



KING COUNTY AUDITOR'S OFFICE

CAPITAL PROJECTS OVERSIGHT PROGRAM

NINTH & JEFFERSON BUILDING PROJECT OVERSIGHT REPORT FOR DECEMBER 2009

CURRENT RISK RATING ● Construction was substantially completed on December 31, 2009 with no scope, schedule, or budget issues. Because NJB is substantially complete, this is our last monthly report. We will be issuing a final report incorporating lessons learned following project closeout.



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** (Includes updates through 03/31/2010)

<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	12/31/2009 (actual) ¹
Phased Tenant Move-In	Q3 – 2009	02/28/2010 ^{1,2}

Notes: 1- Except for ground floor retail space, which is being improved and occupied as leases are executed.
 2- All non-retail tenants were moved in by 02/28/2010 except for the ground floor pharmacy, which is moving in phases.

● **Budget**

The “Revised Approved Budget” shown includes \$ 1,840,000 in unanticipated bond revenue, first reported in the November report. The figures below also include the \$ 1,602,000 county-managed budget for project administration and art costs. See page four for updates through March 2010.

Original KC Approved Budget (A)	Revised Approved Budget (B)	Proposed Budget / Forecast Cost at Completion as of 12/31/2009 (C)	Actual Costs through 12/31/2009 (D)	% of Proposed Budget Expended (D ÷ C)	Forecast Balance to Complete (C – D)
\$ 185,895,016	\$ 187,707,251	\$ 183,620,071	\$ 182,601,516	99.45%	\$ 1,018,555

● **Issues and Risks**

This project does not have any current issues or risks.

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

June 8, 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 31st 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. Because this project was substantially completed on December 31, 2009, this is our last monthly report. We will be issuing a final project report incorporating lessons learned following project closeout.

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 in all areas, except for the vacant retail area on floor 1, was substantially completed in December. Improvements to the remaining vacant retail area on floor 1 will be completed as tenants are identified and leases are executed. This process will be coordinated through WR, who has been contracted to fulfill the building management role on behalf of NJB Properties.

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.

The tenant improvement work, except for the vacant retail area, was substantially completed on December 31, 2009. This occurred one week earlier than projected in the November report and met the first recorded schedule for this milestone. Minor punch-list activities are expected through the end of May as the last arriving tenants settle into their space.

The non-retail tenants are moving into NJB in phases, with all but three moves completed by December 31, 2009. The Pharmacy staff (ground floor) is moving in phases, with their first move to be completed in early May 2010. On the third floor, the ISIS staff moved in on February 28, 2010 and the Radiology staff moved in on January 31, 2010.

The retail space is being developed as tenants are identified. The second retail tenant, the gym, started moving into the building in late December 2009 and opened for business in February 2010. Together with the optical shop which opened in July 2009, approximately 5,000 sf of the 12,000 sf ground floor retail area is occupied. WR is marketing the remaining 7,000 sf of retail space as part of a building management agreement with NJB Properties. WR is working closely with HMC and FMD to establish the best mix of retail tenants to serve the HMC campus staff, clients and visitors. FMD staff report that this 58% vacancy rate for the retail space is not problematic yet, as the business plan for this building did not assume any retail rent revenue in 2010.

The schedule for the NJB project is summarized in detail below:

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	05/2010
	Optical Shop	Complete	06/09	07/20/09 (actual)	07/27/09 (actual)
	Gym Retail	Complete	12/16/09	12/16/09	02/2010
	Vacant Retail (+/- 7,000 sf)	TBD	TBD	TBD	TBD
2	ITA Court	Complete	01/05/09	01/05/09 (actual)	07/18/09 (actual)
	KCME				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	02/28/10 (actual)
	Radiology	Complete	12/09	12/31/09	01/31/10 (actual)
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	04/02/09 (actual)	07/11/09 (actual)
	Global Health	Complete	08/09	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. As reported in the November report, the approved budget has increased by approximately \$1.8 million to \$187,707,251 reflecting unanticipated bond revenue and other adjustments. As of December 31, 2009, the forecast cost at completion was \$ 183,620,071. This is approximately \$1.5 million higher than forecast in November due to an adjustment in the server room reimbursement. In terms of the "Revised Approved Budget", this would leave a balance of more than \$ 4 million unspent at the end of the project, assuming that HMC paid the entire \$7,630,251 cost for completing the server room. Because IRS 6320 public/private financing guidelines require that the bond revenue be used for the project, FMD, HMC, and WR are discussing how to use this balance, with one option under discussion reducing HMC's payment for the server room by the same amount. We will be monitoring this discussion as WR refines its cost forecast through project closeout. We will also be evaluating the reasonableness of the tenant improvement reserves set aside for the remaining retail space build-out.

NJB Project Budget Summary as of December 31, 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	143,597,473	99.98%	\$ 22,963
Miscellaneous	1,634,000	1,634,000	1,639,549	783,065	47.76%	\$ 856,484
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	\$ 157,307,542	97.94%	\$ 3,316,210
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 ⁴						
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 ⁴						
Tenant Improvement Cost	\$ 47,423,000	\$ 47,423,000	\$ 23,874,251	\$ 24,348,518	101.99%	\$ (474,267)
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	\$ 24,348,518	101.87%	\$ (446,696)
DEVELOPER TOTAL	\$ 184,293,016	\$ 184,265,251	\$ 185,665,574	\$ 181,656,060	97.84%	\$ 4,009,514
KING COUNTY MANAGED BUDGET						
Art Costs	\$ 897,000	\$ 897,000	\$ 914,365	\$ 315,765	34.53%	\$ 598,600
KC Project Administration	\$ 705,000	\$ 705,000	\$ 705,000	\$ 527,921	74.88%	\$ 177,079
Auditor Oversight			\$ 232,395	\$ 101,770	43.79%	\$ 130,625
Server Room Reimbursement			\$ (3,897,263)		n/a	\$ (3,897,263)
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	\$ (2,045,503)	\$ 945,456	-46.22%	\$ (2,990,959)
PROJECT TOTAL	\$ 185,895,016	\$ 187,707,251	\$ 183,620,071	\$ 182,601,516	99.45%	\$ 1,018,555

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 01/25/2010 draw request, which reflects project costs through 12/31/2009.
- (3) The "Actual Cost to Date" is based on WR's 01/25/2010 draw request, which reflects project costs through 12/31/2009.
- (4) Tenant improvement and server room costs are moved to Shell and Core as each building level is bid.

January 2010 – March 2010 Budget Update

As summarized below, the monthly cost updates prepared by WR through March 2010 continue to show that the project will be completed within the approved budget. The forecast for March 2010 is approximately \$3.1 million higher than forecast in December. This would leave a balance of almost \$ 1 million unspent at the end of the project, assuming that HMC paid the entire \$7,630,251 cost for completing the server room.

WR’s March update increased the Joint Savings distribution for the project from \$ 5,650,000 to \$ 7,650,000, with King County’s share rising from \$ 3,633,333 to \$ 4,966,666:

NJB Budget Summary for December 2009 through March 2010

Month Reported	Revised Approved Budget	Proposed Budget / Forecast Cost at Completion	Actual Cost to Date	% of Proposed Budget Expended	Forecast Balance to Complete
December 2009 ¹	\$ 187,707,251	\$ 183,620,071	\$ 182,601,516	99.45%	\$ 1,018,555
January 2010 ²	\$ 187,707,251	\$ 184,705,190	\$ 184,568,922	99.93%	\$ 136,268
February 2010 ³	\$ 187,707,251	\$ 185,205,190	\$ 185,070,302	99.93%	\$ 134,888
March 2010 ⁴	\$ 187,707,251	\$ 186,715,749	\$ 186,563,001	99.92%	\$ 152,748

Notes

- 1 –The December 2009 report is based on WR’s 01/25/10 draw request, which reflects project costs through 12/31/2009.
- 2- The January 2010 update is based on WR’s 02/26/10 draw request, which reflects project costs through 01/31/2010.
- 3 – The February 2010 update is based on WR’s 03/23/10 draw request, which reflects project costs through 02/28/2010.
- 4 – The March 2010 update is based on WR’s 05/04/10 draw request, which reflects project costs through 03/31/2010.

Issues and Risks

This project faces little, if any, scope, schedule, or budget risk through closeout. As part of KCAO’s final report for the project to be issued during the third quarter of 2010, we will be reviewing the following topics:

- Lessons learned based on feedback from the building tenants and the project development team;
- The final project budget reconciliation, including cost sharing for the HMC server room and any other additions to the project scope;
- Use of King County’s share of joint savings and the unanticipated bond revenue;
- Project budget reconciliation for county-managed portion of the budget for art and administration costs;
- Developer contract and other project closeout procedures;
- WR’s retail area marketing and development plan; and
- King County’s ongoing administrative role in project agreements.

RECOMMENDATIONS

We have no recommendations for the NJB project at this time.

ACKNOWLEDGEMENTS

We appreciate the collaborative efforts of the Facilities Management Division, Wright Runstad, Turner Construction, HMC 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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