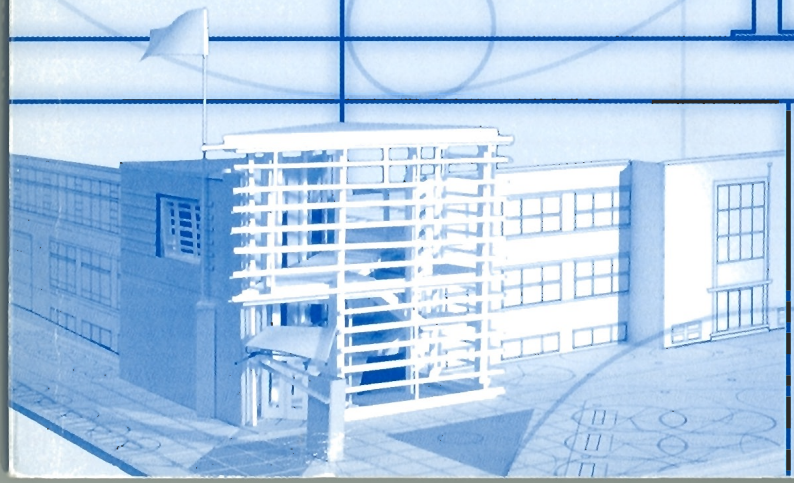
From Vision to Reality



Designing and Building
College Unions
to Meet the Needs of
the 21st Century Student

Edited by
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ACUI

Chapter XII: Securing Funding for Your Project

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One of the major hurdles in completing a union renovation or new construction project is securing funding for your project. This chapter discusses various aspects of funding, including obtaining the appropriate approvals to fund your project, key terms and processes that will help you understand how to secure the funds, and two case studies from union professionals who dealt with various funding issues when renovating their student union.

I. Securing the Appropriate Approvals

Various levels of approvals are needed to secure funding for your project. Although the approval process can differ substantially from school to school, this portion of the chapter broadly discusses some of the more common levels of gaining approvals. They include "board-based" support (often through the union board or similar organizations), "broad-based" student support (often through market analysis, public forums, and referendums), support from institutional peers (through working, planning groups or steering committees), senior level campus support (president or cabinet approval), and off campus support (state approval and/or board of trustees). The section then describes the increased interest in privatized student centers.

A. "Board-based" Support

On many campuses, project approvals start with gaining the appropriate support from your union governing board or applicable organization. Union governing boards play various roles at different campuses, but in most of the cases, obtaining their support is priority number one in terms of getting a renovation or new project started. "Without our union board support," says Debra Hammond, Executive Director, of the University Student Union at California State University, Northridge, " We could not even think about planning a renovation to our facilities. They approved the necessary seed money to pay for the initial feasibility study."

While union boards generally have strong leadership, they often suffer from heavy turnover from year to year, creating havoc for your long-term renovation plans. Therefore, it is very important to do the bulk of your planning during one academic year. Otherwise, as board members change, their opinions about the project can change in tandem. Generally, the initial planning should always start during the academic year, as otherwise, students may think that the administration or union is trying to sneak the project through while students are not in session. In addition, working with underclassmen allows for some continuity as the project moves through design and construction.

Setting aside funds each year to help educate your board about the union's role and how it compares to other schools is also important. "Each year we set aside monies to take students to the national ACUI conference as well as tours of other campuses," says Harvey McKee from California State University, Fullerton. "The tours of other campuses really open student's eyes with regard to what is available and allows students to think outside the box."

Many union boards hold retreats and workshops aimed at educating students about the value of unions. "We had a board retreat where we spent the afternoon playing "Who wants to build a new Student Union? based on the hit TV show Who wants to be a Millionaire?" says Randy Zarn, Associate Vice President for Student Life at California State University, Dominguez Hills. "It allowed students to really think about what a new union could look and feel like."

B. "Broad based" Student Support and Student Referendum

1. Market Research

Market research can help your project in two ways. First, it can help provide an accurate assessment of the overall support for the project and second, it can provide appropriate outreach and public relations to generate additional support. Research can assist in the development of a preliminary project program that aligns the project concept with student desires, and in understanding the value that students place on having their desires met. This helps establish an acceptable fee level and policy. Research can also aid in the development of a referendum strategy (if needed), which might involve such issues as keeping up with competing schools, creating additional student jobs, and increasing/centralizing student services and activities. "One of the major hurdles we had to overcome was the perception that the new union would only be used by a small majority of students who are involved with student organizations. Says Bruce Morgan, Director of the Student Center at Ball State University. "Our survey, completed by over 2,000 students showed not only the percentage of our students involved in student organizations, which was much higher than originally thought, but also the percentage of students who would use the new building."

Useful techniques for performing market analysis include focus group interviews and surveys of the campus population, as well as site visits to comparable facilities on other campuses. If the university is in a remote location or the travel budget is minimal, the university should consider showing slides and pictures of other similar facilities. Researching other "hang out" spots off-campus where students spend their time may also be useful. The new ACUI CD-ROM featuring 17 outstanding college unions is a must for helping constituents see what could happen on your campus.

Focus group interviews identify program elements desired by students, help establish an acceptable student fee range, and determine appropriate policies for implementing the fee. A second round of "concept testing" focus groups also assists in determining key project needs and sensitivities.

While focus groups can give you qualitative information, written, Internet, and/or telephone surveys will allow you to gauge quantitative information about your campus. Working closely with the university's survey research office or institutional research will help gain support and credibility for your project. The survey will allow you to test project concepts and fee levels. With the explosion of the Internet, surveys can show pictures of different concepts or refer students to other union web pages. "Here at Western Washington University, we found that market research was important to our union project because we used that instead of a campus-wide referendum," says Jack Smith, Viking Union Director at WWU.

2. Planning for Student Referendums

Most schools cannot fund large-scale renovation or new construction projects through the university's general fund or other state funds. Other funds such as university contributions and retail/tenant equity contributions or lease payments will still leave a gap in your financing plan. That leaves union directors to go to their students to help pay for the improvements. Although many schools can simply raise their union fees to help fund new projects, many are forced to hold referendums.

Recently, student fees and their usage have undergone some serious debate. Many school's by-laws state that any fee increase must be approved by a majority (or sometimes two-thirds) approval in a campus wide student referendum. Other schools can simply raise fees each year without such approvals. Typically, public schools are required to hold a referendum while private schools are not. University officials are often hesitant to seek funding from students because of the opposition generated from instituting additional fees and the possibility for referendums to fail or pass by slim margins.

One of the most common reasons referendums fail is that their planners do not understand that a myriad of seemingly unrelated, but complex, issues are directly related to the referendum. In such cases, planners will focus

on setting the student fee at the appropriate level and many ignore other important considerations. There is a very high risk that the factors they overlook will be the ones that generate opposition. "We attended the meetings of the student government, Greeks, and other student leaders to gather ideas and disperse information on the proposed project, commented Gary Ratcliff, Director of the University Center at the University of Montana, who recently passed a student referendum. "Ascertaining what the students want and are willing to support is the most critical stage in the process. As an administrator, never assume you know what the students want, use several sources of input to gather that information from the students themselves."

While determining the fee level is important, it should be done after you have uncovered what improvements are most valued and are made a part of the project. This will help to insure that the fee sought in your referendum will be able to provide all of the identified improvements within the project's budget restraints. "With the cost information we gathered, we were able to fund the improvements valued by the students as well as necessary life safety improvements, while remaining within our budget" Ratcliff said.

The first key to planning a successful referendum is identifying all the reasons why students might oppose it. Identifying every consideration may seem impossible, but for troubleshooting purposes, consider that most of the opposition can be placed in one of the following categories:

- All or part of the project could be opposed. Students may be opposed to the priority given to the facility relative to other needed academic facilities, one or more of its physical or programmatic elements, or the fact that the building might be partially taken out of service during the renovation project.

- The fee associated with the project could be opposed. Student opposition could arise because of its affordability, the perception that the value received from the improved facility is not commensurate with the fee, that other fees have increased significantly over the last few years, or the extent to which the full fee is mandatory. In addition, it is generally harder to generate support for a fee that will be initiated prior to the improvements being available for student use, but at many campuses the fee must be instituted to generate the funds to hire an architect.

- Individuals or organizations sponsoring the referendum could be controversial. If this is the case, opposition to these people or groups could be transferred to the project.

- The timing or organization of the referendum could be opposed. Opposition often arises when the referendum process is too rushed, when limited or one-sided information is disseminated with respect to the referendum or facility, or when the referendum leadership is perceived to be anything other than neutral.

- The voter turnout and margin of victory could be opposed. A "victory" can be invalidated if turnout is too low to be considered representative, or if the margin of victory is so slim that it becomes difficult to prove that a "majority" of students favor the project.

Part of the referendum campaign should be spent on educating the students on the entire breadth of student union services and programs. "Part of our campaign strategy was to educate students about what is included in the union fee." Says Debra Hammond. "Yes, the facility and bond indebtedness is a big part, but a sizable portion goes to programming, concerts, and other student activities. These activities are very important to the students."

Once the market research convinces you that it's safe to proceed, it's time to consider when to integrate the referendum into the overall planning process. When timing your referendum you may want to consider separating the vote from the student government vote, and having the referendum in the spring to allow for the appropriate planning to occur during one academic year. Other student elections, midterms and final exams, as well as seasonal weather conditions should be taken into account.

Another important component is organizing the referendum committee. It is important to understand that a student referendum should be by the students, for the students. This is not to say that the administration should not provide organizational, technical, financial, managerial and moral support. However, a group of students representing as many segments of the student population as possible should be organized to spearhead the project concept and the

implementation of the referendum process. (see Chapter 2) The student committee at Ball State has garnered the support of one of its famous alumni, David Letterman, to develop the Top Ten Reasons why Ball State University needs a new Student Center.

C. Working Groups and Steering Committees

Developing a broad based working group with a variety of university constituents will also assist in moving the project forward. Unions have a variety of users and tenants, and each of those groups should be represented at the table. Besides tenants, it is important to get various faculty and other administrators involved in the process. "They will ensure that your renovation has a learning component to it – often a key criteria to getting your project approved," says Jack Smith of Western Washington University whose union is currently under construction, "Having individuals other than the union director emphasizing the importance of the project around campus, lends instant credibility." In addition, having representation from Facilities Planning and the Architect's office will ensure that your project fits with the overall campus master plan and design and construction standards.

D. President or Cabinet Approval

Like most of the major capital projects on campus, the need for cabinet support and approval is critical, even if the project requires no money from the general fund. To garner that support, it is very important to have senior level decision makers involved in the process at a very early stage. If they are vested in the process, you will have a better chance at project approval. Often vice presidents are placed on steering committees for projects, which allow them to have control of certain key decisions early on. Further, gaining support quickly will be beneficial as Cabinets and campus leadership can change frequently. "One of the reasons our project kept stalling was due to the amount of turnover at the top level of the Administration." says Smith. Another benefit of involving the Cabinet early is that they are in a position to help approve a fundraising drive, generally through the alumni office or foundation.

E. State/Board of Trustees Approval

If you are a public institution, getting State approval can be more difficult than getting the support on your campus. With many institutions having an increased debt load and a decrease in public monies, many board members are sensitive about spending multi-millions on a renovated student center. Often the key to project approval is being in the right place at the right time with the right concept. At the University of Cincinnati, the student center was presented to the board with various other student life projects, with an emphasis on out of classroom learning and overall student quality of life. "By combining and packaging a recreation center, student center, and housing into one board presentation, we were able to convey to the board the overall quality of life improvements these facilities could have on our students and campus community despite the large price tag" says Niraj Dangoria, Director of Campus Planning at the University of Cincinnati. Further partnerships with the academic side of the house cannot hurt. George Mason University's widely successful Johnson Center includes various academic pieces including an Academic Department and a library. The Johnson Center's mission is to encourage students to integrate their academic studies with educationally purposeful activities outside the classroom and to foster collaboration among faculty, student affairs professionals, and students. "The ability to integrate all of these components into one building gave us the momentum we needed to get the project approved," says John Spaldo, Director of the Student Unions at George Mason University. "It also gave us additional funding capacity since the state was going to kick in funds."

II. Understanding Your Project's Debt Capacity

A project's debt capacity is defined as the amount of debt financing the project can support with its own net operating income. Created by the various revenue streams a project has available, debt capacity can be affected by variables such as interest rates, loan terms, debt coverage ratios, and future operating expenses.

The following is a quick illustration on financing variables and debt capacity.

If interest rates increase, a project's debt capacity decreases.

Interest Rates Rise ↑ Debt Capacity ↓

When a project's debt service is amortized over a longer loan term, a project's debt capacity increases.

Debt Term Increases ↑ Debt Capacity ↑

Furthermore, a comprehensive understanding based on a feasibility study of the facility is necessary to eventually determine a project's debt capacity. By ignoring the financial provisions necessary for operating expenses, a project, after its development, may have insufficient funds to cover both debt service and operating costs.

A. Sources of Funds

1. Debt Options

For the purposes of this discussion, debt is defined as the pledging of a future stream of payments for a fixed term in exchange for receiving a significant amount of capital for the development or acquisition of facilities. When debt is incurred, an obligation is issued by a government or private entity to repay the debt to an individual bearing a fixed rate of interest. Upon a public offering, a private agency gives a rating to the certificate, which acts as a reflection of the market's assessment of the likelihood of a bond issuer defaulting. The certificate of debt is defined as a bond and several types exist, including the revenue bond, the general obligation bond, the taxable bond, and the tax-exempt bond.

Types of Bonds

Revenue Bond

The revenue bond is a debt instrument in which either a single stream or multiple streams of revenue support the repayment of a bond. For student centers, a large percent of the revenue stream is derived from student fees. Other revenue pledges include retail leases, food commissions, and various facility rentals.

General Obligation Bonds

The general obligation ("G.O.") bond is a common type of bond instrument used for the student center. In contrast to the revenue bond, the general obligation bond is a municipal bond backed by the full faith, credit, and taxing power of the issuing unit rather than from the revenue of a given project. The G.O. Bond assumes that the university is backing the student union's debt service, therefore it often receives better interest rates than a revenue bond.

Tax-exempt Bonds

When the government does not tax the interest earned on a bond, the bond is considered to be tax-exempt. In general, tax-exempt bonds allow the repaying agency to pay a lower interest rate than a taxable rate. The majority of union projects are tax-exempt financings because of the university's not for profit status. To meet tax-exempt

status the project needs to meet certain income tests. One test is known as the 10% rule, which implies that no more than 10% of the pledged funds can go towards private uses, such as food courts and retail opportunities. Failure to comply could make the project's bonds taxable.

Taxable Bonds

Many private or corporate bonds are taxable, in which case, the federal government does allow the interest earnings to be tax exempt. In some cases, such as private developments, the interest earned could be taxable, resulting in a higher interest rate for the project's financing.

Sources of Debt Funding

Student fees are the primary source of revenues for student center projects. Since student fees are usually fixed and can only fluctuate with enrollment, a university can virtually guarantee debt repayment as a result of the constant and annual source of funding. As previously noted, however, student fees may not be substantial enough to cover the entire project cost in addition to any future operating expenses for the facility. Therefore, student fees must be combined with a mix of speculative revenue streams from the facility. Speculative revenues, as related to student unions, include any contractually obligated revenues generated from the facility from such funding sources as retail sales, food service, concession sales, and bookstore sale revenues. Many institutions do not get inflationary adjustments on the student fee each year and need to rate additional speculative revenue to cover operating costs. "Each year a smaller percent of our annual budget comes from students fees" say Joel Zarr, Union Director at California State University, Fresno. "As a profession we should have an entrepreneurial spirit that can create non-student fee revenue sources that will allow us to meet the ever increasing programming and service needs of our campus community." Five years ago, California State University, Fresno's budget included only 17% of revenue from non-student fee sources; today 42% of their budget is non- student fee revenue. According to Joel, "the additional money is used to provide our students with more services and programs, and has also minimized the impact it had on raising their student fee."

Debt Coverage Ratio

In structuring debt financing, a project's debt coverage ratio and, more importantly, a project's debt capacity become primary factors. Debt coverage ratio is the minimum ratio in which a project's revenues are required to cover debt service. A 1.10 debt coverage ratio implies that net operating income needs to be over 110% of the debt service. So assuming the debt service is $1 million, the project's net operating income needs to be greater $1.1 Million. The lower risk a project is, the lower the debt coverage ratio.

Typical Debt Coverage Ratios: 1.10 – 1.25
Aggressive Debt Coverage Ratios: .95- 1.05

Debt coverage risk is dependent on the type of revenue streams used for bond coverage. If an institution plans to develop a student center and student fees are pledged for bond coverage, the university's debt coverage ratio will be much lower than if the university pledges bond coverage with strictly speculative revenues. Since universities generally do not pledge speculative revenues as a sole source for bond repayment, debt coverage ratios are generally lower for student centers.

2. Equity

Equity, for our purposes, is the monetary investment contributed to a property that does not have to be repaid and the amount of debt financed decreases. As with debt, there are different types of equity available for a project's development, including project reserves, student fees, tenant contributions, fundraising, and a state or university contribution.

Types of Equity

Institutions and departments within an institution often place funds in a project reserve for the purpose of accumulating equity for future projects. Reserves may have previously been set-aside for the future financing of a construction, renovation, or FF&E replacement for a particular project. Some formulas for replacement reserves include 1% of total project cost, or 5% of annual revenues. Often, a project falls under the realm of a specified university department where reserves can be used to finance a project.

Student fees, which can be collected in the initial planning stage of a project, can substantially increase equity. Most student centers cannot benefit from 100% state funding since the facility is not directly associated with academic learning and research. Consequently, student centers require a funding source that is constant and can contribute to a significant portion of the facility's future debt service. Up front student fees provide a project with the necessary equity to lower its debt financing and overall project cost.

Fundraising

Fundraising for a developing project, as related to this discussion, is a trade agreement between a university and an existing entity (an individual, a corporation, an organization, etc.). In exchange for a specified fixed amount, the entity will receive a tangible form of acknowledgement for monies contributed. Plaques within the developed project often recognize contributing entities. Increasing in popularity are engraved bricks, which bear the name and additional information of the contributing entity. The developed project often has a commemorative area where engraved bricks may be located, either embedded within a wall or within a pathway. The Indiana University Memorial Union's garden included engraved bricks, which were sold to students, alumni, and faculty for $75 for its 75-year anniversary. The funds help maintain the garden.

In addition to the recognition, a university may solely agree to use or advertise an entity's products and/or services for the project. Universities active in alumni fundraising can deflect or lower the cost of a project. In a continuous effort to improve the quality of education of their alma mater, solicited alumni and university community members are sometimes willing to give significant contributions towards auxiliary facilities. In return, universities often recognize donors, who provided the majority of equity for a project, by naming or dedicating the facility or a portion of the facility (such as a Conference Room, for example) after a particular donor . An important aspect of fundraising is having visuals and renderings to show potential donors.

General Fund Support

In some cases for student center projects, the university will contribute a fixed amount of equity or yearly subsidy towards the total project cost. Often the annual subsidy is equal to the percent that the administration uses the building for meetings or "rents" space in the building.

State Support

Developing projects within a public university may qualify for state funding, depending on its academic relevance and relation. It is usually within a university's best interest to contribute equity to a project since future debt service will proportionately be lowered. Student centers are generally not profit centers and mainly exist to enhance a university community's overall quality of life. Therefore, profit for these facilities are rare and when profit does occur, it is usually minimal. A main financial goal for auxiliary facilities is break-even status.

Privately Developed Student Centers

Another growing trend is institutional interest in privately financing a student center off-balance sheet. Not unlike privatized housing or public-private joint ventures, a few schools have attempted to develop private student centers off-balance sheet. While there are financial benefits to having someone else develop or renovate their union, universities must consider various issues. Those issues include:

- The location of student centers, often in the heart of the campus, is generally not a place to have a private building. University of Maryland, Baltimore County envisioned a retail mall type union, but when they realized that the appropriate site was in the center of their campus, the mall concept was not viable.

- The overall mission of the union, which is often learning and programmed centered, rather than focusing on a financial profit.

- Management of the operation. Often private entities will want to have control over the management of the facility.

- The extent to which a private entity can have access to affordable capital through tax-exempt debt.

- The extent to which the debt, although off-balance sheet, still impacts the university's overall debt capacity.

There are various funding scenarios including the following:

- Developing a not for profit corporation to serve as developer and/or manager. A land lease could specify the use of the land and provide control through various covenants.

- A condominium approach where each tenant could be responsible for its debt service.

- Sale/Leaseback where the university could lease back and operate portions of the facility.

B. USES OF FUNDS

The building industry typically breaks down the types of expenditures made on a construction project into two categories: hard costs and soft costs. Hard costs are best thought of as those expenditures that are associated with specific physical assets, while soft costs are those expenditures which are necessary to the development of the project but do not necessarily produce a specific physical asset.

Examples of hard costs include the construction contract, which although it includes profit and overhead expenses of the builder, is an expenditure that in its entirety results in the physical asset of the building itself. Other hard costs include land acquisition; the acquisition and installation of furniture, fixtures and equipment ("FF&E"); and other owner contracts that might fall outside the construction contract itself, such as telecommunications or security.

Examples of soft costs include the various fees and related expenses incurred in the implementation of the building project, such as architectural and engineering fees, permitting fees, financing costs, legal fees, etc. These figures are typically based, in some manner, on the hard cost estimates.

All of these costs should be accounted for in order to determine the total cost of a project; however, budgeting is by necessity a sequential process in which costs cannot possibly be known as well in the early phases of a project as they are later. For that reason, project planners must adapt a flexible and sequential budgeting approach that enables the continuous refinement of cost estimates as more and more project information is created or becomes available, and that further is able to accommodate changes in estimates of the various project components.

1. Budgeting: A Sequential Process

It is commonly recognized in the building industry that a project's budget will reflect greater detail and accuracy the further along the project is in the planning process; however, for a project to be initiated, some understanding of its budget must be established. For this reason, budgeting typically follows a sequential path beginning with very rough estimates in the early phases and proceeding to very detailed estimates and, finally, precise accounting for exact contract amounts and expenditures.

This sequential budgeting process means that budget parameters are set in the early planning phases based on broad assumptions that may or may not be borne out by detailed investigations. Nevertheless, the approval and funding mechanisms for the project are, by necessity, based on those initial parameters. It is important for such estimates to incorporate sufficient flexibility so they can accommodate changes in certain underlying assumptions. Rigor may then be applied at every stage of the planning and construction process to ensure conformance to the established budget parameters, with judicious use of set-aside "contingency" funds. Once established, overall budgets are typically very difficult to change for both political and practical reasons.

2. The Beginning: Estimating Hard Costs

Land Costs

The first cost encountered in developing a building project (if it is encountered at all) is land acquisition. Behind the construction contract itself, land acquisition is the largest potential cost involved in the project; however, this cost is usually not encountered as part of a college union project because the buildings are so critical to campus quality of life and are usually located on a central campus location already owned by the college or university. If land is being acquired for the project, local appraisals of market conditions or an actual asking price for the property must be utilized to estimate land costs for the project budget.

Enclosed Building Construction

The largest single component of a building project's cost is the construction contract itself. In its most traditional form, this is typically a single contract between the building owner (the college, university, or union) and a construction general contractor, whose job is to coordinate the construction of the building according to the design and specification provided by the architect. At the earliest stages of a project, during its conceptual development and the assessment of its "feasibility," hard costs are typically estimated by the application of rules of thumb and costs per square foot applied to a preliminary architectural program.

The costs per square foot for building a certain kind of construction in a given market area may be obtained with general accuracy from similar recent construction projects on campus or nearby. Many architects and consultants active in college union planning will keep a current database of costs per square foot experienced on union projects in various regions. If there is differentiation made in the relative cost per square foot for different kinds of space (for example, where the cost for a square foot of lounge space differs from a square foot of food service space), this estimating tool may be utilized to assess the relative benefits and costs of each kind of space, and the program may be adjusted to adhere to the funding available for the project.

Of course, the exercise of reconciling project cost to funding capacity is a complex puzzle, best likened to the "Rubik's Cube" puzzles that were popular in the early 1980s, where each time one side of the puzzle was changed, it had an implication for every other side of the puzzle. Project financial reconciliation is similar to the Rubik's Cube because of the fact that spaces that are revenue generating may represent a greater financial benefit to the project than their cost; thus, although adding more of such space may drive up the building hard cost, it may also increase the facility's debt capacity and thus make for a more affordable project overall. By contrast, spaces that generate little or no revenue or are unusually expensive to operate or maintain may have a doubly negative impact on project feasibility, by both driving up the building cost and reducing debt capacity; however, these spaces may be critical to the mission of the union.

As illustrated in the example, once the square footage and cost of each useable space within the program is tabulated, an "efficiency factor" must be applied to determine the gross size of the building necessary to accommodate those spaces. The efficiency factor reflects the reality that a certain amount of floor area in any building is taken up by non-assignable circulation (stairs and hallways), building systems (mechanical and plumbing chases) and even the very walls that enclose the space! The efficiency factor represents the percentage of a building's gross square footage that is actually useable space. Thus, dividing the net assignable square footage by the efficiency factor determines the gross square footage. Efficiency factors will vary with the efficiency of the architect's design. A low efficiency factor will increase the building's gross square footage but give an architect a

greater amount of "wiggle room" to incorporate commodious circulation spaces and other interesting design features; conversely, a higher efficiency factor will reduce the building size (and cost) but force a more constrained design. Since unions have a variety of spaces and tenants, efficiencies tend to run around 60% in union buildings, based on Brailsford & Dunlavey's experience.

Sitework

Sitework, including landscaping; walkways, drives and parking; and the extension or relocation of utilities are typically included in the construction contract but, obviously, must be estimated on the conditions existing at the chosen building site. Sitework costs, too, may be estimated prior to the creation of an architectural design. Specifically, campus architects, facility planners, or engineers frequently have access to data on typical landscaping costs per acre or costs per linear foot for utility work. Such rules of thumb may be applied to measurements of the general site area in which the facility is to be planned to arrive at reasonable projections of sitework costs.

Furniture, Fixtures & Equipment ("FF&E")

The third major component of hard costs is furniture, fixtures, and equipment, referred to in the shorthand of the building industry as "FF&E." FF&E typically is not included as part of the builder's construction contract and must be specified, purchased, and installed by the building owner rather than the builder. FF&E includes all of the elements in a building that will be considered property of the facility but are not actually secured to the structure. Thus, while a chandelier suspended from a ceiling would be part of the construction contract, a floor lamp that plugs into a wall and can be moved to various parts of a room would be FF&E outside the construction contract.

FF&E may also be estimated on a cost-per-square-foot basis, based on experience on campus or nearby with recent, similar facility types. As with estimating building construction costs, estimating FF&E will be more accurate by looking at each of the spaces of the building. For example, the cost per square foot between a kitchen and an office will differ substantially.

Inflation

It is important to recognize that planning for large building projects begins years before the construction contract is executed, and of course even longer before the construction work is completed. It is therefore essential to plan project costs recognizing the time that will pass and the inflation in construction industry costs that will have occurred by the time the facility is being built. Some target dates for the initiation and duration of construction must be established to determine the feasibility of a project, and inflation calculations may be applied relative to those dates. A rate of inflation for the given timeframe should be chosen in consultation with campus financial planners or facility planners, although a good starting point is the Consumer Price Index, or CPI, which has averaged in the area of three percent per year for the last several years. The chosen rate of inflation should be applied to all hard costs over the period of time from the date of planning to the anticipated mid-point of construction – the time on which the construction contractor will base his project bid.

3. Estimating Soft Costs

Most soft costs can be estimated by a formula related to the hard cost estimates. Others may be estimated based on project needs with which college union professionals will be the most familiar.

Architectural & Engineering Fees

Although every professional services contract will be negotiated based on current market conditions and a specified scope of work, this process is assisted in the case of architectural and engineering services by a standard contract form established by the American Institute of Architects (AIA) clearly defining "basic services" for the profession. It is a commonly accepted practice to base the fees for those basic services on a percentage of the hard cost budget for a project. Unfortunately for project planners, this percentage varies with market conditions (depending on how

busy the construction industry and architects are at a given time), but typically range between seven and nine percent. It is generally higher for renovation projects.

Additional Architecture & Engineering Services

Certain services which are frequently desired by institutional clients, such as colleges and universities, are not included as part of the AIA's "basic services" definition. In particular, these include the development of graphics, models, brochures, and other materials in support of fund-raising efforts, as well as special studies, extensive pre-planning and programming efforts. Architects may also justifiably request compensation for additional services if, at some point in the project, they are required to expend a greater amount of services than defined in the standard AIA contract. This might occur if additional design work is required because unanticipated conditions are discovered on-site during early investigations, or if the owner decides to redirect design at some point such that the architect must redesign work previously approved by the owner. In an institutional environment, such changes sometimes occur when projects approved at the working level are overruled by the wishes of a trustee, state politician, or donor who is identified during the design process.

Testing Fees, Surveys, Etc.

Building industry standards, including the AIA contract forms, identify certain responsibilities of the owner, which include providing information pertaining to conditions on the building site to the design and construction team, as well as performing any desired testing on materials and systems during the construction process to ensure their conformance to standards. Fees for surveys, geotechnical studies, materials testing, and other necessary measures fees should be budgeted according to recent campus experiences and current practices.

Local Fees & Permits

The public approvals process of the municipality or state with jurisdiction over the building site sometimes require that fees be paid to obtain site plan approvals and building permits, and may even include fees be paid for submissions demonstrating compliance with state or federal environmental, traffic, or other regulations. Many college union projects are exempt from some of such processes (and their associated fees) by virtue of being on a college or university campus, particularly if the project conforms to a previously approved campus master plan. However, such requirements should be researched with the campus facility planners and the associated fees should be budgeted according to recent campus experiences and current practices.

Legal Fees

Attorney counsel is frequently required to usher a project through the necessary approvals processes or in negotiating the professional services contracts and construction contract. Although the legal profession is notoriously evasive in the establishment of a total budget for fees for such services, the fees may be reasonably estimated based on recent campus project experience and should be budgeted accordingly.

Start-up Expenses

There may be expenses involved in the start-up of operations of a new or renovated facility that must be incurred prior to the completion of construction. For example, if a new enterprise or service will be located in the new facility, or if additional union staff are to be added for its operation, then some personnel hiring, training, and set-up of operations may be required during the last years or months of construction, all of which costs money. If not addressed through other departmental or institutional budgets, these costs may be budgeted by the union director and treated as part of the project budget.

Often, planners forget to set aside funds for temporary relocations as the renovation is taking place and departments may get moved to another area of campus.

III. Case Studies

A. University of Minnesota, Twin Cities

Overview of University and Project

The University of Minnesota is a public land-grant institution whose mission is to teach, research and serve. It consists of four campuses: Twin Cites (Minneapolis & St. Paul), Morris, Duluth and Crookston. Enrollment is approximately 54,000 system-wide with more than 42,000 enrolled at the Twin Cites campus.

The oldest and largest student union, Coffman Memorial Union (CMU), is located on the Minneapolis campus. Built in 1940 to serve a population of 14,000 students, it was truly remarkable and Time magazine wrote it "rivaled the Hanging Gardens of Babylon." By the 1970s, student enrollment grew to 42,000, and CMU was renovated to accommodate 18,000 daily users. However, two decades later daily traffic had dropped to approximately 10,000, which led to debate between another renovation or tearing CMU down and building a new facility. In 1993 a feasibility study by WTW (Williams Trebilcock Whitehead) Architects estimated a renovation would cost $28.6 million. Some university administrators thought renovation was too costly and proposed tearing down CMU. However, students and alumni rallied to save CMU and the search for funding sources began.

Funding Sources

Since its inception, CMU's operating and capital budgets have been funded through student service fees and revenue generation. In 1998, the University of Minnesota received an unprecedented capital allocation of $132.2 million from the state legislature for renovating "academic" buildings. Concurrently, the University Foundation was conducting a $1.3 billion fundraising campaign for academic programs. CMU, an "auxiliary" building, was not eligible for the legislative funding and CMU's own fundraising feasibility study indicated a lack of corporate or private fundraising support. With legislative and fundraising dollars ruled out, the only option was a student fee increase.

Approval for a student fee increase rested with a 13-member student services fee committee. Gaining their support meant convincing the entire student body of the need to renovate CMU. Hence, the union conducted a random sample survey of 1,000 university students to verify that the student body supported a renovation and to determine what students wanted in a renovated facility. Results verified support, but they also revealed another major finding; seven out of the top 10 services and facilities students desired were not currently provided in CMU. (SEE TABLE 1).

PR campaign

This data allowed our student-led governing board to begin "selling" the need for renovation to the student body. We began by educating them and other CMU student volunteers on the results of studies and surveys, as well as the history of the project and past union funding. The parallel argument of current students needing to make sacrifices to fund the renovation just as 1930's students sacrificed to fund the original building proved to be crucial.

An architectural firm was hired to draft a building program that led to developing conceptual designs for the "new" CMU. We publicized these designs in our campus newspaper, displayed them in CMU and had the students conduct "road shows" to key student and administrative groups.

In addition, our Web site answered "commonly asked questions" about the proposed CMU renovation. We wrote letters to our campus newspaper responding to renovation debate and also "pitched" several stories, most of which were covered. Public forums were conducted, students were given an email address (renovation@coffman.umn.edu) and comment cards to express their views, and petitions were placed throughout our building. Finally, adding fun to the campaign, students signed a bright yellow, 1970s vinyl couch to show support for ousting the '70s look and returning the building to its original art deco feel.

Advertising Campaign

Our marketing department simultaneously worked with students to develop an ad campaign that played off the retro trend by using a 1940s war look to all ads and a theme that told students they should support the renovation "Because they deserve it." (SEE ATTACHED SAMPLE AD). A series of ads for the campus newspaper, plus matching buttons and t-shirts were developed for supporters to wear throughout the campaign. We also painted cartoon-like balloons on the front windows of CMU to make it appear as if the building was saying "I can be better! Renovate me! You deserve it!" A few weeks into the ad campaign we added "myth/fact" ads to help answer common questions and clarify myths about the renovation. (SEE ATTACHED SAMPLE AD).

Securing the Funding

The two-month PR and advertising campaign led up to our funding request to the student services fees committee. Our six-hour presentation estimated the renovation cost at $45 million; $37.5 million to come from the student service fee and $7.5 million to come from generated revenues. We proposed a more palatable, phased-in fee increase so students would not pay the full fee until the "new" union reopened.

One hurdle was that students were still paying off a 36-year bond for the 1970s renovation. Being upfront about the terms of the first bond worked to our advantage when we assured students that the new project's bond would not exceed 20 years.

During committee deliberations, there was discussion about taking the decision to a referendum. Fortunately, we had documented direct involvement of more than 5,000 students during the renovation planning, and we convinced the fees committee that they were the most informed, representative group to make the final decision on this complex issue. We also assured the committee that student involvement would remain strong throughout the renovation planning and that the process would remain open and public.

In the end, the student service fee committee voted 10-1 with 2 abstentions to fund the project. This was an unprecedented fee increase for students at the University of Minnesota.

Lessons learned during the process

1. Explore and document feasibility of all funding options.
2. Conduct research. Validity is critical and will offer your project credibility.
3. Involve students! Let them be your voice as students are more likely to "buy" what you're selling if they hear it from a peer.
4. Anticipate all angles of opposition and have a plan to counter.
5. Be open and forthright at all times; trust is key; hide no skeletons

Maggie Towle
University of Minnesota

B. Western Washington University

Viking Union
Case Study: A Very Long-term Effort
Current Stage: Construction

Western Washington University is one of six state-funded, four-year institutions of higher education in the State of Washington. The University is located in Bellingham, a city of approximately 62,000, situated in the northwest corner of Washington State, 90 miles north of Seattle and 55 miles south of Vancouver, BC. Since its founding in 1893 and early history as a normal school and teachers' college, Western has grown into a comprehensive university of approximately 12,000 students (11,000 FTE), making it the third largest institution of higher education in the state.

The original Viking Union was completed in 1959 and received a major addition in 1969, which doubled its size but did not connect to the original building. Thus, the remodeled union contained primarily offices and a multipurpose room/lounge; and, the Addition housed several food service venues, meeting facilities, the gallery, a music listening room, and a game room. Also, part of the union complex houses the Associated Students Bookstore, which has undergone two major renovations since its construction in 1960. The entire complex consisted of three operationally related, yet unconnected, buildings with 13 floors at different elevations.

The present project will unite the union and addition into one facility and provide back-of-the-house connections with the bookstore and adjacent dining Commons. This project is intended to transform a disjointed facility into a union as stated in the planning and design principles, which guide this effort:

- Community - A campus center, integrating academic support functions, gathering spaces, basic services, programming venues and a wide range of campus activities and programs.

- Unity - A design that incorporates aesthetic consistency, functional simplicity, and user-friendly access and space.

- Identity - A unique, destination location with a variety of attractions.

In addition to significant upgrades to existing spaces and building infrastructure, this $22.4 million project will include a new food court, expanded multipurpose room and conference facilities, bookstore expansion and improvements, enhanced bay and mountain views, additional lounge and gathering spaces, a classroom/presentation room, centralized receiving on a hillside site, and much internal reorganization. Construction consists of approximately 30,000 square feet of new space, 40,000 square feet of major demolition and reconstruction, and 40,000 square feet of remodeling.

To say this renovation and addition did not happen overnight is indeed an understatement. A planning group was formed in 1979 to address unmet union and activity space needs. For the next two decades, a variety of circumstances intervened to delay the union renovation. While there was consistent support for the concept of, and need for, an improved union, a variety of issues impeded the project's implementation. (Several changes in senior University administrators, a desire to relocate the union entirely, enrollment and funding fluctuations, a student initiative vote not to relocate a traditional "Vendors' Row" venue, differing approaches to funding major projects, a new city planning process, and competing institutional priorities each played a role in delaying the project.) Nevertheless, by watching for opportunities and allies, and persisting toward a goal, it was possible to gradually move the project along.

Throughout the history of this project, students provided the necessary bursts of energy and enthusiasm to revitalize the effort. Supportive administrators and faculty were also ready to join in when approached. After several false starts and the development of a detailed Union Master Plan study in 1985, the 1990-91 year was spent presenting the concepts to various university constituents who had an interest in, and provide support for, the renovation. A schematic model was used to show how the project might look. Presentations were given to student affairs directors and offices, the Residence Hall Association, the Associated Students, the Master Planning Committee, various departments and offices, and anyone who was willing to listen. The aim was to disseminate information and engage support with the intent of having a student fee vote at the end of the school year. Portions of this informational process were repeated several times in subsequent years as new people and modified plans and budgets entered the picture. The simpler and more direct the planning principles became, the easier it was for people to understand the project's purpose: "community, unity and identity."

The Associated Students Board approved a $10 per quarter fee in May 1991, and the Board of Trustees agreed. Subsequently, the same process increased this fee in 1996 and 1999 to its final level of $35. The 1999 increase was necessitated by the passage of an initiative in the State of Washington that said, in part, that the voters would have the ability to approve any future fee increases. Rather than get caught in anticipated legal challenges and potentially diminished bond ratings, it was decided to increase the fee to provide a very solid base of support for the project's debt and proceed before the initiative's effective date. Given the solid support of student leaders, university

administration and trustees, it took approximately two weeks to move from the decision to finance the project to the authorization to raise the fee five dollars and to prepare the offering statements and sale of bonds. The previous open exchange of information among students and administrators and the development of relationships and trust among the participants was essential in allowing for such unprecedented speed with which the project financing happened. Fortunately, the interpersonal groundwork had been laid.

Since the bookstore was a major beneficiary of this renovation, the Associated Students agreed to use up to $3 million in store reserves. A like amount of accumulated building fees provided up-front cash for planning and other project costs in addition to previous fee expenditures that had funded earlier planning activities. Additionally, the inclusion of a sloped-floor mediated classroom, carried with it $975,000 in state minor capital improvement funds. (This room was included in the union to help with the university's space crunch, encourage more traffic in the union, and provide an intimate programming venue during evenings and weekends.) In all, the project is funded by approximately $14,000,000 in tax-exempt, revenue bonds and over $8,000,000 in accumulated reserves.

Several observations may be gleaned from this project and process:

- "Planning" may not be a straight-line process. Flexibility is needed to deal with matters impeding consistent progress and impacting the project; however, at some point it may be necessary to decide whether the project should continue at all. Will too many compromises result in a facility too far removed from the original goals?

- Keeping some level of campus awareness of a long-term project is important, so that the absence of such a goal does not become the norm and the project forgotten. Being out of the picture can result in lost opportunities for partnerships, new ideas and momentum.

- Too many levels of committee and administrative structure and unclear understandings about "decision-making" and "recommending" responsibilities can create confusion and ill will. Something that is logical on paper may prove extremely unwieldy and difficult to coordinate in practice. Pruning the process before enacting it may help.

- Establishing and maintaining relationships with student leaders, key finance personnel, and planning staff outside the project context encourages people to pitch in when crises and tight timelines arise, as well as creating allies for the project.

- The more inclusive the process and plan can be the better. Keeping in mind the need for efficiency with formal committee structures, taking every opportunity to include people in discussions of the project and elements in the plan to which they can relate - consistent with the project goals – builds support and ownership.

Jack Smith
Director, Viking Union/Student Activities
Western Washington University