King County

KING COUNTY AUDITOR'S OFFICE

CAPITAL PROJECTS OVERSIGHT PROGRAM

FINAL OVERSIGHT REPORT ON NINTH AND JEFFERSON BUILDING PROJECT

EXECUTIVE SUMMARY

The Ninth and Jefferson Building was built to provide expansion space and upgrade outmoded facilities at the Harborview Medical Center (Harborview). It took two separate projects to complete the building at a total cost of $221.2 million:

- Initial Project (2002 – 2006). The initial project was not completed within the funds available from the voter-approved Harborview Bond Program. The General Contractor/Construction Manager (GC/CM) delivery method was used for a five-story, 145,000 square foot (sf) medical office building and a five-level, 630-stall underground parking garage. A projected $15 million dollar cost overrun of the $119.4 million budget caused the county to stop construction after $32.5 million was spent. The building design and excavation work already completed was used for the restructured project.

- Restructured Project (2006 – 2009). The county restructured the project through a public-private partnership using private financing. The new project team successfully delivered a larger, 14-story, 440,000 sf building on schedule, without cost overruns, and at a reduced cost per square foot. It was completed for $188.7 million, satisfying and exceeding the original scope of the bond program. Building tenants reported high levels of satisfaction when surveyed.

LESSONS LEARNED

- The GC/CM project delivery method used for the initial project requires vigilant contract management to protect against assuming the contractor's cost risk.
- County lease requirements do not reflect market–based lease language and term expectations, impeding efforts to secure retail tenants.
- The restructured project benefitted from:
  - County and Harborview project representatives experienced in managing public-private partnerships;
  - Selection of highly qualified and experienced private partners;
  - Leveraging private sector expertise to achieve cost-effective outcomes;
  - Effective communication by the project team with stakeholders; and,
  - Enforcement of well constructed legal agreements, including a guaranteed maximum price for the project.

RECOMMENDATIONS

- The County Executive should review existing policies, procedures, and standard contract language for GC/CM projects and revise them as needed to guard against cost risks like those experienced during the initial project.
- The Facilities Management Division (FMD) should work with the Prosecuting Attorney's Office and the council to streamline the lease approval process to ensure competiveness in the marketplace without unduly sacrificing risk control.
- FMD should document its practices for managing public-private partnership projects and develop strategies for sharing its expertise with county project managers new to this delivery approach.

For detailed information regarding this project, see the following pages.

February 10, 2011

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King County Auditor's Office – Cheryle Broom, County Auditor

The King County Auditor's Office was created in 1969 by the King County Home Rule Charter as an independent agency within the legislative branch of county government. Its mission is to promote and improve performance, accountability and transparency in King County government through conducting objective and independent audits and services.

Capital Projects Oversight Program – Tina Rogers, Manager

The Capital Projects Oversight Program (CPO) was established within the auditor's office by the Metropolitan King County Council through Ordinance 15652 in 2006. Its goal is to promote the delivery of capital projects in accordance with the council- approved scope, schedule, and budget and to provide timely and accurate capital project reporting.

CPO oversight reports are available on the auditor's web site (www.kingcounty.gov/operations/auditor/reports) under the year of publication. Copies of reports can also be requested by mail at 516 Third Avenue, Rm. W-1033, Seattle, WA 98104, or by phone at 206-296-1655.

ALTERNATIVE FORMATS AVAILABLE UPON REQUEST

INTRODUCTION

This report provides a final assessment of the Ninth and Jefferson Building (NJB) project, a medical office building developed in order to reduce overcrowding and upgrade outmoded facilities at Harborview. In addition to assessing the final scope, schedule, and budget results for the project, this report summarizes feedback gathered from major stakeholders, the project team, and building tenants through interviews, surveys, and a facilitated group discussion session aimed at identifying lessons learned.

The Metropolitan King County Council (council) directed the King County Auditor's Office (KCAO) to provide independent oversight and monthly reporting for the NJB project in September 2006. We have previously provided 31 monthly project status reports and a presentation to council's Government Accountability and Oversight Committee. This report closes out KCAO's oversight effort.

PROJECT HISTORY

Two separate projects were required to complete NJB at a total cost of $221.2 million. The initial project was publicly funded. It was abandoned when estimated costs exceeded available revenue. A restructured project using private financing successfully delivered a much larger building at a reduced cost per square foot.

Initial Project (2002 – 2006)

The initial project was part of the $191 million voter approved bond program. The University of Washington (UW) managed the project, with FMD representing the county.[1] The Turner Construction Company was the general contractor/construction manager (GC/CM) under contract to UW. Several scopes were approved during planning. The original scope included constructing a 144,380 sf medical office building and a 480-stall underground parking garage estimated to cost $89.8 million. Ordinance 14744, enacted in August 2003, approved an increase in the building size to 190,000 sf with a 630-stall parking garage, and an increase in the budget to $119.4 million. The final design included a 144,790 sf building and a 630-stall parking garage. The project team concluded that they could not

[1] UW oversees all bond program projects under an agreement approved by Ordinance 14295 in March 2002.

deliver the larger size at the budgeted amount. The building was designed to accommodate the future addition of an 11-story office tower for Harborview's planned future growth. The target date for completing construction was June 2008.

The NJB project was put on hold in early 2006 when the subcontractor bids to complete NJB and another bond program project, the Maleng Building, came in more than $30 million over budget.[2] Turner requested additional payment, claiming the bids came in higher due to rising market costs which were unforeseeable when they agreed to the maximum allowable construction cost for both buildings. A negotiated settlement was approved by Ordinance 15401 in April 2006. Because completing the Maleng Building was considered more urgent by Harborview, $15 million was transferred from the NJB project budget to fully fund it. Since this did not leave enough money to finish NJB, the project was put on hold, except for excavation work, which continued while an approach to complete it without using additional bond program funds was established. The forecast cost to complete NJB when it was put on hold was $134.4 million. Approximately $32.5 million of bond program funds were spent. Much of the work, including building design and excavation, was usable for the restructured project.

Restructured Project (2006 – 2009)

In order to complete NJB without using additional bond program funds, the county and Harborview agreed to use a 63-20 public-private partnership to develop the building as a lease-lease back project financed by privately issued tax exempt bonds under IRS Ruling 63-20.[3] Under this approach, the county leases the land for the building to a nonprofit corporation for a nominal fee. The nonprofit finances the project by issuing non-taxable bonds, contracts for development, and owns and manages the building while the bonds mature. The county leases the completed building from the nonprofit, with the rent being used to pay back the development costs in full by the lease expiration date. Building ownership then transfers to the county. Harborview agreed to reimburse the county for the entire cost of the rent included in the lease agreement.

The County Executive notified council in September 2006 that a tentative agreement to develop the building as a lease-lease back project for $178.2 million through a 63-20 public-private partnership with NJB Properties, a Washington nonprofit corporation, had been reached. Council enacted Ordinance 15633 in October 2006 approving the partnership, which also included Wright-Runstad as the building developer and Turner as the general contractor. Building ownership reverts to the county in December 2036. FMD managed the restructured project for the county.

The restructured project addressed Harborview's expansion needs, providing additional clinical space, immediately rather than adding on to the building later. The size was increased to a 14-story, 440,000 sf medical office building and a 650-space underground parking garage. Twelve thousand (12,000) sf of ground floor space was included for retail tenants. The target date for completing construction was revised to December 2009, just 18 months later than scheduled for the initial project. Tenant move-in occurred though May 2010. Construction was completed on schedule at approximately $188.7 million. The medical office building space is 100 percent occupied. As of February 2011, the retail tenant space is approximately 60 percent leased. The remaining vacant retail space is being marketed by Wright-Runstad under contract to NJB Properties. The project history for NJB is summarized in Exhibit A below:

[2] The Maleng Building was called the Inpatient Expansion Building until it was dedicated on June 17, 2008.
[3] IRS Revenue Ruling 63-20 was established in 1963 to enable state and local government to finance public infrastructure through private, nonprofit corporations using tax-exempt bonds.

EXHIBIT A
NJB Project History

Project	Final Scope	Financing Method	Delivery Method	Project Cost: Last Council-Approved Budget	Project Cost: Final Estimated Cost	Project Cost: Final Expenditures
Initial (2002-2006)	• 5-Story 144,790 sf[1] medical office building • 630 space underground parking garage	Voter Approved Bonds	GC/CM	$119,400,000[2]	$134,400,000[3]	$32,494,872[4]
Restructured (2006-2009)	• 14-Story 440,000 sf medical office building, with 12,000 sf ground level retail space • 650 space underground parking garage	Privately Issued Bonds[5]	Lease-lease Back	$178,237,000[6]	$188,919,501[7]	$188,731,520[8]
					Total	**$221,226,392**

Notes:

1 – As reported by FMD and Harborview during recent project interviews with KCAO.
2 – Budget approved by Ordinance 14744.
3 – Estimated total cost based on actual bids received.
4 – Actual cost reported in ARMS accounting database as of September 2010.
5 – Includes non-taxable Series "A" bonds under IRS Revenue Ruling 63-20 and taxable Series "B" bonds.
6 – Budget approved by Ordinance 15633.
7 – Final project budget reported in Wright-Runstad's September 10, 2010 "Development Cost Summary."
8 – Forecast final expenditure reported in Wright-Runstad's September 10, 2010 "Development Cost Summary."

THE PUBLIC-PRIVATE PARTNERSHIP SUCCESSFULLY DELIVERED THE PROJECT.

The public-private partnership delivered NJB to the satisfaction of the building tenants, Harborview management, and the county. The project team had to successfully overcome significant risks to accomplish this:

- At the beginning of the project, they had to mitigate the construction market cost risks that contributed to the cancellation of the initial project, including escalating labor, material, and equipment charges related to a continued strong local construction market.
- They had to accelerate work on the NJB parking garage to catch up with the Maleng Building project, which was much further along in development. The NJB garage houses emergency generator equipment critical to both buildings.
- In order to meet the December 2009 completion date, they had to manage to a project budget which was agreed to before all of the tenants could be identified. Because many of the tenants have highly specialized needs, this created a risk that the tenant improvement budget would prove insufficient.

The project team established effective processes to mitigate these risks. They also took advantage of moderating construction market conditions during the project to add value to the finished product. The scope, schedule, and budget results for the project are discussed in greater detail below.

Scope

The project team successfully delivered the approved scope, resulting in highly positive feedback from key stakeholders and building tenants.[4] **Additional revenue and project savings enabled them to provide more than $14.6 million in scope enhancements improving the efficiency of the building for tenants.**

The project team diligently managed costs to deliver the original NJB scope within budget. They also worked closely with FMD and Harborview to evaluate additional scope requests which emerged during the design and planning process for newly identified tenants. When they had enough confidence in the final cost and revenue projections for the project, they recommended that nearly all uncommitted budget be used to invest in building enhancements shown below in Exhibit B to better meet Harborview's strategic business needs. This approach was reviewed by the Harborview Bond Oversight Committee (Bond Oversight Committee). To help provide for scope enhancements, Harborview also chose to fund the server room approved by Ordinance 15738 without using NJB project funds. Expenditure for the other scope additions shown proceeded based on administrative authority.

EXHIBIT B
NJB Scope Enhancements

DESCRIPTION	COST
Scope Enhancements Approved by Council Action	**$7,900,000**[1]
Harborview Server Room	*7,900,000*
Scope Enhancements Approved Administratively by Bond Oversight Committee	**$6,743,331**
Used Office Furniture (multiple tenants)	*4,448,913*
Building Wireless Communications Network	*251,850*
Institute for Simulation and Interprofessional Studies (ISIS) Audio / Visual System	*202,069*
Neurology and Global Health Audio / Visual System	*142,235*
Pharmacy Carousel	*151,232*
Building Security System Upgrades (additional cameras & card readers)	*287,400*
Building Security System Upgrades (analog to internet protocol based)	*83,191*
Medical Gas Riser to 7th Floor	*87,231*
9th Floor Server Room for IT Services	*255,507*
Specimen Freezer Room Addition to Garage (multiple tenant use)	*833,614*
Total	**$14,643,331**

1 – This amount is $240,000 higher than the $7,660,000 appropriated by Ordinance 15738 to add the Harborview server room to the project scope.

Because this was not addressed for NJB, Council may want to consider if thresholds should be established requiring council notification or approval for accumulated scope or budget increases on future 63-20 financed projects.

Schedule

Wright-Runstad successfully met all of the development agreement schedule milestones. However, move-in delays occurred for some individual tenants.

The design and tenant improvement construction was completed in phases, allowing tenants to move in while construction continued in other parts of the building. Although Wright-Runstad completed all tenant improvements by December 31, 2009 as required by their development agreement, numerous

[4] Includes feedback obtained during anonymous online surveys conducted by KCAO.

changes were made to the design, construction, and move-in schedules for individual tenants. This resulted in some tenant move-in dates up to five months later than originally planned. This occurred because completing the design of complex specialty spaces took longer than anticipated. It also occurred due to operational needs and lease expiration dates restricting when relocation could occur. The project team devoted adequate resources to managing the resulting schedule adjustments. All but one tenant reported being satisfied with their move-in schedule. Wright-Runstad made no claims for additional compensation due to the tenant improvement schedule changes that occurred.

Schedule planning is an area for improvement in future projects. With any delay in tenant move-in, a loss of project benefits can occur. These can take the form of delayed access to the improvements offered in the new space, continued overcrowding at existing locations, loss of rent revenue at the new building, and payment of rent for additional time at any leased space to be vacated. Although the financial impact of the move-in delays for NJB was limited,[5] an opportunity was lost to benefit from the improvements offered by the new facility as soon as possible, including reducing overcrowding at other locations. The development of a more realistic project schedule to better align tenant improvement design, construction, and move-in deadlines is recommended for future projects, especially those susceptible to greater financial impact if delays occur

The retail space is being completed as tenants are identified. FMD and Wright-Runstad reported that the county's lease approval process makes it difficult to lease the retail area, especially given the current depressed market. This issue is discussed in the Lessons Learned section on page seven.

Budget

Proactive cost control and budget management resulted in project savings. The forecast cost at completion for the project is $188.7 million including scope enhancements paid for by savings and additional revenue.

To mitigate the risk of the escalating construction costs in the over-heated construction market and uncertainty regarding tenant needs, the project team established effective controls, including a highly detailed and regularly updated cost forecast maintained by the developer, regular budget review meetings with key stakeholders, and clearly defined roles and responsibilities for approving tenant design upgrade requests, with the final determination made by the Bond Oversight Committee. These controls enabled the project team to achieve over $7.6 million in savings from the project contingency budget for building shell and core construction. The savings were divided between King County and Wright-Runstad according to the terms of project development agreement.6 The county's share was approximately $5 million.

The project budget grew from $178.2 million to $188.9 million during implementation to utilize $10.7 million in additional revenue, which is summarized below in Exhibit C. The additional revenue, in combination with the county's share of savings from the contingency budget, was used in part to pay for the scope enhancements summarized on page four. The project is expected to receive a sales tax rebate estimated at $3.5 million under the Washington State High Technology Sales/Use Tax Deferral program (82.63 RWC) since NJB houses eligible research functions. Harborview intends to use these funds to support research activities.

[5] The financial impact was limited, because the majority of the non-retail NJB tenants are not being charged rent by Harborview for their space. In addition, most tenants were relocated from properties owned by the county or UW.
[6] Provision 12(h)(ii).

EXHIBIT C Additional Revenue Received and Used on NJB	
Source	**Amount**
Harborview Server Room Reimbursements	$7,900,000
Harborview/UW Tenant Upgrade Reimbursements	$803,752
NJB Properties Bond Interest Earnings	$1,840,000
City Light Rebate	$85,118
Construction Insurance Claim	$53,631
Total	$10,682,501

Although it is difficult to make a like-to-like comparison of the cost-per-square foot results of the initial project and the restructured project, we attempted to do so by making adjustments for differences in project scopes. We estimate that the restructured project resulted in approximately a 13-percent reduction in the overall cost per square foot for the building and the parking garage compared with the initial project. Removing the estimated cost of the garage from both projects, we estimate that a 50-percent reduction in the cost per square foot of the building was accomplished. Approximately a seven-percent cost reduction would be expected because of the economy of scale expected from constructing a larger structure. We have not estimated the expected reduction in cost due to the less costly construction type of the added floors of the restructured project, nor of the impact of differing market conditions on the two projects. The budget results for the restructured project are summarized in detail as Attachment 1.

LESSONS LEARNED

The lessons learned described below were derived from an extensive data-gathering process with project participants, including interviews, anonymous online surveys, and a facilitated discussion session. In addition, they reflect KCAO's observations based on several sources: a review of NJB project related ordinance records, attendance at project implementation meetings, ongoing monitoring and reporting between July 2007 and June 2010, and an assessment of the project delivery results. They are organized into two sections: lessons of interest to all projects and lessons specific to 63-20 public-private partnerships:

Lessons Applicable to All King County Capital Projects

1) **The GC/CM project delivery method requires vigilant contract management to assure that the general contractor is held responsible for their cost risks.**

When the initial project was halted, some councilmembers raised questions about UW's management of the GC/CM contract with Turner.[7] They expressed concern about granting Turner's request to increase the maximum allowable construction cost for the building and were dissatisfied with the impact of altered performance bond requirements. They also felt that more should have been done to reduce the project scope to stay within budget.

[7] July 5, 2006 letter regarding GC/CM performance during the initial project to complete NJB, which was sent to the County Executive, Harborview Board President, Harborview Executive Director, and UW President by then Councilmembers Phillips, Ferguson, and Constantine.

While the Auditor's Office did not assess if the negotiated settlement between the University and Turner was reasonable, at issue here is the shift of cost risks from the Construction Manager to Harborview, the UW, and the county. The GC/CM project delivery method is also known as "Construction Manager at Risk," because the contractor providing the pre-construction and construction management services is at risk for completing the project within a negotiated maximum allowable construction cost. To be successful, this method requires careful contract management to guard against the GC/CM's cost risk shifting to the project owner. This issue is noted in a statewide GC/CM study completed in May 2005 by the State of Washington Joint Legislative Audit and Review Committee (JLARC), which found, in part, that "some owners may believe more risk is being shifted to GC/CM than is occurring."[8]

Recommendation 1 is made to help assure that the county is prepared to guard against cost risks on future projects.

2) County lease requirements are complicating the effort to secure retail tenants for NJB.

FMD and Wright-Runstad reported that they found it difficult to successfully compete for retail tenants given county requirements and the time needed to complete lease agreements. They said council must approve most retail leases by ordinance because they exceed the five-year term limit defined by King County Code section 4.56.190. They also mentioned that resolving lease language issues with all of the participants adds to approval timeframes and may not provide the flexibility expected by desirable retail tenants. A strategy employed by some institutions to provide negotiating flexibility while reducing the need for legal review is to include optional pre-approved lease language for tenant improvements, operating expenses, and other provisions not involving core legal issues in standard form lease agreements.

We suggest in Recommendation 2 that FMD should work with PAO and council to streamline the county's lease approval process to be more competitive in the marketplace without unduly sacrificing risk control.

3) Establishing and maintaining effective communications with stakeholders is important to help guarantee project success.

The project team established effective communications with Harborview/UW management and building tenants during the restructured project, creating a decision-making structure which contributed to the successful completion of the building. Designated team members were assigned to coordinate the interests of the King County, Harborview, and UW tenants. This included working with Wright-Runstad to evaluate the cost and schedule impact of tenant requests and working with King County, Harborview, and UW management to obtain their approval. This arrangement helped assure that the overall interests of each organization were considered while responding to individual tenant requests. It also contributed to the high level of satisfaction expressed by tenants.

The Bond Oversight Committee validated the project team's approach to schedule management and expedited approval for project scope enhancements, which was critical because time constraints were often involved.

4) Project agreements should specify the format, organization, and content of the developer's project cost reporting, building operating and maintenance (O&M) manuals, and as-built drawing submittals based upon a single standard agreed to among all stakeholders.

[8] "An Assessment of General Contractor / Construction Manager Contracting Procedures". JLARC Report 05-9. June 22, 2005. (Pg. 19)

The project combined the resources of King County, Harborview, and UW, each of which has its own reporting, accounting, and building operations tracking systems. In addition, NJB Properties and Wright-Runstad have their own systems. This resulted in the need to convert project data into multiple formats to meet the needs of each stakeholder. It also made it difficult for Wright-Runstad to answer some project data requests, including providing a cost summary separating out the tenant improvement and underground parking garage construction costs from the building shell and core total.

In the future, the project stakeholders should agree on a common standard for reporting project data and include this in the building development agreement. The staff responsible for ongoing building operations should assist in the development of requirements for O&M manuals and as-built drawings that meet their needs.

Lessons for 63-20 Public-Private Partnership Projects

The lessons learned provided below are based on the experience of FMD, NJB Properties, and Wright-Runstad in completing 63-20 projects. Recommendation 3 is made to assure that the specialized knowledge of FMD's NJB project management team is transferable to other county project managers.

1) Partnering with highly qualified nonprofit organizations and building developers who have prior experience successfully completing 63-20 projects is important.

FMD and NJB Properties indicated that the project benefited from FMD's selection process, which evaluates the qualifications and experience of the nonprofit partner and the building developer separately. FMD selects the nonprofit partner first, so they can advise the county during developer selection. These processes helped FMD select a nonprofit partner and building developer who performed their assigned roles in a well-coordinated and collaborative manner which resulted in a finished product that met the county's and Harborview's expectations.

2) It is important to assign agency representatives to 63-20 projects who are familiar with public-private partnerships, including enforcing the legal agreements involved.

FMD and NJB Properties indicated that the project benefited from county and Harborview/UW staff, management, and elected officials who were experienced with 63-20 public-private partnerships. The lease agreement and development agreement used for NJB were tested and refined during previous 63-20 projects, resulting in clear roles and responsibilities and successfully protecting the county from cost and scope risk during construction. The lease agreement also established a clearly defined process for operating the building, including maintenance standards, property tax payments, utility cost pass-throughs, and so on.

Because of their experience managing 63-20 projects, the FMD and Harborview/UW project managers were able to work collaboratively with NJB Properties and Wright-Runstad to deliver the project on schedule, without cost overruns, and without any legal disputes.

Post project surveys indicate that tenants are satisfied with both the quality of their space and the building management effort to date.

3) Leveraging the private sector expertise of the developer, general contractor, and product vendors is recommended to help achieve the most cost-effective outcome.

Project team members representing King County, Harborview, and UW relied upon the development expertise of Wright-Runstad and NJB Properties to deliver the project as efficiently and cost effectively as possible. This helped reduce the shell and core cost for the building by $7.6 million. It also delivered an estimated 13-percent reduction in the overall cost per square foot for the building and parking garage over the initial project and an estimated 50-percent reduction in the cost per square foot for the building itself.

4) A guaranteed maximum price for the building must be established and enforced.

FMD and NJB Properties reported that establishing and enforcing a guaranteed maximum price is critical to the success of 63-20 projects. Both the county's lease agreement with NJB Properties and the development agreement between NJB Properties and Wright-Runstad included a $178,237,000 guaranteed maximum price for completing the project. This provided FMD with the leverage necessary to avoid project cost over-runs resulting from errors or omissions by the nonprofit owner or their developer, unauthorized changes to the project scope, or by adverse changes in market conditions. This issue came up during the tenant improvement work for NJB when FMD and Wright-Runstad felt that Turner's pricing was not reflecting the market's lower construction costs later in the project. In response, Wright-Runstad opened up the bidding process to other contractors during the next tenant improvement phase as a signal to Turner to reduce their costs, or face the possibility of being replaced as the contractor for the project. This strategy worked, and FMD and Wright-Runstad were satisfied with Turner's pricing thereafter.

RECOMMENDATIONS

1) The County Executive should review existing policies, procedures, and standard contract language for GC/CM projects and revise them as needed to guard against cost risks like those experienced during the initial project.
2) FMD should work with the PAO and council to streamline the county's lease approval process in order to be more competitive in the marketplace without unduly sacrificing risk control.
3) FMD should document its practices for managing 63-20 public-private partnership projects and develop strategies to transfer the specialized knowledge of experienced project management personnel to other project managers in FMD and other divisions new to this funding method.

ACKNOWLEDGEMENTS

We appreciate the collaborative efforts of the Facilities Management Division, Wright Runstad, Turner Construction, Harborview Medical Center, and the University of Washington in providing for effective oversight of the Ninth and Jefferson Building project consistent with council intent. Tom Wood of the auditor's office prepared this report. Should you have questions or comments regarding this report or the Ninth and Jefferson Building project, please contact Tom Wood, Capital Projects Oversight Analyst or Tina Rogers, Capital Projects Oversight Manager.

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Attachment 1 – Budget Results for Restructured NJB Project

ATTACHMENT 1 - BUDGET RESULTS FOR RESTRUCTURED NJB PROJECT[1]

	A. Original Budget	B. Revisions	C. Final Budget (A+B)	D. Actual Cost to Date[3]	Forecast Balance to Complete (C - D)
REVENUE					
Project Bond Fund	$ 178,237,000	$ -	$ 178,237,000	n/a	n/a
Interest Earnings on Project Bond Fund		1,840,000	1,840,000	n/a	n/a
HMC Server Room Fund		7,900,000	7,900,000	n/a	n/a
Addiitional HMC/UW Contributions		803,752	803,752	n/a	n/a
Insurance Claim Proceeds		53,631	53,631	n/a	n/a
City Light Rebate		85,118	85,118	n/a	n/a
TOTAL REVENUE	**$ 178,237,000**	**$ 10,682,501**	**$ 188,919,501**	**n/a**	**n/a**
EXPENDITURES					
DEVELOPER MANAGED BUDGET					
Shell and Core					
Architectural & Engineering	$ 4,472,000	$ 94,748	$ 4,566,748	$ 4,566,748	$ -
Construction (incl WR Contingency)	$ 92,139,984	$ 43,912,299	$ 136,052,283	$ 136,407,765	$ (355,482)
Miscellaneous	$ 1,634,000	$ (767,111)	$ 866,889	$ 826,889	$ 40,000
General Contingency	$ 5,103,000	$ (5,067,910)	$ 35,090	$ -	$ 35,090
Project Administration	$ 6,705,000	$ 3,055,328	$ 9,760,328	$ 9,760,328	$ -
Developer's Overhead	1,691,000	-	1,691,000	1,691,000	-
Developer's Fee	5,014,000	-	5,014,000	5,014,000	-
Developer's Fee on Changes	-	371,994	371,994	371,994	-
Developer's Share of Joint Savings	-	2,683,334	2,683,334	2,683,334	-
Shell and Core Subtotal	**$ 110,053,984**	**$ 41,227,354**	**$ 151,281,338**	**$ 151,561,730**	**$ (280,392)**
Joint Savings[2]					
Joint Savings Before Distribution	$ -	7,650,000	7,650,000	7,650,000	$ -
Joint Savings Distribution	-	(7,650,000)	(7,650,000)	(7,650,000)	-
Joint Savings Subtotal	**$ -**	**$ -**	**$ -**	**$ -**	**$ -**
Server Room					
Server Room Subtotal	**$ 7,658,016**	**$ 7,900,000**	**$ 7,900,000**	**$ 7,500,000**	**$ 400,000**
Tenant Improvements					
Tenant Improvement Cost	$ 46,527,000	$ (24,515,261)	$ 22,011,739	$ 21,975,839	$ 35,900
Tenant Design Contingency	11,500,000	(11,500,000)	-	-	-
Joint Savings Distribution		3,992,605	3,992,605	3,992,605	-
Retail Tenant Allowance	896,000	488,395	1,384,395	870,974	513,421
Tenant Improvement Subtotal	**$ 58,923,000**	**$ (31,534,261)**	**$ 27,388,739**	**$ 26,839,418**	**$ 549,321**
DEVELOPER TOTAL	**$ 176,635,000**	**$ 9,935,077**	**$ 186,570,077**	**$ 185,901,148**	**$ 668,929**
KING COUNTY MANAGED BUDGET[4]					
Art Costs	$ 897,000	$ 17,365	$ 914,365	$ 516,986	$ 397,379
KC Project Administration	705,000	309,683	1,014,683	906,806	107,877
Auditor Oversight		232,395	232,395	169,952	62,443
KING COUNTY TOTAL	**$ 1,602,000**	**$ 559,443**	**$ 2,161,443**	**$ 1,593,744**	**$ 567,699**
TOTAL EXPENDITURES	**$ 178,237,000**	**$ 10,494,520**	**$ 188,731,520**	**$ 187,494,892**	**$ 1,236,628**
PROJECT BALANCE			**$ 187,981**		

1. All figures shown are based on Wright-Runstad's September 10, 2010 "Development Cost Summary," which is the final budget summary available.
2. The joint savings were distributed between the developer and King County in accordance with the terms of the development agreement. These savings resulted from Wright-Runstad's efforts to contain the building shell and core cost. Wright-Runstad's share was $2,683,334. King County's share was $3,992,605, which was used to help fund tenant improvement enhancements.
3. Wright-Runstad's "Development Cost Summary" shows that the shell and core budget was increased during the project and that the tenant improvement budget was decreased. Wright-Runstad recorded some, but not all, of the tenant improvement costs against the shell and core budget as each floor was being completed. This approach makes it impossible to separate the shell and core cost results from the tenant improvement cost results, which is inconsistent with construction industry estimating standards.
4. The King County managed budget was administered by FMD. All costs shown were paid for by project revenue.