Mānoa	14,000,000	0	14,000,000	0	N/A	N/A	Jun-2011	Aug-2012	N/A	N/A
Regional Biocontainment Laboratory University of Hawai‘i at Mānoa	12,500,000	1,259,000	11,241,000	0	Sep-2011	Aug-2012	Sep-2012	Jun-2014	N/A	N/A
Research Building University of Hawai‘i at Hilo	7,000,000	700,000	6,200,000	100,000	Oct-2010	Oct-2011	Apr-2012	Apr-2013	Oct-2012	Apr-2013
Kapolei Campus Development University of Hawai‘i–West O‘ahu	48,000,000	0	48,000,000	0	N/A	N/A	Oct-2010	Jun-2012	N/A	N/A
O‘ahu and Kaua‘i Energy Conservation/Efficiency Projects University of Hawai‘i–Community Colleges	29,000,000	0	29,000,000	0	N/A	N/A	Oct-2010	Apr-2012	N/A	N/A
Energy Conservation/Efficiency Projects University of Hawai‘i Maui	7,000,000	0	7,000,000	0	N/A	N/A	Oct-2010	Jan-2012	N/A	N/A
Hale Haumana Renovation University of Hawai‘i Maui	1,500,000	0	1,500,000	0	N/A	N/A	Feb-2011	Feb-2012	N/A	N/A
Proposed Revenue Bond Projects	**125,000,000**	**2,259,000**	**122,641,000**	**100,000**						