RB21
University of Maryland, Baltimore
University System of Maryland

Capital Budget Summary

State-owned *Capital Improvement Program*
($ in Millions)

Projects	*Prior Auth.*	*2015 Request*	*2016 Est.*	*2017 Est.*	*2018 Est.*	*2019 Est.*	*Beyond CIP*
Health Sciences Research Facility III	$44.242	$59.000	$91.550	$91.000	$19.600	$0.000	$0.000
Total	**$44.242**	**$59.000**	**$91.550**	**$91.000**	**$19.600**	**$0.000**	**$0.000**

Fund Source	*Prior Auth.*	*2015 Request*	*2016 Est.*	*2017 Est.*	*2018 Est.*	*2019 Est.*	*Beyond CIP*
GO Bonds	$25.242	$49.000	$81.550	$81.000	$3.600	$0.000	$0.000
Nonbudgeted Funds	19.000	10.000	10.000	10.000	16.000	0.000	0.000
Total	**$44.242**	**$59.000**	**$91.550**	**$91.000**	**$19.600**	**$0.000**	**$0.000**

CIP: *Capital Improvement Program*

Summary of Issues

Future of the Metro West Complex: The Social Security Administration (SSA) has vacated a large facility adjacent to the University of Maryland, Baltimore's (UMB) campus, which presents an opportunity purchase for the institution. However, requirements for the site may not make the acquisition feasible at this time, due to the enormous cost of renovating the site.

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Summary of Recommended Bond Actions

1. Health Sciences Research Facility III

   Approve.

2. SECTION 12 University of Maryland, Baltimore – Health Sciences Research Facility III

   Approve the pre-authorization for the 2015 session.

3. SECTION 13 University of Maryland, Baltimore – Health Sciences Research Facility III

   Approve the pre-authorization for the 2016 session.

4. SECTION 14 University of Maryland, Baltimore – Health Sciences Research Facility III

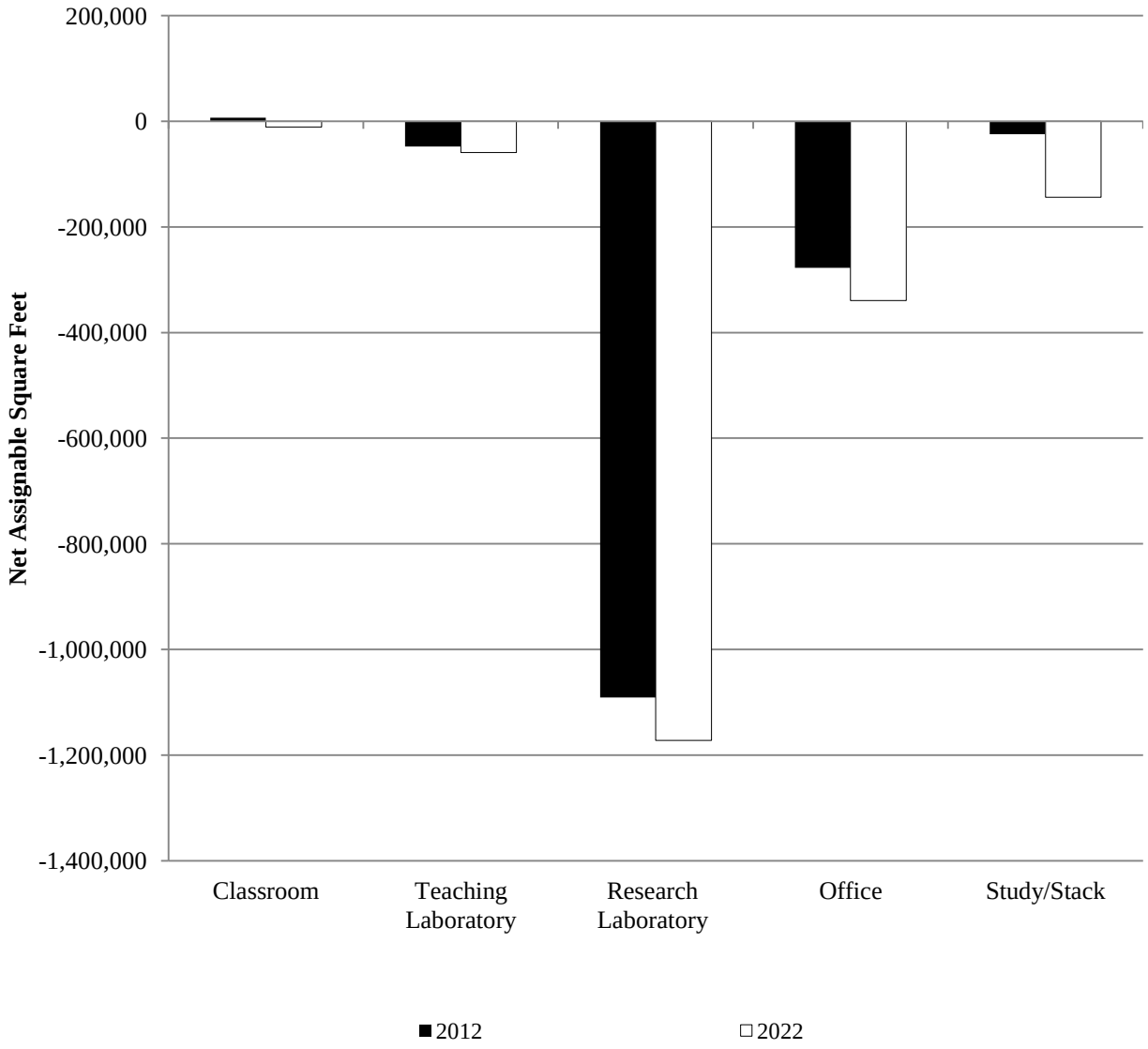
   Approve the pre-authorization for the 2017 session.

Performance Measures and Outputs

According to the fall 2012 facilities inventory, UMB academic space totals 1,630,349 net assignable square feet (NASF), second only to the University of Maryland, College Park in size. UMB has 213,634 NASF of classroom and teaching laboratory space; 532,917 NASF of research laboratory space; and 750,572 NASF of office space. **Exhibit 1** shows UMB's self-reported space deficiencies in fall 2012 and projected deficiencies in fiscal 2022. UMB currently expects to have space shortages in all five space categories, including a deficit of 1.2 million NASF in research laboratory space. Additionally, existing research space in Bressler Hall and the Medical School Teaching Facility are in need of renovation, and no surge space currently exists to accommodate any renovations. For comparison, UMB's total deficit in fall 2012, 1.4 million NASF, would nearly double the current size of UMB, 1.6 million NASF. The current deficit is comparable to the space of Towson University and Salisbury University combined. Overall, by fiscal 2022, UMB expects to have about 221,000, or 13.6%, additional NASF than it did in fall 2012, compared to a statewide public four-year institution average increase of 13.2%. Despite this, the total space deficit grows to 1.7 million NASF.

The Health Science Facility (HSF) III will provide research and office space that UMB needs and assist UMB in meeting expected expansion of science, technology, engineering, and mathematics (STEM) programs. Finally, overall student enrollment is not expected to grow significantly over the next decade due to UMB's focus on professional graduate programs in medical science, law, and social work.

Exhibit 1
Academic Space Deficiency
Net Assignable Square Feet
Fall 2012 and Projected Fiscal 2022



Source: Four-year Public Colleges and Universities Academic Space Surplus/Deficit: Fall 2012, Projected Fiscal 2022, Maryland Higher Education Commission

Budget Overview

The fiscal 2015 budget bill programs $49.0 million for the construction of HSF III in fiscal 2015, the same amount that was pre-authorized in the Maryland Consolidated Capital Bond Loan of 2013 for the 2014 session. However, while nonbudgeted fund support from UMB has remained fixed at $65.0 million, State support through general obligation (GO) bonds has increased from $218.7 million to $240.4 million, an increase of $21.7 million, or 10%. The plan includes demolition costs for the 40-year-old vacant Hayden Harris Hall, the former dental school building, as UMB found this building cannot accommodate the mechanical, electrical, and plumbing systems required for a modern research building. The dental school was relocated to a new, adjacent building in 2006. The increase in project cost is due to an increase in the scope of the building – the new plan has added 2 shell floors to the structure so that the entire facility now includes a basement, 10 occupied floors, and 2 mechanical floors. The first 6 floors have a slightly larger footprint due to added dry laboratory components. Floors 7 through 10 are slightly smaller. HSF III is in the construction documents phase as of March 2014. Overall, the only change so far has been the design phase extending one month to October 2014. The final construction completion date remains September 2017.

The fiscal 2014 budget programmed $21.6 million to complete design, begin site work, and demolish Hayden Harris Hall to ready space for HSF III at UMB's downtown Baltimore City campus. Prior authorizations totaling $25.24 million covered design and some demolition costs. The University of Maryland Medical Center will contribute $30.0 million to UMB's planned $65.0 million contribution to the total cost of HSF III. Fundraising to meet the remaining $35.0 million is ongoing, and UMB has secured about $19.0 million so far.

When completed, HSF III will provide modern laboratory and office space for expanding UMB research programs in various medical sciences. HSF III will complement HSF I, built in 1995, and HSF II, built in 2003, and maintain UMB's success in receiving numerous federal grants.

The HSF III project includes the following components:

- demolishing Hayden Harris Hall (will be completed in March 2014);
- preparing the construction site by replacing or relocating certain below ground infrastructure features such as electrical feeders and duct banks; and
- constructing HSF III.

HSF III will augment UMB's research programs by adding new research laboratory and office space. While the current science facilities were built with prior best practices of offering about half the laboratory support space in relation to laboratory space, current guidelines suggest that there needs to be a one-to-one match of laboratory space to laboratory support space, which includes cold rooms, tissue culture rooms, and freezers. This is due to the expanding nature of many federal research grants. Additionally, HSF II did not add any animal facility space, so HSF III would create

nearly 20,000 NASF of vivarium space. It also offers approximately 133,000 NASF in research laboratory space and 22,000 NASF in office space. HSF III also includes space for lounges, meeting rooms, a data processing center, and central building services that are all important for improving educational spaces at UMB. Unlike many other higher education capital projects, HSF III does not include any classroom space, as laboratory space does not technically generate any weekly student contact hours even though graduate students may be working in the laboratories.

The unfinished shell floors will total about 44,000 NASF. This accounts for the majority of the 45,639, or 25.4%, increase in NASF over the prior year's plan. UMB currently does not plan to seek additional State GO bond support to finish these floors. To enact this modification, UMB essentially swapped out planned renovations for Howard Hall in the *Capital Improvement Program* (CIP) for the shell space. The current plan is to complete the shell space soon after HSF III construction ends using research grants and federal contracts, which allow equipping and space finishing. UMB has used this process in the past for facilities belonging to the School of Medicine. Although there is currently concern over levels of federal research grants given federal sequestration, UMB is confident that it will be able to locate funding to finish HSF III.

The HSF III project also assists the University System of Maryland in increasing the number of STEM degrees awarded by 40% by 2020. In order to meet this goal, institutions will need to increase production of STEM degrees by approximately 2,200. HSF III will assist in attracting students to STEM studies at UMB and retaining students over the course of their graduate studies by attracting more principal investigators to UMB. UMB projects that its full-time student equivalent enrollment will only grow from about 6,400 to 6,500 after HSF III is completed. Finally, HSF III fits in with the 2013 State Plan for Postsecondary Education by meeting goals 4 and 5, which require the State to increase STEM output, scientific research, and commercialization of research.

Additionally, it is estimated that HSF III will create nearly 700 new direct jobs through grant-funded research and as many as 600 indirect jobs. Moreover, the facility is estimated to create $77.0 million in new research and bring in $7.6 million in State and local tax revenue annually.

Issues

1. Metro West Complex

In 2014, SSA left the 11-acre Metro West complex, one block north of UMB's campus, for a new facility in Reisterstown. Built in 1980, the vacant Metro West complex has about 1.2 million gross assignable square feet. It consists of two buildings connected by a two-storey bridge over Mulberry Street/Route 40 and includes 410 garage parking spaces and 108 surface lot spaces. UMB initially considered acquiring the property to become HSF III, but the cost and timing did not align with UMB's needs.

Currently the General Services Administration (GSA) is expected to list Metro West as surplus federal property in summer 2014. UMB has been in talks with GSA since 2009, although UMB has no exclusivity in negotiating with GSA. Under current federal law, UMB could acquire the Metro West complex for only $1 a year through a public benefit conveyance, but it would have to utilize the entire facility within a reasonable timeframe, which is understood to be no more than two years. Given the current open office architecture of the complex's interior space, which was mainly a telecenter, it would require massive renovations to be useful to UMB. UMB has raised the idea of acquiring only part of the complex, or joining with another State entity, but these arrangements are not eligible for the $1 a year acquisition deal with GSA.

GSA is willing to do a public or negotiated sale to repurpose the building and adjacent land. In particular, GSA is interested in private developers that can provide constructions services for other federal properties. A private party would likely have to provide cash or services close to the fair market value of the facility, which is estimated to be between $90 million and $100 million. Baltimore City is also interested in the future of this complex as a means of revitalizing the northwest corner of downtown.

If acquired, Metro West would fully meet UMB's research space needs now and in the future. The State, in consultation with GSA, should explore Metro West further as an opportunity purchase for joint use by the State, whether for mixture of higher education uses or other State uses, including a potential public-private partnership. Given that UMB is able to use grant funding for finishing shell space and other renovations, there may be options for UMB, with State backing, to continue discussions over the future of Metro West.

The President should comment on UMB and the future of the Metro West complex.

Operating Budget Impact Statement

Executive's Operating Budget Impact Statement
($ in Millions)

	FY 2015	*FY 2016*	*FY 2017*	*FY 2018*	*FY 2019*
Project Name					
Estimated Operating Cost	$0.000	$0.000	$0.000	$10.387	$10.681
Estimated Staffing	0	0	0	10	11

According to the 2014 CIP, HSF III will impact the fiscal 2018 operating budget by about $10.4 million due to general costs for fuel and utilities, supplies and materials, and amortized

equipment. Costs also include 10 new regular positions to maintain the facility, down from 25 in the prior CIP.

Projects Removed from the *Capital Improvement Program*

Exhibit 2 shows one project removed from the CIP.

Exhibit 2
Projects Removed From the *Capital Improvement Program*
Fiscal 2015
($ in Millions)

Project	*Description*	*Reason for Removal*
Howard Hall Renovations	Phase 6 of planned renovation	Swapped out for additional floors in HSF III.

HSF: Health Sciences Research Facility

Source: Department of Budget and Management, 2014 *Capital Improvement Program*

Howard Hall Renovations

Howard Hall is a six-story, 329,000 gross square foot research and teaching facility built in 1928 and was a warehouse until the 1960s. UMB began a phased renewal beginning in 1988 using facilities renewal funds. Phase IVB, to begin in fiscal 2016, includes finishing conversion of the top floor into animal facilities, a new roof, and elevator upgrades. Prior authorizations for Phases I to IVA total $39.2 million. Of that amount, $9.2 million came from general funds, $1.9 million came from revenue bonds, and $7.9 million in GO bonds. In the 2013 CIP, $10.0 million in revenue bonds were programmed in fiscal 2017, along with $11.65 million in GO bonds. This would finish phase 6 of 7 total phases at Howard Hall to address animal research space. In order to build the additional shell floors in HSF III, the Howard Hall renovations were removed from the CIP. UMB reports that, like finishing the shell space, it will search for grants that allow space finishing to address needed renovations to animal lab space and freezer farms.

Pre-authorizations and De-authorizations

As shown in **Exhibit 3**, HSF III has three pre-authorizations for fiscal 2016 to 2018.

Exhibit 3
Pre-authorizations and De-authorizations

Pre-authorizations				
Project	**FY 16**	**FY 17**	**FY 18**	**Reason**
Health Sciences Research Facility III	$81.55	$70.5	$2.0	Pre-authorizations are required for Board of Public Works approval of the construction contract in fiscal 2015.

Source: Department of Budget and Management, 2014 *Capital Improvement Program*

GO Bond Recommended Actions

1. Approve the $49.0 million in general obligation bonds for the construction of the Health Sciences Research Facility III on the campus of the University of Maryland, Baltimore.

2. Approve the pre-authorization of $81.55 million in general obligation bonds for the 2015 session for the construction of the Health Sciences Research Facility III on the campus of the University of Maryland, Baltimore.

3. Approve the pre-authorization of $70.5 million in general obligation bonds for the 2016 session for the construction of the Health Sciences Research Facility III on the campus of the University of Maryland, Baltimore.

4. Approve the pre-authorization of $2.0 million in general obligation bonds for the 2017 session for the construction of the Health Sciences Research Facility III on the campus of the University of Maryland, Baltimore.