



KING COUNTY AUDITOR'S OFFICE

CAPITAL PROJECTS OVERSIGHT PROGRAM

NINTH & JEFFERSON BUILDING PROJECT OVERSIGHT REPORT FOR NOVEMBER 2009

CURRENT RISK RATING ● This project is on track with no scope, schedule, or budget issues. No recommendations are made at this time.



PROJECT DESCRIPTION

The Ninth and Jefferson Building (NJB) project reduces overcrowding and upgrades outmoded facilities at Harborview Medical Center (HMC). NJB houses a number of major HMC, University of Washington Medical School, and county programs, including the King County Medical Examiner (KCME), Public Health Sexually Transmitted Disease (STD) Clinic, and the Involuntary Treatment Act (ITA) Court. Retail space is provided on the ground floor. NJB utilized a 63-20 Public-Private Partnership between King County, NJB Properties, and Wright Runstad Associates LP (WR). The Facilities Management Division (FMD) manages the project.

PROJECT STATUS ● = No Current Concerns ▼ = Attention Needed ◆ = Corrective Action Needed

● **Scope**

Construction of a 14-story 440,000 square foot (sf) medical office building, including an underground parking garage with 670 parking stalls, public art, and 12,000 sf of ground floor retail space. An HMC server room was added in the parking garage early in the project, reducing parking to 650 stalls.

● **Schedule**

<u>Activity</u>	<u>First Recorded Schedule</u>	<u>Current Forecast</u>
Core and Shell	03/05/2009	02/27/2009 (actual)
Tenant Improvements	Q3 – 2009	01/05/2010 ¹
Phased Tenant Move-In	Q3 – 2009	January 2010 ²

Notes: 1 - Except for ground floor retail space, which is being improved and occupied as leases are executed.
 2 - For non-retail tenants including all HMC, University of Washington Medical School, and county programs.

● **Budget**

The "Revised Approved Budget" reflects \$ 1,840,000 in unanticipated bond revenue received by the project. The figures shown below include the \$ 1,602,000 county-managed budget for project administration and art costs that was documented separately in previous reports.

Original KC Approved Budget (A)	Revised Approved Budget (B)	Proposed Budget / Forecast Cost at Completion as of 11/30/2009 (C)	Actual Costs through 11/30/2009 (D)	% of Proposed Budget Expended (D ÷ C)	Forecast Balance to Complete (C – D)
\$ 185,895,016	\$ 187,707,251	\$ 182,120,071	\$ 181,425,909	99.62%	\$ 694,162

● **Issues and Risks**

This project does not have any current issues or risks.

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

June 7, 2010

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
CONTACT 206-296-1655 OR TTY 206-296-1024**

INTRODUCTION

This is the 30th monthly Ninth and Jefferson Building (NJB) oversight report prepared by the King County Auditor's Office (KCAO). It is being submitted by the Capital Projects Oversight Program (CPO) to the Metropolitan King County Council Government Accountability and Oversight Committee on the status of the scope, schedule, budget, and risks for the NJB project. We continue to show the risk level for the NJB project as green, indicating that there are no current concerns regarding scope, schedule, or budget risks. There are no recommendations for the project team at this time.

KCAO was directed to provide independent oversight and monthly reports for the NJB project in September 2006 by Ordinance 15633. Oversight is conducted by attendance at weekly project meetings with the Facilities Management Division (FMD), Wright Runstad Associates LP (WR), and Turner Construction Company (TCC). Information is also obtained through analysis of monthly draw requests submitted by WR, review of construction quality assessments submitted by Falkin Associates to NJB Properties, and review of Harborview Medical Center (HMC) Major Capital Projects Quarterly Reports issued by FMD.

PROJECT STATUS UPDATE

Recent Accomplishments

Tenant improvement work continued in the pharmacy area on floor 1 and the radiology area on floor 3 during November. Tenant improvement work for the retail gym area on floor 1 started on November 18th. All other tenant improvement work scheduled for the building has been completed, except for the vacant retail area on floor 1, which will be improved as tenants are identified and leases are executed.

Scope

There have been no scope changes impacting the schedule or cost of NJB since the council authorized the addition of an HMC server room on May 8, 2007 by Ordinance 15738.

Schedule

The NJB project has no schedule risks. Completion of the building's shell and core work occurred in February 2009. Construction of the parking garage finished in July 2008 for HMC staff use, and the garage opened for general public use in April 2009.

All tenant design/bid documents are complete except for the ground floor retail space. All tenant improvement work, except for the vacant retail area, should be completed by January 4, 2010, which is the same date stated in the October report. This does not impact HMC's move-in plans.

As summarized in detail on the next page, tenants are moving into NJB in phases. All county moves have already been completed. HMC has targeted completion of the retail gym area by mid-December to help assure that the gym vendor has a successful opening, including benefiting from membership sales opportunities during the holiday season.

Tenant Improvement and Move-In Schedule

Floor	Tenant	Tenant Improvement Schedule			Move-In Schedule
		Design/Bid Documents	First Reported Completion Forecast	Current Completion Forecast	
1	Main Lobby	Complete	Complete	Complete	N/A
	Pharmacy	Complete	12/09	12/09	01/10
	Optical Shop	Complete	06/09	07/20/09 (actual)	07/27/09 (actual)
	Gym Retail	Complete	12/16/09	12/16/09	TBD
	Vacant Retail (+/- 7,000 sf)	TBD	TBD	TBD	TBD
2	ITA Court				07/18/09 (actual)
	KCME	Complete	01/05/09	01/05/09 (actual)	05/02/09 (actual)
	Pathology				09/19/09 (actual)
3	UW Med School	Complete	01/05/09	01/05/09 (actual)	08/09 (actual)
	ISIS	Complete	12/09	12/31/09	01/10
	Radiology	Complete	12/09	12/31/09	01/10
4	Sleep Clinic	Complete	03/05/09	03/17/09 (actual)	07/18/09 (actual)
5	Spine Clinic	Complete	03/05/09	03/17/09 (actual)	05/16/09 (actual)
6	Ortho Clinic	Complete	03/05/09	03/24/09 (actual)	05/30/09 (actual)
7	Eye Clinic	Complete	05/11/09	05/11/09 (actual)	07/06/09 (actual)
8	IT Services	Complete	01/05/09	01/05/09 (actual)	03/28/09 (actual)
	Eye Clinic	Complete	05/11/09	05/11/09 (actual)	07/06/09 (actual)
9	IT Services	Complete	01/05/09	01/05/09 (actual)	03/28/09 (actual)
10	IT Services	Complete	01/05/09	01/05/09 (actual)	03/28/09 (actual)
11	STD, Virology	Complete	03/05/09 08/09	04/02/09 (actual)	07/11/09 (actual)
	Global Health	Complete		09/01/09 (actual)	11/15/09 (actual)
12	Global Health	Complete	05/09	08/17/09 (actual)	11/15/09 (actual)
13	Global Health	Complete	05/09	08/17/09 (actual)	11/15/09 (actual)
14	Neurosciences	Complete	05/09	08/17/09 (actual)	09/19/09 and 09/26/09 (actual)

Budget

The NJB project is proceeding without budget risks. The current approved budget is \$ 187,707,251. This represents a \$ 1,812,235 increase over the original project budget reported last month due to a \$ 1,840,000 increase in the bond revenue received for the project and a \$ 27,765 decrease in the cost for completing the HMC server room. The bond revenue increase is due to unanticipated interest earnings on the construction bonds.

As of November 30, 2009, the forecast cost at completion for NJB was \$182,120,071, which would leave a balance of more than \$5.5 million unspent at the end of the project, assuming HMC paid the entire \$ 7,630,251 actual cost for completing the server room separately from their own funds. Because IRS 63-20 public / private financing guidelines require that the bond revenue be used for the project, FMD, HMC, and WR are reviewing how to use the forecast balance at completion, with one option under discussion reducing HMC's server room payment from their own funds by the same amount. We will be monitoring this discussion as WR continues to refine its cost forecast each month through project completion.

The Project Budget Summary on the following page summarizes the original budget, revisions, forecast cost at completion and actual costs on the project. This table has been revised from past reports and now shows the county-managed portion of the project budget together with, and in the same format as, the developer-managed portion of the budget.

NJB Project Budget Summary as of November 30, 2009

	Original KC Approved Budget (A)	Revised Approved Budget ¹ (B)	Proposed Budget/Forecast Cost at Completion ² (C)	Actual Cost to Date ³ (D)	% of Proposed Budget Expended (D ÷ C)	Forecast Balance to Complete (C - D)
DEVELOPER MANAGED BUDGET						
SHELL AND CORE						
Architectural & Engineering	\$ 4,472,000	\$ 4,472,000	\$ 4,885,693	\$ 4,537,659	92.88%	\$ 348,034
Construction (incl WR Contingency)	99,798,000	99,798,000	143,620,436	143,558,975	99.96%	\$ 61,461
Miscellaneous	1,634,000	1,634,000	1,639,549	805,082	49.10%	\$ 834,467
General Contingency	5,103,000	5,103,000	1,846,080		0.00%	\$ 1,846,080
Project Administration	6,705,000	6,705,000	8,631,994	8,389,345	97.19%	\$ 242,649
SUB-TOTAL	\$ 117,712,000	\$ 117,712,000	\$ 160,623,752	\$ 157,291,061	97.93%	\$ 3,332,691
JOINT SAVINGS						
Joint Savings Before Distribution	n/a	n/a	5,650,000		n/a	\$ 5,650,000
Joint Savings Distribution	n/a	n/a	(4,510,000)		n/a	(4,510,000)
SUB-TOTAL	\$ -	\$ -	\$ 1,140,000	\$ -	0.00%	\$ 1,140,000
SERVER ROOM						
SUBTOTAL	\$ 7,658,016	\$ 7,630,251	Included in Shell and Core	Included in Shell and Core	n/a	Included in Shell and Core
TENANT IMPROVEMENTS (TI's)⁴						
Tenant Improvement Cost	\$ 47,423,000	\$ 47,423,000	\$ 23,874,251	\$ 23,208,402	97.21%	\$ 665,849
Tenant Design Contingency	11,500,000	11,500,000			n/a	-
Server Room General Contingency			27,571		0.00%	\$ 27,571
Server Room Owner Contingency					n/a	-
SUB-TOTAL	\$ 58,923,000	\$ 58,923,000	\$ 23,901,822	\$ 23,208,402	97.10%	\$ 693,420
DEVELOPER TOTAL	\$ 184,293,016	\$ 184,265,251	\$ 185,665,574	\$ 180,499,463	97.22%	\$ 5,166,111
KING COUNTY MANAGED BUDGET						
Art Costs	\$ 897,000	\$ 897,000	\$ 914,365	\$ 297,036	32.49%	\$ 617,329
KC Project Administration	\$ 705,000	\$ 705,000	\$ 705,000	\$ 527,640	74.84%	\$ 177,360
Auditor Oversight			\$ 232,395	\$ 101,770	43.79%	\$ 130,625
Server Room Reimbursement			\$ (5,397,263)		n/a	\$ (5,397,263)
Unanticipated Interest Earnings on Bond Funds		\$ 1,840,000	\$ 1,840,000		n/a	\$ 1,840,000
Interest Earnings Transferred to TI Budget			\$ (1,840,000)		n/a	\$ (1,840,000)
KING COUNTY TOTAL	\$ 1,602,000	\$ 3,442,000	\$ (3,545,503)	\$ 926,446	-26.13%	\$ (4,471,949)
PROJECT TOTAL	\$ 185,895,016	\$ 187,707,251	\$ 182,120,071	\$ 181,425,909	99.62%	\$ 694,162

Notes:

- (1) The "Revised Approved Budget" includes WR revisions reviewed and approved by FMD.
- (2) The "Proposed Budget/Forecast Cost at Completion" is based on WR's 12/16/09 draw request, which includes costs through 11/30/09.
- (3) The "Actual Cost to Date" is based on WR's 12/16/2009 draw request, which reflects project costs through 11/30/2009.
- (4) Tenant improvement and server room costs are moved to Shell and Core as each building level is bid.

Issues and Risks

This project faces little, if any, scope, schedule, or budget risk through completion. There has been a slight delay in the move dates planned for the Pharmacy, ISIS, and Radiology programs. Moves for all three were originally scheduled during December 2009 but, as reported previously are now scheduled during January to avoid moves during the holiday season.

RECOMMENDATIONS

There are no recommendations for the NJB project team at this time. We will be monitoring WR's retail tenant marketing efforts for the building until the construction project is officially closed out. As of November 30, 2009, approximately 5,000 square feet of retail space for an optical shop and a gym has been agreed to, representing 42 percent of the 12,000 square foot retail area available. This figure has not changed since July 2009. HMC is considering the best mix of tenants for the remaining space.

ACKNOWLEDGEMENTS

We appreciate the collaborative efforts of the Facilities Management Division, Wright-Runstad, Turner Construction, 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. No formal presentations to council are scheduled at this time. 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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