

# FY 2010-11 Supplemental Capital Construction Request

## University of Colorado Denver

4th Floor Addition, Lazzara Center for Oral-Facial Health (202 Project)

### Motion:

Approve the supplemental request from the University of Colorado Denver for additional cash funds spending authority for the Lazzara Center for Oral-Facial Health 4th Floor Addition 202 project (\$4,209,273 CF).

## GENERAL INFORMATION

2009-041

### 1. Which supplemental criterion does the request meet?

Unforeseen Contingency

The University of Colorado Denver says approval of additional funding is required due to the following unforeseen circumstances:

- during the design process, the university discovered the capacity to increase the size of the project's build-out;
- statewide demand requires the School of Dental Medicine to increase enrollment;
- state budget shortfalls resulted in changes to the budget model; and
- the competitiveness of the current construction market has resulted in reduced construction costs.

### 2. Which projects will be restricted to fund the supplemental request?

No restriction is necessary because the project is funded from cash sources.

### 3. Has the request been approved by OSPB and CCHE?

Yes

## PRIOR APPROPRIATION AND SUPPLEMENTAL REQUEST INFORMATION

The appropriation to be amended was authorized in the following bill: HB 08-1375

<u>Fund Source</u>	<u>Prior Appropriations</u>	<u>Supplemental Request</u>	<u>Future Requests</u>	<u>Total Cost</u>
CF	\$8,200,925	\$4,209,273	\$0	\$12,410,198
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## REASON FOR SUPPLEMENTAL REQUEST

The university is requesting additional cash funds spending authority to increase the scope of the Lazzara Center 4th floor addition from 13,000 GSF to 19,700 GSF, an increase of 6,700 GSF. A revised program plan calls for expanded space on the building's 4th floor, as well as an expansion to an existing 3rd floor roof terrace. The university says its School of Dental Medicine requires additional operatory space to accommodate growth in class size, which is increasing in response to dental provider shortages in the state, high demand for the program, and reductions in state support for the school. The expansion will provide space for 64 operatories, versus the 38 that were possible under the original program plan. According to the university, if the expansion is not approved, it will move forward with the original plan, resulting in reduced operatory space, or the project will be delayed, resulting in inflationary cost increases. The university notes that the region's construction environment will likely never be as favorable for such projects as it is right now.

**Source of cash funds.** The source of cash funds for the project is gifts. The university will finance \$7.2 million of the project's cost at about 5.25 percent over 25 years, with an average payment of \$534,000. The university says the project will be delayed if the project funding target is not reached according to the time line developed for the

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#### SUMMARY OF PROJECT

The project constructs an additional floor in the Lazzara Center for Oral-Facial Health at the university's Anschutz Medical Campus. The Lazzara Center houses the university's School of Dentistry, and the additional floor will accommodate new dental programs and general enrollment growth across existing programs. The project provides the following spaces:

- advanced specialty clinics, which provide space for patient care and specialty programs;
- a new Dental Implant Center; and
- program support space.

The 95,402-GSF Lazzara Center was completed in 2005 and was planned and constructed to allow for an eventual 4th floor addition to accommodate program growth. The building's mechanical systems were sized to support the project's additional square footage, the stairs were carried to the roof, and the rooftop mechanical equipment was grouped on one side of the building's roof, leaving the majority of the roof vacant for the addition.

As was the case with the original project that built the Lazzara Center, the 4th floor addition is a SB 92-202 project, meaning no state funds will be used for the design, construction, operation, or maintenance of the facility.

#### QUESTIONS / OUTSTANDING ISSUES

1. Please provide an update on the status of the fund-raising campaign for this project.

The fund-raising efforts are just in their initial stages. Preliminary discussions have begun with several foundations. A more intense effort with the foundations, vendors, and individuals will begin once the design phase of the project has been completed. Initial discussions with the foundations and vendors indicate a reluctance on their part to pursue serious discussions until we can demonstrate the reality of the project. With the design phase completed, there will be actual graphics and project plans to demonstrate the reality of the project. This is anticipated to be in the December 2010 timeframe. To date approximately \$60,000 in gift funds are available for the project. We anticipate major fund raising to occur during the winter and spring months of this year.

2. The request states that "Class size is planned for expansion to respond to dental provider shortages in the state, high demand for the program, and reduction in state support for the School of Dental Medicine." Please explain the connection between expanding class size and reduction in state support for the school.

Within a certain range of enrollment increases, the school can expand the class size and reap the benefits of economies of scale. The added tuition and student clinic revenues generated by increased enrollments will more than cover the added costs. The differential between added revenues and costs will allow the school to offset a portion of the anticipated lost state appropriation.

3. Are the building's mechanical systems equipped to accommodate the additional square footage that will be added to the 3rd and 4th floors under the supplemental?

An analysis of the building's mechanical systems has determined that the additional square footage will require an additional air handler, an additional vacuum pump, additional transformer panels, and electrical upgrades. No modifications are required to the sanitary sewer, storm sewer, or chilled water system.