



TOPIC: Towson University: Increase Funding Authorization for West Village Housing Phases 3 & 4

COMMITTEE: Finance

DATE OF COMMITTEE MEETING: January 29, 2015

SUMMARY: Towson University requests authorization to borrow \$15 million from Fund Balance to complete the construction of the West Village Phase 3 & 4 Housing project (apartment style units), increasing the total authorization from \$85,150,000 to \$100,150,000. The project is currently under construction and the site work and foundations are being prepared. The University has recently received bids for the next three bid “packages” (comprising the primary structural and mechanical/electrical components of the building) that are significantly over the original construction estimates.

Background on cost. The University divided the project into 5 “Guaranteed Maximum Price” (GMP) bid packages. Through GMP’s 1 and 2, costs for site work were running at budget. With the receipt of GMP’s 3, 4 and 5 (the last received January 8, 2015) the low bids were significantly over budget. Costs in the area of Superstructure, Masonry, Windows/Glazing, General Trades, Mechanical and Electrical were far beyond any cost estimates.

Overall, costs dramatically exceeded the anticipated escalation when the budget numbers were run (escalated to today’s bidding date) and then funded two years ago. The regional workload for contractors and subcontractors has grown as a result of numerous large scale projects recently bid in Baltimore and DC. This appears to be the biggest contributor and is a familiar story in a dynamic market. Towson struggled to get multiple bidders on all trades--concrete being the worst.

The University has been extremely conscious of cost control throughout this project. Costs have been evaluated and numerous alternatives, including “shelling” space (rejected due to long term cost to complete) have been reviewed and rejected with an eye toward cost containment. The University continues to value engineer as much as possible to keep additional escalation in check

Critical schedule. The project schedule calls for the opening of housing before the fall 2016 semester. The construction completion date is approximately July 1, 2016. It is essential that this project stay on-time. Experience has shown that opening a housing project at any time other than the beginning of the fall semester is extremely difficult and prone to high vacancy rates. Therefore, continuing with the project as designed and scheduled is the only long-term cost effective option.

Funding the change. The University will cover the increase in required Fund Balance contribution through added operational efficiency and a slight increase in the annual room rates. Rates are expected to increase above original projections by no more than 1%. Given the current housing rates and housing demand, these increases are reasonable and have limited impact on the overall cost of housing to our students. The option has the least impact to student housing rates. To date Towson University has experience housing demand that exceeds the university’s capacity.

(see other side)

CONTRACTOR: Whiting-Turner, Baltimore

ALTERNATIVE(S): The foundation and site work has already begun. There are no alternatives.

FISCAL IMPACT: The University will borrow from its fund balance and repay the amount over the next 15 years.

CHANCELLOR'S RECOMMENDATION: That the Finance Committee recommend that the Board of Regents approve an increase to the total project cost authorization for Towson University for West Village Housing Phase 3 & 4 from \$85,150,000 to \$100,150,000 as described above.

COMMITTEE RECOMMENDATION: _____ DATE: _____

BOARD ACTION: _____ DATE: _____

SUBMITTED BY: _____
