The meeting of the Capital Planning and Budget Committee was called to order at 1:05 p.m. by Committee Chair Regent Jeffrey Bartell in the Varsity Hall I, 2nd Floor Room of Union South on the UW-Madison campus. Regents Edmund Manydeeds (by telephone), John Behling, Regina Millner, Katherine Pointer, and Gary Roberts were in attendance. Regents Tony Evers joined the meeting at 1:20 p.m. and Regent José Vásquez was absent.

I.3.a. Approval of the Minutes of the October 4, 2012 Meeting of the Capital Planning and Budget Committee

Upon the motion of Regent Behling and the second of Regent Manydeeds, the minutes of the October 4, 2012, meeting of the Capital Planning and Budget Committee were approved as presented.

I.3.b. UW-Madison: Authority to Increase the Budget of the All Season Softball Practice Facility Project

This item requested authority to increase the budget of the All Season Softball Practice Facility project by $700,000 Gift Funds for a revised total project cost of $3,525,000 Gift Funds.

This project constructs a new 12,400 ASF/14,930 GSF softball practice facility that will become the home of the University of Wisconsin-Madison’s softball team. The new facility will house a large indoor practice field with a 24-foot clear inside height and include other team spaces, an umpire locker room, and storage spaces. The project will upgrade finishes in the three existing locker rooms and the existing training room, and provide associated site improvements.

In response to revised cost estimates prior to the bidding of this Phase II portion of the project, the Division of Facilities Development allowed $500,000 Gift Funds to be administratively added to the project. Bids received for Phase II (the balance of the project) exceeded that amount and, after additional value engineering of the already lean project, an additional $700,000 is needed to complete the project for the spring 2013 season.

Associate Vice President David Miller explained that this is the second budget increase for this project and that the first increase of $500,000 was done administratively, in accordance with Building Commission policy.

Regent Bartell asked if the gifts funds were all from the Goodman Foundation and Mr. Miller responded that not all the gift funds were from that foundation, but that they are the lead donor for this project.
Upon the motion of Regent Behling and the second of Regent Pointer, the Committee approved Resolution I.3.b.

Resolution I.3.b.

That, upon the recommendation of the UW-Madison Interim Chancellor and the President of the University of Wisconsin System, authority be granted to increase the budget of the All Season Softball Practice Facility project by $700,000 Gift Funds for a revised total project cost of $3,525,000 Gift Funds.

I.3.c. **UW-Madison: Authority to Petition for Annexation of 388 Acres Comprised of the Spooner Agricultural Research Station into the City of Spooner, Wisconsin**

This item requested authority to petition for annexation of 388 acres comprised of the entire Spooner Agricultural Research Station into the city of Spooner, Wisconsin.

The 388 acre parcel of the Spooner Agricultural Research Station (SARS) is currently located within the town of Spooner, on the eastern edge of the city of Spooner, one-half mile from the northwestern intersection of highways 70 and 53. The city of Spooner proposed annexation to allow the city to expand to the main interchange of the highways.

The Spooner Agricultural Research Station was established in 1909, when the city of Spooner donated 80 acres to the University of Wisconsin. An additional 80 acres adjoining the original were purchased in 1911 and 243 acres were purchased in 1931. Sales to accommodate highway expansion in 1963 and 1985 totaled 15 acres, resulting in the present size of 388 acres. A staff of 14 employees from UW-Madison and UW-Extension conducts research and maintains the station that serves the surrounding community.

The principal advantages of annexation benefit the city of Spooner, as it allows expansion toward the main highway interchange; however, the annexation also benefits SARS to some degree by providing the College of Agricultural and Life Sciences with more options in the future as land values increase.

Additionally, the major concerns on the part of the College of Agricultural and Life Sciences have been addressed by the city of Spooner and are being incorporated into the request for annexation being prepared by UW System legal counsel. Those concerns include assessments, zoning changes, utility services, payment in lieu of taxes, and indemnification.

Mr. Miller explained that the city approached UW-Madison to propose the annexation of the entire Agricultural Research Station from the town of Spooner into the city of Spooner and that this annexation would not result in any changes to the operation of the research station.

Regent Bartell asked UW-Madison Real Estate Specialist Tammi Alexander to describe the type of research that is done at the Spooner station. She explained that a variety of research on both crops and farm animals is done at the station by researchers, staff, and graduate students. Regent Behling asked Ms. Alexander if there were any objections from the town of Spooner, and she answered that the campus had heard no objections. When asked to describe the
benefits to the university, she explained that this annexation would make the property more valuable and eventually provide the station with the ability to connect to the city’s utilities, water, and sewer services.

Upon the motion of Regent Behling and the second of Regent Pointer, the Committee approved Resolution I.3.c.

Resolution I.3.c.

That, upon the recommendation of the UW-Madison Interim Chancellor and the President of the University of Wisconsin System, authority be granted to petition for annexation of 388 acres comprised of the entire Spooner Agricultural Research Station into the city of Spooner, Wisconsin.

I.3.d. UW-Milwaukee: Authority to Purchase Property Located at 3435 North Lake Drive, Milwaukee, from the University of Wisconsin-Milwaukee Real Estate Foundation, Inc.

This item requested authority to purchase a property, which is located at 3435 North Lake Drive, Milwaukee, from the UW-Milwaukee Real Estate Foundation, Inc. for a total cost not to exceed $645,000.

The UWM Real Estate Foundation purchased the property for $955,000, and will sell it to the University of Wisconsin-Milwaukee for $645,000. The funding for this purchase will come from the proceeds of the 2010 sale of the previous Chancellor’s house. The difference in price is comprised of gifts to the UWM Foundation. A recent appraisal of the property determined the value to be $955,000. The 2012 assessed value is $971,800. Associated costs related to the purchase of the house, including inspections and closing costs, will be covered by the UWM Real Estate Foundation.

The property is a 0.47 acre parcel of land with a 4,818 gross square foot residential building that was designed by a prominent local architect of the era, Charles Valentine, and constructed in 1926. The building is a stone Tudor-style house with 11 rooms, including a living room, a dining room, and a library on the main level. The house is located in the North Lake Drive Historical neighborhood at 3435 N. Lake Drive, Milwaukee and is approximately 0.5 miles due east of the main campus. Moderate renovations will be completed prior to occupancy to provide accessibility for the physically impaired, consistent with ADA codes and institutional use of the house.

This facility will provide an excellent location near campus for hosting university fundraising and private events, both indoors and out, for visiting dignitaries, guests, and supporters of the university.

Mr. Miller explained that UW-Milwaukee was gifted a residence many years ago, which served as the chancellor’s residence for some time, however it became a liability as a residence due to the physical condition of the property and the cost it would have taken to retain that property for a long period of time. He added that it was not well designed for public functions. That property was sold and the proceeds of that sale were held in trust and those proceeds will
be used to pay for this new property with any additional funding required to be provided by the UW-Foundation.

Regent Millner asked if there were any necessary renovations that were needed. Mr. Miller explained that there were three areas of minor renovations; an exterior ramp to enter the property, a conversion of the first-floor bathroom to make it accessible, and a modification to address a step-down to the main living room to make that space accessible. Miller explained that it is important to provide accessible public accommodations in a facility that is used to host official university functions.

Regent Bartell asked about the plan for furnishing the house. Associate Vice Chancellor of Facilities Planning and Management Geoff Hurtado explained that the furnishings of the previous chancellor’s house were stored and will be retrieved and used to furnish this house.

Regent Evers arrived at the meeting.

Upon the motion of Regent Roberts and the second of Regent Millner, the Committee approved Resolution I.3.d.

Resolution I.3.d.

That, upon the recommendation of the UW-Milwaukee Chancellor and the President of the University of Wisconsin System, authority be granted to purchase a property, which is located at 3435 North Lake Drive, Milwaukee, from the UW-Milwaukee Real Estate Foundation, Inc. for a total cost not to exceed $645,000.

I.3.e. UW-Oshkosh: Approval of the Design Report of the Lincoln Hall Renovation Project and Authority to Increase the Budget and Construct the Project

This item requested approval of the Design Report of the Lincoln Hall Renovation project and authority to increase the budget by $424,000 Program Revenue Supported Borrowing and construct the project at a total cost of $4,900,000 Program Revenue Supported Borrowing.

This project will renovate the existing 20,163/34,235 ASF/GSF Lincoln Hall into space for the functions of the Division of Lifelong Learning and Community Engagement, the Children’s Learning and Care Center, and parking. The building, which was recently purchased from the Oshkosh Area School District, will require a major renovation to meet the needs of the future occupants and to address building code and backlog maintenance issues.

Work will include a complete reconfiguration and remodeling of the interior of the building and an upgrade of the mechanical systems to meet code requirements and intended programmatic needs. In addition, a fire sprinkler system will be added. The remodeling will include lighting, voice/data/video connections, and a new roof.

The increase in the project budget is in response to the results of pre-design deliverables including a thorough facility condition assessment and life cycle cost analyses of design options. Pre-design investigations clarified the need for the installation of a new fire sprinkler system, an upgrade of the elevator controls, more extensive asbestos abatement than
previously budgeted, replacement of the existing unit ventilators with a variable air volume (VAV) mechanical system, and extension of the campus chilled water system rather than installation of a stand-alone chiller.

Mr. Miller pointed out the bid alternates in the design report and explained that those alternates are included in the bidding process because bidding is unpredictable if bids are low you want to get pricing on scope of work that could be done within the authorized amount if there were low bids. Those alternated items are needed and would become future projects if they are not affordable at this time.

Upon the motion of Regent Millner, and the second of Regent Behling, the Committee approved Resolution I.3.e.

Resolution I.3.e.

That, upon the recommendation of the UW-Oshkosh Chancellor and the President of the University of Wisconsin System, the Design Report of the of the Lincoln Hall Renovation project be approved and authority be granted to increase the budget by $424,000 Program Revenue Supported Borrowing and construct the project at a total cost of $4,900,000 Program Revenue Supported Borrowing.

I.3.f. UW-Superior: Authority to Increase the Budget of the Ross and Hawkes Halls Renovation Project

This item requested authority to increase the budget of the Ross and Hawkes Halls Renovation project by $1,079,000 Program Revenue Supported Borrowing for a total project cost of $16,355,000 Program Revenue Supported Borrowing.

This project will replace failing mechanical systems and infrastructure in the two existing four-story plus basement residence halls. A portion of the original scope of work was to include the replacement of all exterior windows. Current windows are original to the 1967 construction and have lost their integrity to keep out wind and moisture, causing increased energy and maintenance costs.

As a result of value engineering efforts during the project’s bidding process, the exterior window replacement scope was removed. Due to the serious energy and maintenance concerns and the opportunity to accomplish the work while the residence halls are off-line during the renovation, the campus is seeking to restore the window replacement scope to the project.

The budget estimate for this project was created two or more years prior to the project’s design. After the design process, the competitive project bids were high and the windows were excluded as a way to reduce the cost and keep it within the range of the authorized budget. The campus has now decided to include the windows during this project’s construction to take advantage of current window prices and to avoid the additional disruptions to the residence hall that a future separate window replacement project would cause.
Regent Millner stated that if this window replacement portion of the project were postponed it would cost more in the future and that the operating costs of the building, the utility costs, would increase if the windows aren’t replaced now.

Regent Roberts asked why the windows were not included in the original bid. Mr. Miller answered by saying that there was one bid in which the windows were included as an alternate and that is the origin of the price of the windows in the request.

Regent Roberts asked what would fund this budget increase and Mr. Miller said that it would be paid with student revenue. UW-Superior Chancellor Wachter added that students are aware of this project and they are highly in favor of this window replacement. Miller added that this will not increase the housing rates that the students pay.

Regent Roberts expressed concern about the details regarding the revenue and expenses for this project and suggested that the campus provide a spreadsheet of that information for projects such as this one. Mr. Miller assured the committee that the division of housing has the future debt service and housing rates built into its structure and that it produces documentation that demonstrates the revenue and expense detail of their self-supporting operation. He continued by saying that level of detail could certainly be provided to the committee.

Regent Millner commented that she would also like a better idea of the revenue and expense information. Regent Bartell suggested that the committee’s staff include a little more detail regarding revenue and expense information, especially in the documents for residence hall projects.

Upon the motion of Regent Pointer, and the second of Regent Behling, the Committee approved Resolution I.3.f.

Resolution I.3.f.

That, upon the recommendation of the UW-Superior Chancellor and the President of the University of Wisconsin System, authority be granted to increase the budget of the Ross and Hawkes Halls Renovation project by $1,079,000 Program Revenue Supported Borrowing for a total project cost of $16,355,000 Program Revenue Supported Borrowing.

I.3.g. UW System: Authority to Construct All Agency Maintenance and Repair Projects

This item requested authority to construct various maintenance and repair projects at an estimated total cost of $3,923,600 ($3,495,500 Program Revenue Supported Borrowing; $380,100 Rock County Cash; and $48,000 Washington County Cash).

Energy Conservation

COL - UW-Rock County Multi-Building Energy Conservation ($919,500): This project implements three energy conservation measures based on a recently completed comprehensive investment grade energy audit of five buildings (Allen Hall, Andrews Hall, Engineering Center, Hyatt Smith Hall, and Williams Hall). Project work includes converting the steam heating systems to hot water heating systems, installing new variable frequency drives on the air handling units, replacing standard efficiency motors with new high-efficiency motors, and
exterior envelope improvements. The implementation of these energy conservation measures will result in an anticipated annual energy cost savings of approximately $35,464 with a simple payback of 15.2 years.

**COL - UW-Washington County Multi-Building Energy Conservation ($1,158,200):** This project implements seven energy conservation measures based on a recently completed comprehensive investment grade energy audit for two buildings (Instructional Building and the Library Building). Project work includes lighting upgrades and standardization, exterior envelope improvements, installing new vending machine controls with occupancy sensors, installing new computer network power management software, and installing new flush valves and low-flow shower heads. The constant volume air handling systems will be retrofitted into variable air volume systems. Standard efficiency motors will be replaced with new high-efficiency motors, and new variable speed drives will be installed where appropriate. A new reheat coil will be installed on the gymnasium air-handling unit to provide more efficient humidity control. The implementation of these energy conservation measures will result in an anticipated annual energy cost savings of approximately $72,184 with a simple payback of 14.40 years.

**Facilities Maintenance and Repair Requests**

**MIL - Sandburg Hall North Tower Roof Replacement ($291,900):** This project replaces roof coverings and completes all other associated ancillary work to maintain the building envelope integrity and prevent damage to the building and its contents. The roof sections involved are more than 33 years old. Project work includes replacing ~6,000 SF of roof covering with a new 60-mil Ethylene Propylene Diene Monomer (EPDM) fully adhered roofing membrane. Counterflashings will be reused where possible. The lightning protection system will be augmented and replaced to meet current code requirements. Roofing work must be coordinated around electrical conduits run across the roofing surface, mechanical equipment curbs, and other roof penetrations. It is anticipated the replacement membrane roofing system will use a combination of existing insulation and supplemented new insulation to achieve an R-26 value.

**MIL - Sandburg Hall South Tower Exterior Windows Replacement ($1,554,000 increase for a total project cost of $4,980,500):** This project replaces all exterior window assemblies with new energy efficient units, restores the exterior envelope integrity, replaces or repairs deteriorated components, and will decrease operational maintenance costs. This is the third and final phase of exterior window replacements for the original Sandburg Hall towers. Project work includes replacing all 1,500 exterior windows in over 325 openings in the 20-story Sandburg Hall North Tower (176,991 GSF). The replacement units will have commercial grade insulated glass set in thermally broken insulated aluminum frames. This project will provide new units with a much higher thermal performance and energy efficiency rating.

Upon the motion of Regent Behling, and the second of Regent Millner, the Committee approved Resolution I.3.g.

**Resolution I.3.g.**

That, upon the recommendation of the President of the University of Wisconsin System, authority be granted to construct various maintenance and repair projects at an estimated
total cost of $3,923,600 ($3,495,500 Program Revenue Supported Borrowing; $380,100 Rock County Cash; and $48,000 Washington County Cash).

David Miller spoke about the two UW Colleges projects by explaining that they are among the first energy projects done at the UW Colleges facilities, which are owned by the county or local municipalities. UW Colleges pays the utility costs of those facilities, so it is in their best interest to invest in these projects that will result in greater energy efficiencies and lower utility costs. Miller also mentioned that the counties are contributing a portion of the funding for these projects.

I.3.h. **UW-Madison: Authority to Sell 2.93 Acres of Land and Buildings Located at 6101 Mineral Point Road, Madison, Wisconsin to University Research Park, LLC (URP)**

This item requested authority to sell approximately 2.93 acres of land and buildings located at 6101 Mineral Point Road in Madison, Wisconsin (the former Wisconsin Veterinary Diagnostic Building) to University Research Park, LLC (URP) based on a value established by an independent appraisal less the cost of demolition.

The approval will allow the University Research Park to pursue the development of a parcel of land occupied by the former Wisconsin Veterinary Diagnostic Laboratory Building. Transferring the property to the URP will relieve UW-Madison of the cost of maintaining an unused building and land.

URP will solicit proposals for development of the property and if a development agreement is reached, the land will be sold to the URP based on the value of the current $1,790,000 appraisal. If necessary for the development, URP will demolish the building based on the requirements set by the Board of Regents. The cost of the demolition will be deducted from the appraised value of the property.

In 2004, the UW-Madison entered into an agreement with CUNA Mutual Investment Corporation to exchange 12.4 acres of land, including the parcel located at 6101 Mineral Point Road, for a 20 acre parcel of land owned by CUNA adjacent to URP, however, that land exchange never occurred.

David Miller briefly described this request and noted that the sale of this property will not happen right away but will allow the park to reach a development agreement for the property.

Upon the motion of Regent Millner, and the second of Regent Pointer, the Committee approved Resolution I.3.h.

Resolution I.3.h.

That, upon the recommendation of the UW-Madison Interim Chancellor and the President of the University of Wisconsin System, authority be granted to sell approximately 2.93 acres of land and buildings located at 6101 Mineral Point Road in Madison, Wisconsin (the former Wisconsin Veterinary Diagnostic Building) to University Research Park, LLC
(URP) based on a value established by an independent appraisal less the cost of demolition.

I.3.i. **UW System: Authority to Seek Enumeration of an Additional 2013-15 Capital Budget Project**

This item requested approval to add an additional project to the UW System 2013-15 Capital Budget previously submitted to the Department of Administration in September 2012.

Since the 2013-15 Capital Budget recommendations were considered by the Board of Regents in August 2012, additional progress was made in analyzing the optimum timing to exercise the buyout option of the leasehold interest for the UW-Milwaukee Kenilworth building. The addition of this recommendation will not impact the previous prioritization of state-funded projects adopted by the Board of Regents.

**Milwaukee 1915 East Kenilworth Place Lease Buyout**

$65,300,000 PRSB

This request seeks enumeration of funds to exercise the buyout option of the leasehold interest in the property at 1915 E. Kenilworth Place from the Redevelopment Authority of the City of Milwaukee (RACM) in September 2013. This request will enable refinancing the outstanding debt for the Kenilworth property and does not construct any facility. The project was originally initiated with the intent that UW-Milwaukee would buyout the RACM leasehold interest when the financing terms were favorable. Additional details of this requested project can be found in the December 2012 Board of Regents Agenda.

David Miller provided the committee with these facts as an overview of the history of the proposal. The campus had an asset, the Kenilworth building, located in a Milwaukee neighborhood that needed redevelopment. The building, which spans a block, had been given to the university 40 years ago and was highly underutilized due to its physical condition. The state and university partnered with the Redevelopment Authority of Milwaukee to accomplish a condominiumized development of the entire block that includes retail, parking, university housing, and university academic space. The project was achieved by the Redevelopment Authority of Milwaukee financing through a bond issue. The Board of Regents still owns title to the property. To allow the redevelopment authority the ability to act as the developer, the Board agreed to a ground lease to the entirety of the property. After development, the Department of Administration entered into an operating lease for the university’s space. The developer has separate agreements with other space holders, such as retailers.

Miller continued by saying that the university’s space is a condominium portion through an operating lease and that the cost of the lease is determined by the debt. The operating lease and the ground lease include an option to buy out RACM’s entire interest in the property. Refinancing it with fixed cost financing through state program revenue supported borrowing will allow the university a certain schedule to pay off the outstanding debt over time, with the real estate asset owned in full by UWM. It also will greatly reduce uncertainty associated with the credit markets.
Miller explained that this item is requested now as an addition to the 13-15 Capital Budget because at this time the value of the outstanding debt is finally equalized to the value of the property. Miller continued by saying that before the recent appraisal, the value of the property was approximately $10M lower than the outstanding debt. A recent appraisal shows that the property is now $1.8M above the outstanding debt. The lease requires that we exercise the option at the greater of either the appraised value or the outstanding debt.

Miller continued by saying that fixed cost financing through state program revenue supported borrowing will allow the university a certain schedule to pay off the outstanding debt over time, with the real estate asset owned in full by UWM. It also will greatly reduce uncertainty associated with the credit markets.

Miller mentioned that purchasing this property will provide certainty of the interest rates and the overall costs of the bond issue and that the buyout will eliminate the costs and risks associated with repeated ventures into the market to secure a credit facility.

Regent Milner and Regent Roberts commented that they support this purchase and that it will result in substantial savings for the university.

Upon the motion of Regent Milner, and the second of Regent Behling, the Committee approved Resolution I.3.i.

**Revised Resolution I.3.i.**

That, upon the recommendation of the President of the University of Wisconsin System, authority be granted to modify the 2013 Capital Budget recommendation previously submitted to the Department of Administration in September 2012, with the following additional request for enumeration:

- UW-Milwaukee 1915 East Kenilworth Place Lease Buyout
- $65,300,000 Program Revenue Supported Borrowing

**I.3.k. Report of the Associate Vice President**

Associate Vice President David Miller reminded the committee that last August they acted on the capital budget and several routine projects. Of those routine projects, one was not considered by the building commission. Miller stated that the Regents had approved a UW-La Crosse request to capitalize on the favorable bidding climate and add a fourth level (200 stalls) to the parking ramp that was already under construction. Despite the fact that the primary bid was low, the Department of Administration was not able to reach a change order agreement with the contractor who won the bid to add that level. Miller stated that the negotiators walked away from the table because they were unwilling to pay an amount that was more than was appropriate. Miller expressed his disappointment with that situation and informed the committee that a separate capital budget project will have to be enumerated to construct the additional two levels to the parking garage.

Regent Bartell commented that the project requests are carefully reviewed before they reach the Capital Planning and Budget Committee for its approval.
Miller discussed a capital budget project brought in October by saying that the requested addition of the UW-Oshkosh Recreation Fields and Dome project to the capital budget and because of a miscommunication learned after the fact the $4.5 million project did not include the cost of the dome. The dome would be $1.5 million more. Subsequently, the Division of Facilities Development is trying to determine if the dome by itself would constitute new space and warrant enumeration.

Miller said that we are now proposing to not enumerate the dome and the recreation fields together as a project but to proceed with the fields portion as an all agency monthly project. The cost of the fields project is under $5 million and would be appropriate for that type of request. The dome would then proceed on a separate track through an RFP process and be coordinated later with the Recreation Fields project for its installation.

Regent Bartell then asked if the campus would still want to construct the Recreation Fields project if there were no dome involved. Miller answered that they would because the dome was an addition to that project that the students supported to offer them longer use of the recreation fields.

Regent Bartell reminded the committee that Regent Millner appreciated the business plan that the students had prepared in support of the recreation fields and dome project.

The committee meeting was adjourned at 2:07 p.m.