

Capital Planning and Space Stewardship Policy

(For consideration by the Board of Regents or President)

***1. Purpose**

As a publicly funded state agency and a not-for-profit institution of higher education, the University of Washington and its administrative officials have a duty to steward the physical assets of its campuses that are provided through appropriations, allocations, and donations, to serve its missions of instruction, research, public service, and clinical operations.

The UW makes long-term financial commitments through major capital projects, regardless of their funding source and project delivery method, and must plan to allocate resources necessary to maintain and operate facilities for their entire life cycle. The capital budget development process ensures that the University's long-term investments are always directed to its highest priority needs, that broad stakeholder involvement occurs throughout the review process, and that equity and accessibility are centered in the prioritization and execution of capital projects, partnerships (e.g., public-private partnerships), and leasing commitments.

All campuses, colleges, schools, medical entities, field facilities, and auxiliary business units are expected to steward the physical and financial assets of the University by actively participating in the procedures outlined by the Executive Office of the University to maintain, fully and efficiently utilize, and - as needed - improve the spaces and physical assets of the University. Administrative officials must exhibit effective management of these physical assets by adhering to the capital planning policies and processes herein.

This policy outlines requirements and responsibilities for planning and execution of capital projects, including renovating and constructing new buildings, on the University's campuses. The policy also outlines requirements for establishing sound financial plans for long-term stewardship of physical assets.

***2. Scope**

This policy applies to all regent-level capital projects, specifically projects with an estimated total cost to the University of \$15 million or more that fall under the authority of the University of Washington Board of Regents. This includes projects advanced by all three campuses, auxiliary business units, and public-private partnerships and leases with a long-term financial commitment from the University exceeding the \$15 million threshold over the term of the commitment. In certain cases, projects below the \$15 million threshold may be required to follow this policy if deemed appropriate by the Provost and President because they represent significant execution risk or are strategic opportunities that broadly impact the University. This process results in a Capital Plan and Capital Budget for review and approval by the Board of Regents each year.

In addition, the Provost and President will approve a Capital Renewal Plan consisting primarily of projects focused on renewal of University infrastructure, which may individually fall below the \$15 million threshold noted above, and are included in aggregate within the Capital Budget.

*3. Definitions

Capital Plan—The strategic plan for major capital projects and facilities adjacent initiatives over \$15 million total cost, reviewed and approved by the Board of Regents, which includes a long-term outlook of expected funding sources (debt, equity, gift, state) in relation to long-term demand (clinical, growth, renewal, and strategic).

Capital Budget—Financial plan for resource deployment for projects to proceed, approved by the Board of Regents annually as part of the Capital Plan. Individual projects may require separate delegated or Board approval.

Capital Renewal Plan—Plan for renewal projects greater than \$2 million and less than \$15 million, reviewed by advisory bodies and approved by the Provost and President annually.

Capital Project Review Cycle – Annual process for capital planning that includes a reevaluation of the Capital Plan through a Strategic Planning phase, Project Concept Development for projects included on the Capital Plan, Project Formation to secure final approval by the Board of Regents, and Project Execution.

Strategic Planning Phase – Annual review cycle phase for reviewing long-term University, campus, and auxiliary unit priorities to reevaluate and reprioritize the Capital Plan. This includes reviewing unit proposals, data analysis, partnership opportunities, needs assessments, and other information.

Project Concept Development Phase – Once a project is included on the Capital Plan, cycle phase for defining needs, scope, options analysis, budget estimates, funding strategies, and identifying resources for life cycle costs.

Project Formation Phase – Cycle phase for initiating project approval, including finalizing goals, identifying fund sources, pre-design, generating displacement plans, and finalizing maintenance and operations estimates.

Project Execution Phase – Final cycle phase to execute projects approved by or under delegated authority from the Board of Regents, including final scope, design, permitting, budget, contracting, construction, transition to occupancy, and ensuring coverage of life cycle maintenance and operations costs.

Maintenance and Operations (M&O) – recurring costs for daily operations, utilities, janitorial, preventative maintenance, repairs, grounds maintenance/landscaping and other associated activities needed to operate a facility over its expected life cycle.

Renewal – major maintenance or replacement of facilities elements or systems for the purpose of optimizing the life cycle utility of buildings or facilities/utilities infrastructure (e.g. roof replacements occurring multiple times over a building’s full life cycle).

Project Work Plan – guiding document that clearly defines the project goals and objectives, scope, schedule, budget and funding sources (including those related to M&O and renewal). It also defines governance for the project including responsible party, executive committee, and working team.

University Unit – a unit or campus with an administrator reporting directly to the President or Provost. This includes all UW campuses, UW Medicine, Intercollegiate Athletics, and Housing & Food Services.

Unit Leader – the administrator (typically a dean, chancellor, vice president, vice provost, or administrative head) reporting directly to the President or Provost.

Delivery Method – any means to completing a capital project that requires consideration through this process including design, construction, renovation, replacement, long-term leases or financial commitments, public-private partnerships, legacy system replacements, or any other capital project requiring a significant short- or long-term investment from the University or one of its units.

4. Designation of Responsible Parties – Capital Budget and Capital Plan

A. University Units

University units are responsible for:

- Developing proposals for consideration during the capital project review cycle. Final proposals must be approved by unit leaders. Efforts that involve multiple units need combined unit leader endorsement, a lead unit identified, and primary project stewards from each unit.
- During project concept development, unit leaders or designees must work with Facilities, OPB and UW Finance to develop project justification materials, benchmarking, business case, financial and compliance data, maintenance and operations funding plans, and project governance information. Unit generated items will be designated in comprehensive capital planning and approval guidelines.
- Monitoring existing capital portfolio space and capacity including tracking usage, efficiencies, modernization needs, plans to repurpose space, maintenance and operations plans and other obligations. Unit leaders should elevate any emerging needs or opportunities through the annual capital project review cycle and respond to any recurring reporting requirements.

B. Office of Planning & Budgeting (OPB)

OPB staff, in collaboration with UW Facilities, are responsible for:

- Designing the annual capital project review cycle, including timelines and documentation to support projects, in consultation with advisory bodies.
- Convening a capital planning advisory team (CPAT), reporting to and appointed by the Provost and President, and comprised of leadership from OPB and Facilities teams along with a wide range of stakeholders (including faculty representation and staff from relevant units). CPAT serves in an advisory capacity to review and recommend action on capital planning policies and procedures, the Capital Plan, Capital Budget, and Capital Renewal Plan in alignment with University priorities (see additional responsibilities below).
- Reviewing unit submissions in the annual process and providing or securing supplemental analysis from units, UW Facilities, and UW Finance including, but not limited to, academic and unit vision, institutional strategic planning alignment, program/FTE growth, space metrics, financial/donor capacity, and interdisciplinary efforts.

- Participating and in some cases, leading, the development of funding plans whether proposed projects are candidates for state capital or operating funding support (e.g., state capital bonds, maintenance and operations funding) or other sources. Ensuring that financial due diligence is executed in advance of project approvals at the executive leadership level.
- Partner with UW Finance and UW Facilities and UW Advancement as applicable, to develop analyses related to proposed projects, real estate transactions and public private partnerships.
- Following inclusion in the Capital Budget, supporting Facilities in the development of project fact sheets and governance documentation during the project concept development stage, and assisting with capital plan scoring and project summaries during project formation for Board of Regents approval.
- In advance of project completion and occupancy, final submission of building maintenance and operations requests to the Governor’s Office of Financial Management for inclusion in the state operating budget.

C. UW Facilities

UW Facilities staff, in collaboration with OPB, are responsible for:

- During planning stages, and to support stakeholder review, working with units and process partners to develop facility priorities and data, including infrastructure (utilities, etc.) and grounds needs, real estate investment analysis, diversity & inclusion metrics, and partnership opportunities.
- Development of space and design standards, which form baseline requirements for items including accessibility, wayfinding, density, and construction materials.
- In coordination with OPB staff, drafting the Capital Plan and Capital Budget for review by stakeholders, approval by the Provost and President, then approval by the Board of Regents.
- After inclusion of a project on the Five-Year Capital Budget, and during the project formation phase, generation of feasibility studies, including benchmarking project examples, displacement plans, and project governance. In coordination with staff from supported units, feasibility studies should include project estimates, draft schedules, and maintenance and operations funding plans.
- During project formation stages, developing the project work plan, summaries, and working with Treasury, Advancement and OPB to ensure financial due diligence before seeking approval from the Board of Regents. Partner with UW Finance and OPB to develop analyses related to real estate transactions and public private partnerships.
- For projects assuming state capital funding, final submission of capital project requests and other required reports to the Governor’s Office of Financial Management for inclusion in the state capital budget.

- Following Board of Regents approval, design, engineering, construction, transition to occupancy, and associated project schedule, cash flow, and risk tracking and reporting, all in collaboration with initiating units and project sponsors.
- Recommend Capital Renewal Plan to advisory body and for approval by the Provost and President.

D. Capital Planning Advisory Team (CPAT)

CPAT is responsible for the following, in addition to other efforts as assigned by the President and Provost:

- Continuous improvement and refinement of this policy, establishing comprehensive funding cycle procedures outlining the project proposal submission and review process, and ensuring consistent approaches to project concept development, project formation, and project execution.
- Reviewing major unit and interdisciplinary capital needs and prioritize proposed projects and existing capital plans, and advising the Provost and President as to what projects should be advanced as part of the University's Capital Plan and Capital Budget, presented to the Board of Regents for action annually.
- During project concept development and project formation, ensuring that policy guidelines have been met, funding plans are complete and sound, shared common spaces and assets are prioritized, and maintenance & operations plans are complete and sound.
- Approval of business case analysis and review of submissions to the Board of Regents.

E. UW Finance

UW Finance staff are responsible for:

- During planning stages, working with administrative officials to develop facility funding plans with a focus on University debt implications and impacts on the University's cash and liquidity. Partner with UW Facilities and OPB to develop analyses related to real estate transactions and public-private partnerships.
- For debt-funded projects, providing financial oversight and reporting to ensure that unit revenue streams are available to service debt. In the event of financial challenges, working with units and other central offices (Executive, OPB) to develop strategies for addressing financial difficulties (e.g., loan restructuring, Financial Stability Plans, etc.).
- Evaluating long-term lease arrangements for impacts to financial statements and University debt capacity.

F. UW Advancement

UW Advancement staff are responsible for:

- Assessing and validating feasibility of the philanthropic goals for capital projects.

- Ensuring that the timeline for receiving donor funds is capped at four years unless reasonable circumstances allow for a longer term.
- Providing cash flow estimates or other analysis related to gift pledges as needed for financial reviews.

5. Capital Planning and Project Funding Requirements

The following requirements apply to all capital planning activities at the University of Washington:

- All proposed capital projects must be vetted as outlined in comprehensive capital planning and approval guidelines, including through advisory bodies with broad stakeholder involvement focused on ensuring that new investments improve community belonging, accessibility, and model best practices for sustainability, innovative teaching, and research.
- Projects that move forward to final approval by the Board of Regents must have secured funding from all sources, including contingency for cost escalation. In certain cases, single capital projects will be advanced to the Board of Regents if timing requires a different approval schedule; approval in these cases may be contingent on securing funding by a later date. However, before requesting Regent approval for a project which has not yet secured full funding, the conditions stipulating how and when funding plans will be resolved must be established in writing with approval from the Executive Office.
- Every proposed capital project must have a detailed funding plan (including source of funds) to support the planning, design, construction, and annual maintenance & operations and renewal costs, enabling projects, as well as any costs associated with permanent relocation or interim moves required by the renovated, new, or expanded asset from the financial resources of the sponsoring unit (or units). Funding plans identify all funding sources and are regularly reviewed to assess the risk of cost escalation and take mitigating actions.
- All commitments of resources from the central administration or other University funds (financial equity), regardless of the source, must be confirmed by the administrative official with fiscal responsibility over said funding source in writing prior to project approval in advance of Board of Regents consideration.
- Unless otherwise agreed in writing prior to project approval, central University commitments used for the completion of any project will be reimbursed first if the funding sources for the project exceed the final costs of the project. In the opposite case, when costs exceed funding, the responsible parties will first work to reduce scope to a reasonable level. If scope reductions are not possible, advisable, or safe, then responsible parties will work with funding partners to secure additional funding, with no assumption made regarding additional central or state funding.
- Donor funds and/or signed pledge agreements must be in hand to be considered as a valid funding source for a project prior to approval by the Board of Regents. The timeline for receiving donor funds is capped at four years unless reasonable circumstances allow for a longer term.
- Units with gifts that are pledged but not yet available in cash to pay for project costs may need to request “bridge funding” from the Treasury Office in UW Finance, which will require interest

payments. Guidelines for bridge funding are managed by the Treasury Office, and access to bridge funding is subject to availability.

- Projects that require debt funding are required to work with the Treasury Office and the Office of Planning and Budgeting to assess the impact of loans on the borrower's financial health and identify key risks and mitigations prior to approval. Access to debt funding is based both on the ability to service debt as well as the institutional impact of additional debt.
- Identification and prioritization of state funding requests for University buildings will be reviewed and promulgated by the Provost and President, including state appropriations utilized to fund instructional and deferred maintenance priorities.

5. *6. Responsible Office and Additional Information

Implementation of this policy is a shared responsibility between the Vice Provost of Planning & Budgeting and the Vice President of UW Facilities, in collaboration with the Vice President of Finance and in consultation with advisory bodies.

***7. History** (This section is for UPRO use only for revision history.)

XX, XX, 2021.