

RB21
University of Maryland, Baltimore
 University System of Maryland

Capital Budget Summary

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

<i>Projects</i>	<i>Prior Auth.</i>	<i>2016 Request</i>	<i>2017 Est.</i>	<i>2018 Est.</i>	<i>2019 Est.</i>	<i>2020 Est.</i>	<i>Beyond CIP</i>
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Health Sciences Research Facility III	104.842	\$92.000	\$95.150	\$13.350	\$0.000	\$0.000	\$0.000
Total	\$104.842	\$92.000	\$95.150	\$13.350	\$0.000	\$0.000	\$0.000

<i>Fund Source</i>	<i>Prior Auth.</i>	<i>2016 Request</i>	<i>2017 Est.</i>	<i>2018 Est.</i>	<i>2019 Est.</i>	<i>2020 Est.</i>	<i>Beyond CIP</i>
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GO Bonds	\$74.242	\$81.550	\$81.000	\$3.550	\$0.000	\$0.000	\$0.000
Nonbudgeted Funds	30.6000	10.450	14.150	9.800	0.000	0.000	0.000
Total	\$104.842	\$92.000	\$95.15	\$13.350	\$0.000	\$0.000	\$0.000

CIP: *Capital Improvement Program*

GO: general obligation

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 for the institution and Baltimore City. However, requirements for the site may not make acquisition feasible, due to the enormous cost of renovating the site and the requirements for the site from the federal government.

Summary of Recommended Bond Actions

1. Health Sciences Research Facility III
Approve.

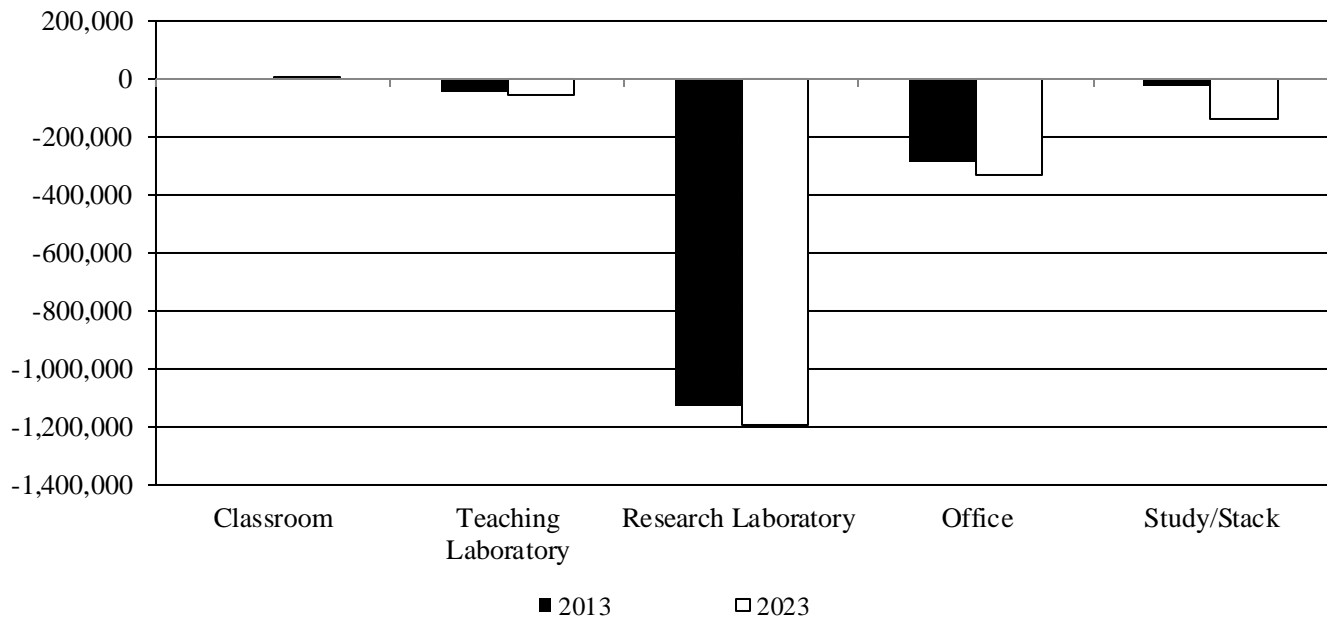
2. Section 12 – University of Maryland, Baltimore – Health Sciences Research Facility III
Approve the pre-authorization for the 2016 session.

3. Section 13 – 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 2013 facilities inventory, UMB academic space totals 1,606,893 net assignable square feet (NASF), second only to the University of Maryland, College Park in size. UMB has 210,141 NASF of classroom and teaching laboratory space, 512,025 NASF of research laboratory space; and 753,282 NASF of office space. **Exhibit 1** shows UMB’s self-reported space deficiencies in fall 2013 and projected deficiencies in fiscal 2023. UMB currently expects to have space shortages in four of 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 have been in need of renovation for years, and no surge space currently exists to accommodate any renovations. For comparison, UMB’s total deficit in fall 2013, 1.5 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 2023, UMB expects to have about 0.2 million, or 14.9%, additional NASF than it did in fall 2013, compared to a statewide public four-year institution average increase of 14.7%. Despite this additional space, the total space deficit grows slightly to 1.7 million NASF.

Exhibit 1
Academic Space Deficiency
Net Assignable Square Feet
Fall 2013 and Projected Fiscal 2023



Source: Four-year Public Colleges and Universities Academic Space Surplus/Deficit: Fall 2013, Projected Fiscal 2023, Maryland Higher Education Commission

The Health Science Facility (HSF) III will provide research and office space for UMB and assist UMB in meeting expected expansion of science, technology, engineering, and mathematics (STEM) research 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 sciences, law, and social work. When finished, 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.

Budget Overview

The fiscal 2016 budget bill programs \$81.6 million to continue construction of HSF III in fiscal 2016, the same amount that was pre-authorized in the Maryland Consolidated Capital Bond Loan of 2014 for the 2015 session. Nonbudgeted fund support from UMB has remained fixed at \$65.0 million and State support through general obligation (GO) bonds now totals \$305.3 million, a decrease of \$50,000, or less than 1% from the prior year. Overall, there are no significant changes to the design, NASF, cost, or construction scheduling from the prior year.

The total project cost had been increased about 10% in fiscal 2015 due to an increase in the scope of the building – the revised plan 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. Overall, the only change so far has been the design phase extending one month, which concluded in October 2014. The final construction completion date remains September 2017.

The fiscal 2014 budget provided \$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. Demolishing the 40-year-old vacant Hayden Harris Hall, the former dental school building, was necessary as UMB found this building could not 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. Demolition began in July 2013, with asbestos abatement and interior work and concluded in February 2014. All site work and excavation activities, including relocation of underground utilities, were then completed by July 2014. Construction officially began in June 2014. The fiscal 2015 budget provided \$49.0 million to continue construction of HSF III.

To date, prior authorizations totaling \$104.8 million covered design, demolition costs, and some construction costs. The University of Maryland Medical Center (UMMC) will contribute at least \$10.0 million for the next three years 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, including \$4.0 million from the UMB School of Medicine. However, UMMC is willing to pledge up to \$50.0 million total to ensure the project's completion.

HSF III will augment UMB's medical 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 and meeting rooms that are all important for improving educational spaces at UMB. Unlike many other higher education capital projects, HSF III includes no classroom space, as laboratory space does not technically generate any weekly student contact hours, even though graduate students may be working in these 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 original design plan. UMB does not plan to seek additional State GO bond support to finish these floors. For this modification, UMB essentially swapped out planned renovations for Howard Hall in the 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 and other ongoing federal reductions, UMB is confident that it will be able to obtain 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 equivalent student 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 in the Baltimore metropolitan area. 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 the spring of 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-story 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.

In the summer of 2014, the General Services Administration (GSA) listed Metro West as surplus federal property. While UMB has been in talks with GSA since 2009 about possible acquisition of the property, 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 construction 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. Given GSA's inflexibility on the issue of subdividing the site, there is currently no plan put forward by any combination of State or city agencies to use the site. GSA stated in early 2015 that it would like to sell or trade the complex to a private developer by the end of federal fiscal year 2015, October 1, 2015. However, GSA has been unwilling to share its fair market value pricing for the site and the cost of renovating a 1980s-style call center could be hundreds of millions of dollars. This has limited the appeal of the site to private developers, non-profit organizations, and State agencies.

Metro West has been vacant at a time when other large Baltimore City projects are moving forward, like HSF III and the Excelon headquarters, or have been completed, like the new casino.

The President should comment on the future of the Metro West complex and any ideas put forth by the mayor of Baltimore's commission to resolve this issue.

Operating Budget Impact Statement

Executive’s Operating Budget Impact Statement (\$ in Millions)

	<i>FY 2016</i>	<i>FY 2017</i>	<i>FY 2018</i>	<i>FY 2019</i>	<i>FY 2020</i>
Health Sciences Research Facility III					
Estimated Operating Cost			\$4.393	\$9.596	\$9.747
Estimated Staffing			10	11	11

According to the 2015 CIP, HSF III will impact the fiscal 2018 operating budget by about \$4.4 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, the same as the prior CIP.

Pre-authorizations and De-authorizations

As shown in **Exhibit 2**, HSF III has two pre-authorizations for fiscal 2017 and 2018.

Exhibit 2 Pre-authorizations and De-authorizations (\$ in Millions)

Pre-authorizations				
Project	FY 17	FY 18	FY 19	Reason
Health Sciences Research Facility III	\$70.5	\$2.0		Pre-authorizations are required for Board of Public Works approval of the construction contract in fiscal 2016.

Source: Department of Budget and Management, 2015 *Capital Improvement Program*

GO Bond Recommended Actions

1. Approve the \$81.55 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 \$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.
3. Approve the pre-authorization of \$2 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.