

Doc. T93-122, as amended

Passed by the Board of Trustees

December 1, 1993

Revised: 8/7/2002; 11/16/05; 6/10/09; 6/18/14; 12/13/18

**UNIVERSITY OF MASSACHUSETTS
CAPITAL PLANNING, LAND AND FACILITIES USE POLICY**

PURPOSE

This *Capital Policy* provides specific criteria relating to capital planning, land and facilities use and other related topics such as ongoing maintenance, the leasing and use of land and/or facilities, and the acquisition or disposition of real estate by the University of Massachusetts (University or the System).

I. INTRODUCTION

Capital planning is an integral part of the University's long-range and strategic planning processes, as it affects all aspects of the University's programs and operations. The President's Office facilitates the implementation of this policy and manages the processes set forth in the associated administrative standards. Any work done by the University of Massachusetts Building Authority (UMBA) related to capital and facilities for the University must be done at the direction of the President's Office and not initiated by a campus. Participants in this process should include, but may not be limited to, the strategic planning committees, facilities managers, physical plant directors, the Offices of Administration and Finance, and UMBA. While specific assumptions and criteria may vary for short-term and long-term projects, the long-range objectives of the University must underlie all. The goals and priorities in the campus master plans shall form the basis for all facilities planning and land use decisions, regardless of whether the University is contemplating changes to existing uses of facilities, the development of unused land, the acquisition of new property, the construction or renovation of facilities, or the transfer of property to another party.

II. POLICY STATEMENT

A. CAMPUS LAND AND FACILITIES USE MASTER PLANS, CAPITAL PLANNING, PROJECT REVIEW AND APPROVAL

1. Each campus shall prepare and maintain a land and facilities use master plan (campus master plan). The campus master plan is for the purpose of establishing a framework for orderly growth and development of capital improvements that is responsive to a campus' current and projected needs and sufficiently flexible to accommodate changes that can be expected to occur in a dynamic environment. The campus master plan describes the optimal development of available space consistent with the approved mission statement of the campus. The campus master plan is a working document that will require evaluation and updating periodically to ensure its consistency with revised mission statements and with other circumstances. The

campus master plan does not constitute a commitment to a specific timetable for the completion of projects, and is a component of the overall planning responsibility of the campus. The University President will work with Chancellors and the Board of Trustees (Board) to ensure consistency with this policy and with other University policies and standards and with the System-wide strategic priorities established by the University President and the Board of Trustees.

2. Each campus shall develop and maintain a five-year capital plan (capital plan), which shall be informed by the campus master plan and be submitted to the University President and the Board of Trustees for review and approval. The University President shall establish and maintain administrative standards to be followed by campuses in preparing the capital plan and will issue specific instructions and make additional requests as needed. The standards shall include but may not be limited to requirements for describing how a new project fits with the 5-year financial forecast, the campus master plan, plans for construction and operating funding, and sources of revenue, including detailed debt service schedules, if necessary. Approvals for such projects will be subject to the capital approval process and be contingent on the general requirements that any new building must be consistent with the strategic plans and priorities of the University and the campus, and projects requiring new borrowing should be in compliance with the University's debt policy.
 3. For purposes of this policy, a capital project includes the total value of any acquisition, disposition, lease (whether as lessee or lessor) of land and/or facilities; and any construction or capital maintenance project. Before a campus may proceed with a capital project it must receive certain approvals as specified below:
 - a. Capital projects with a total cost between \$2 million and \$10 million will require the approval of the University President.
 - b. Capital projects greater than \$10 million will require the approval of the Board of Trustees.
 - c. Capital projects with a total estimated cost greater than \$2 million that also require University borrowing will require the approval of the Board of Trustees.
 - d. Capital projects that have an increase in cost of 10% or more will require an additional approval from the University President or Board of Trustees prior to the campus and/or UMBA continuing work on the project.
 - e. The University President shall issue administrative standards detailing the approval process and the criteria that will be used for a project to receive approval. The University President may request additional information as needed.
- B. FUNDING DEFERRED MAINTNEANCE: "KEEP UP" and "CATCH UP" TARGETS AND MAINTENANCE OF FACILITIES**
1. The University President shall define "Keep up" and "Catch up" targets and promulgate standards to ensure that campuses are making progress toward meeting the deferred maintenance needs of University facilities.

C. DISPOSITION & ACQUISITION OF UNIVERSITY REAL ESTATE

1. Real estate, which include, but may not be limited to land, buildings, air rights, water rights and mineral rights owned by the University is the property of the Commonwealth of Massachusetts which has been entrusted to the University for stewardship. The University's role as steward of this property is crucial, since the prudent use of our limited resources is key to our ability to provide for our future needs and to meet our long-range commitments to the citizens of the Commonwealth.
2. The purchase and sale of real estate from entities or to entities must support the University's educational research, and/or community outreach mission and must have received all applicable internal approvals in writing prior to any documentation being signed.

D. AGREEMENTS FOR THE USE OF REAL ESTATE

1. The execution of any agreement for the use of real estate from entities or to entities must support the University's educational research, and/or community outreach mission and must have received all applicable internal approvals in writing prior to any documentation being signed.

E. PRIVATE USE

Any facilities of the campuses that are purchased, constructed, renovated, rehabilitated, improved or otherwise funded from a tax-exempt bond issue are subject to private business use limitations as described in the federal tax law. When proposing a substantive change in the existing use of a facility financed with tax-exempt debt, campuses should consider the private use implications of such a change. A change in existing use must not cause the University to be in violation of the private business use regulations.

F. DELEGATION

The University President and Chancellors may delegate all or any part of their authority set forth in this Policy, in accordance with the University's delegation policy.

G. STANDARDS

The University President, in consultation with the Vice President(s) and Chancellors, will issue administrative standards to implement this policy which may be revised from time-to-time.

**UNIVERSITY OF MASSACHUSETTS
ADMINISTRATIVE STANDARDS FOR THE
CAPITAL PLANNING, LAND AND FACILITIES USE POLICY
(Doc. T93-122, as amended)**

I. INTRODUCTION

These *Administrative Standards* (“Standards”) are intended to assist in the implementation of the University of Massachusetts’ (“University”) Capital Planning, Land, and Facilities Use Policy (T93-122) (“Policy”). The Policy provides a framework within which the University develops and reviews Campus master plans, the University’s five-year capital plan, and the review and approval of capital projects. It includes other related topics such as capital renewal, ongoing maintenance, and the disposition, acquisition, and use of real estate.

II. DEFINITIONS

- A. Alternative Financing and Delivery – A contractual arrangement between a public entity and a private sector developer whereby a range of project risks and responsibilities can be transferred to the private sector developer.
- B. Approved Capital Project List – A list of capital projects, as defined below, which is reviewed quarterly and approved by the University President or the Board of Trustees.
- C. Campus – Amherst, Boston, Dartmouth, Lowell, Chan Medical School.
- D. Capital Project – Construction, capital equipment for construction, lease (whether as lessee or lessor) of land and/or facilities, land or real property acquisition or disposition requiring review by the University President or the Board of Trustees.
- E. Capital Project Review – Prior to Vote 2 and for all Capital Projects with a Total Value of \$2 million or greater, a review to evaluate the scope and cost of each Capital Project to ensure rationality and feasibility and to ensure compliance and avoid unforeseen cost increases. For all Capital Projects managed by the UMass Building Authority (“UMBA”), the Capital Project Review is conducted by UMBA; for all Capital Projects not managed by UMBA, the Capital Project Review is conducted by the Campus in consultation with the President’s Office.
- F. Capital Projects Screening – High-level screening process performed for each Capital Project prior to receiving preliminary approval in order to determine the suitability of alternative delivery. This checklist is included in Appendix B to these Standards.
- G. Catch Up Spending – Capital Projects funded by reserves, bond proceeds, and/or State resources (e.g., typically bond bill funds) for the purposes of retiring the deferred maintenance backlog.
- H. Five-Year Capital Plan (“Capital Plan”) – The Capital Plan contains priority Capital Projects that each Campus intends to start over the five-year planning period. The Capital Plan is updated biennially and is informed by each Campus’ Master Plan (as defined in Article III, Section A.1 below). Capital Projects incorporated into a Campus’ Capital Plan must be reviewed and

approved by the Board of Trustees or the University President before a Campus may move forward with a project.

- I. Keep Up Spending – Recurring operating budget or capitalized expenses for the following types of projects:
 1. Small Operating Projects – Projects with a cost up to \$20,000, which include, but are not limited to, carpet replacement, hot water heater replacement, LED conversions, small bathroom renovation, air handling unit replacement, reconfiguration of vacated space, etc.;
 2. Preventive and Proactive Maintenance – Systematic and proactive projects adding value to the operating conditions of equipment, which include, but are not limited to, inspections, testing, lube/oil, filter changes, belt changes, elevator maintenance, fire alarm maintenance, fire suppression system inspection, roof inspections, mechanical/electrical inspection, and building management system inspections; and
 3. Recurring Projects – Projects not bonded and funded through the annual operating budget.

- J. Project Phases – There are nine (9) pre-defined Capital Project phases ranging from conceptual design to completion. Each Campus will categorize and track Capital Projects using the following phases:
 1. Conceptual
 2. Feasibility Report
 3. Owner’s Project Manager / Designer Procurement
 4. Study / Schematic Design
 5. Design
 6. Final Design / Early Construction Packages
 7. Construction
 8. Substantial Completion
 9. Complete
 - 9A. Construction Complete
 - 9B. Financially Complete

- K. Total Value (referred to as “Total Cost” in the Policy) – For purposes of Capital Projects subject to the Policy, “total value” includes (i) all estimated project costs (construction costs and soft costs) and costs incurred or expenditures made, and/or (ii) all anticipated proceeds received or revenue earned.

- L. UMBA Real Estate – Real property owned and/or financed by UMBA for the use and benefit of the University.

- M. University Real Estate – Real property owned by the Commonwealth of Massachusetts and held and managed by the University Board of Trustees for the use and benefit of the University. For the purposes of the Policy and these Standards, University Real Estate does not include UMBA Real Estate.

III. STANDARDS STATEMENT

A. CAMPUS LAND AND FACILITIES USE MASTER PLANS; CAPITAL PLANNING AND PROJECT REVIEW AND APPROVAL

1. Development of the Land and Facilities Use Master Plan – Each Campus shall prepare and maintain a land and facilities use master plan(s) (“Campus Master Plan”), which shall include, at a minimum:

- a. Information about the Campus’ mission and goals.
- b. An inventory and description of existing land and facilities, including a description of the possible new or revised use of existing land and facilities.
 - i. In assessing proposals for a change in the use of existing facilities and/or land, Campuses should consider the following:
 - The short-and long-term cost implications must be beneficial to the University;
 - The potential financial, legal and reputational risks; and
 - Compliance with private use requirements as set forth in Article III.G of these Standards.
- c. Projections of future land and facilities’ needs, consistent with the Campus academic vision, strategic plan, long-range enrollment plan, or other guiding strategic plans.
- d. The assumptions and criteria used to identify the needs of the Campus, including the expected impact of capital investment (if any) on Campus key financial ratios.
- e. The plan(s) shall be consistent with State requirements for facilities and land use master plans.
- f. The Campus Master Plan(s) shall be consistent with the Capital Plan and other capital planning and land use decisions.
- g. The Campus Master Plan(s) shall be submitted and reviewed by the University President. The Campus Master Plan(s) shall be updated on a periodic or rolling basis, including when substantial changes to the Campus’ mission statement or strategic goals have taken place.

2. Development of the Capital Plan

Frequency: Biennially

The Capital Plan shall include, but may not be limited to the following:

- a. A prioritized list of all Campus Capital Projects over \$2 million in total project cost that are planned to be initiated over the next five years, and in the aggregate, are projected to be affordable under currently forecast financial conditions.
- b. A statement on how each Capital Project supports the mission and goals of the Campus.
- c. A statement describing how each Capital Project addresses the deferred maintenance needs of the Campus.
- d. A projection of funding sources that will be utilized to pay for the design and construction of each project, including:
 - i. University local funds (operating, plant, or other funds).
 - ii. External funds including private fundraising and grants.
 - iii. Revenue projected to be generated by virtue of the development of the project.
 - iv. State appropriations – G.O. funds or supplemental funds.
 - v. Alternative financing through third parties and/or other partnerships.

- e. The Capital Plan shall be updated biennially and requires the approval of the University President and the Board of Trustees.
 - i. The Board of Trustees vote to approve the Capital Plan does not constitute approval of an individual Capital Project and all future Capital Projects are required to follow the capital approval process set forth in Section III.A.3.

3. Capital Project Review and Approval Process

Frequency: Quarterly

Before a Campus can proceed with a Capital Project, it must receive the requisite approval by the University President and/or the Board of Trustees, as follows:

- a. Any Capital Project with a total value between \$2 million and \$10 million may proceed with the approval of the University President.
- b. Any Capital Project with a total value greater than \$10 million requires the approval of the Board of Trustees.
- c. Any Capital Project with a total value greater than \$2 million that requires any amount of University borrowing requires the approval of the Board of Trustees.
- d. Capital Projects that have received the Second Vote that have an increase in cost of 10% or more will require an additional approval from the Board of Trustees.
- e. The status of all Capital Projects will be tracked by the President’s Office and reported to the Board of Trustees on a quarterly basis.

4. Project Screening and Approval Process

Frequency: On-going

There are two paths a Capital Project can take to be approved. To proceed with any phase of design or construction, the following process must be followed in order to obtain the required votes by the President or Board of Trustees for Traditional Projects, or by the Board of Trustees for Alternative Projects.

Traditional Projects		Alternative Projects	
N/A	Traditional Projects proceed directly to Vote 1, as set forth below.	Vote 1 (Pre-Authorization)	Typically, there are two types of projects that utilize alternative delivery. Some projects are clearly defined with detailed scopes and conceptual designs, while other projects are more exploratory and seek authorization to define the scope of a potential project. Both types proceed through the Alternative Delivery process, but the analysis and related work products during the Pre-Authorization Vote 1 differ for each. The outcome of work conducted during the Pre-Authorization Vote 1 results in a defined project. Campuses must at a minimum provide the President’s Office with a completed Alternative Delivery Screening Checklist, as set forth in Appendix B.

N/A	Traditional Projects proceed directly to Vote 1, as set forth below.	Result	<p>Affirmative First Vote:</p> <ul style="list-style-type: none"> • Adds the project to the approved project list. • Authorizes UMBA to establish a project team of key stakeholders including the President’s Office, Campus, and external groups. • Authorizes UMBA, working with the Campus and the President’s Office, to provide an independent third-party analysis, which may include qualitative analysis, quantitative analysis, market sounding, demand study, and the issuance of an RFI or RFP depending on the type of project. • If analysis indicates that alternative delivery is not preferred, the Campus and the President’s Office would then determine whether to advance the project through the traditional delivery approval process. • Results of this work will culminate in a project concept that will be brought for a Vote 2 prior to the award of any development contract. <p>“No” Vote:</p> <ul style="list-style-type: none"> • Stops the project from moving forward.
Vote 1 (Authorized)	<p>Campus must at a minimum provide the President’s Office with the following information:</p> <ol style="list-style-type: none"> A. Project need statement. B. Project timeline (must start within 24 months). C. Alignment with Campus Master Plan and sustainability goals. D. Impact on deferred maintenance, tying directly to deferred maintenance inventory. E. Preliminary financial analysis, including the following: <ol style="list-style-type: none"> 1. Total project cost estimate. 2. Estimate of costs for phases 1-4. 3. Estimate of campus cost of operating and maintaining a project. 4. Funding source(s). 5. Any interest / ability to pursue alternative delivery. 6. Included in existing financial forecast. <ol style="list-style-type: none"> i. Impact on key financial ratios ii. Complies with <8% debt service burden ratio per Board policy. F. Copies of any project related Programming, Studies, Feasibility Studies, Project Schedules, Cost 	Vote 2 (Authorized)	<p>Campus/UMBA must at a minimum provide the President’s Office with the following information, if available:</p> <ul style="list-style-type: none"> • Recommendation for an alternative delivery approach along with a summary of: • Qualitative analysis. • Quantitative analysis. • Market sounding. • Demand study. • Procurement implementation timeline and to the extent possible, an inventory of proposed transaction documents. • Estimated cost of the project and financial impact to the University, including operating and maintenance costs.

	Estimates (completed by the Campus or its consultants).		
The Result	<p>Affirmative First Vote:</p> <ul style="list-style-type: none"> Adds the project to the approved project list. Authorizes UMBA and/or the Campus to move forward with the project and engage professionals to prepare a detailed project analysis including relevant studies, design renderings, and more detailed project scoping and cost estimates. Authorizes a detailed project analysis as defined in Appendix A and allows the project to progress through study and schematic design. Authorizes the University and UMBA to seek additional approvals as needed. <p>“No” Vote:</p> <ul style="list-style-type: none"> Stops the project from moving forward. 	Result	<p>Affirmative Second Vote:</p> <ul style="list-style-type: none"> Authorizes UMBA to enter into a development agreement and begin work on project design and financial transaction. Authorizes the commencement of project procurement for alternative delivery. <p>“No” Vote:</p> <ul style="list-style-type: none"> Stops the project from moving forward as an Alternative Delivery Project. The President’s Office will determine if the project should still move forward as a Traditional Project.
Vote 2 (Approved)	<p>Campus/UMBA must at a minimum provide the President’s Office with the following information:</p> <ul style="list-style-type: none"> Revisions to items A-F above and a summary of changes since Vote 1 Report of any funds spent since Vote 1 Votes are contingent on necessary approvals taking place (e.g., Executive Office of A&F, municipalities, etc.) Consideration of other enabling projects Completed Appendix A. 	Vote 3 (Approved)	<p>Campus/UMBA must at a minimum provide the President’s Office (A&F and OGC) with the following information:</p> <ul style="list-style-type: none"> Summary of key terms of the negotiated contract documents. Draft copies of the negotiated contract documents including: detailed proforma and project funding agreement. Costs incurred or committed to date by the President’s Office, the Campus, or UMBA (advisor fees; pre-development agreement, compensation/stipend). Analysis under (M.G.L. c. 7 ss.52-55), if applicable. Requires alternative procurement approval from the Governor of the Commonwealth. Requires approval from Executive Office of A&F if UMBA will be financing any portion of the construction through borrowing.
Result	<p>Affirmative Second Vote:</p> <ul style="list-style-type: none"> Confirms the total project cost. <ul style="list-style-type: none"> Subsequent total project cost increases greater than or equal to 10% require additional President or Board of Trustees approval. Allows the project to advance to design/construction through completion (Note: Construction can NOT commence prior to Vote 2, including any enabling or early construction packages). 	Result	<p>Affirmative Third Vote:</p> <ul style="list-style-type: none"> Authorizes the execution of final documents including financial transaction. Within six months after final execution, Board of Trustees should receive a report on any cost changes and financial impacts on the University. <p>“No” Vote:</p> <ul style="list-style-type: none"> Stops the project from moving forward as an Alternative Delivery Project.

	<ul style="list-style-type: none"> Requires approval from Executive Office of A&F if UMBA will be financing any portion of the project through borrowing. <p>“No” Vote:</p> <ul style="list-style-type: none"> Stops the project from moving forward. 		<ul style="list-style-type: none"> The President’s Office will determine if the project should be re-evaluated and move forward as a Traditional Project.
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5. Quarterly Reporting to the Board

Frequency: Quarterly

- a. The status of all Capital Projects will be tracked and reported to the Board of Trustees on a quarterly basis.
- b. In order to facilitate quarterly reporting to the University President and the Board of Trustees, Campuses will use a Capital Project database to update project information, monitor approvals and request new projects. Instructions will be sent out by the President’s Office each quarter and will be updated as needed. It is each Campus’ responsibility to ensure accuracy and review each field in the Capital Project database to make sure the information is updated and accurate.

6. Changes to Project Costs

Frequency: Quarterly

As part of the quarterly reporting to the Board of Trustees all project costs will be provided for each project on the list. Capital Projects that have received the Second Vote that have an increase in cost of 10% or more will require an additional approval from the Board of Trustees.

Before the Board of Trustees votes on a revised project cost, the following must be provided to the Board of Trustees:

- a. A detailed description of the reason for the change in cost;
- b. A Campus must identify funding for the additional amount needed;
- c. If the additional amount is being borrowed, evidence that the debt affordability analysis complies with the University debt policy;
- d. UMBA’s review and approval on the revised project cost estimate; and
- e. For State projects, evidence that the Division of Capital Management and Maintenance (DCAMM) reflects the increased cost in its project list and EOAF has included the change in its latest capital plan.

7. Transfers between UMBA and the University

Frequency: As needed

Any cash transfer of \$5M or greater to UMBA for a Capital Project will require approval by the Senior Vice President of A&F and Treasurer. The Vice Chancellor of A&F from the requesting Campus will submit a formal request to the Senior Vice President detailing the need for the transfer. Any approved transfer must be reflected appropriately in the capital plan funding sources.

8. Traditional Project Spending Prior to Vote 2
Frequency: As needed

Issuing commercial paper or long-term bonds may not occur for a Capital Project until it has received the Vote 2 from the Board of Trustees and approval from the Executive Office of A&F. Therefore, no spending on Capital Projects in Vote 1 status may come from borrowed funding sources.

B. FUNDING DEFERRED MAINTENANCE: “KEEP UP” AND “CATCH UP”
MAINTENANCE OF FACILITIES

1. Establishing Spending Targets

a. Annually, the President’s Office will issue instructions as part of the annual budget and 5-year forecast exercises detailing the annual “Keep Up” target for each Campus. Targets should be based on the capital investments necessary to meet the facility lifecycle cost analysis, which shall be performed annually by a third party. Annual investments should grow in accordance with guidance issued periodically by the President’s Office in order to achieve the annual Keep Up Spending target and prevent deferred maintenance backlog growth.

b. Spending amounts to address “Catch Up” needs should be set with the goal of significantly reducing the University’s deferred maintenance backlog over an established time period. The President’s Office will annually track and report on progress toward meeting the Catch Up goal.

2. Reporting and Monitoring of Spending. All plant funds or capital project IDs will require a designation of Keep Up, Catch Up, or exclude. Campuses will maintain these designations for existing projects and any newly added projects in Peoplesoft. The President’s Office will maintain a Deferred Maintenance Spending Dashboard which will summarize Keep Up and Catch Up spending using these designations. Spending progress in relation to targets will be presented to the Board of Trustees in each quarterly capital report.

3. Spending Requirements. To ensure that adequate resources are available to meet the deferred maintenance needs of each Campus as established though the Keep Up and Catch Up requirements noted above, the following funds shall be budgeted and/or accumulated:

a. For any new building, one and one half percent (1.5%) of its replacement value shall be transferred annually to the Unexpended Plant and Facility reserve to help fund the future deferred maintenance needs of new buildings. Campuses may obtain an exemption from this reserve requirement by submitting a request to the University President. Exemption requests will be evaluated on a case-by-case basis and approved by the University President or his/her designee.

i. The replacement value will be determined by the value used to record it on the books and the annual contribution to reserves will begin at the time the building is placed in service and the depreciation of the asset is recorded.

b. Each Campus must fully fund depreciation:

- i. Full funding of depreciation is expected to support, through recurring resources, each Campus' annual principal debt payments and additional capital investments sufficient to meet the Keep Up target as defined in Section II of these Standards.
- ii. In the event that fully funding depreciation does not allow a Campus to meet its Keep Up target, after accounting for its annual principal debt payments, the Campus must develop a plan to be approved by the University President to ensure that the Keep Up target is funded from operating dollars.
- c. Annually, each Campus must include adequate funding in the annual operating budget for operational and maintenance expenses of the Campus facilities based on industry best practices.

C. DISPOSITION & ACQUISITION OF UNIVERSITY REAL ESTATE

1. These Standards are intended to implement those portions of the Policy concerning the disposition and acquisition of University Real Estate. These Standards also are intended to govern Campus requests for the acquisition and disposition of UMBA Real Estate utilized by a campus. The University is responsible for the management and maintenance of all University Real Estate and, pursuant to the Second Amended and Restated Master Contract for Financial Assistance, Management and Services, has agreed to manage and maintain UMBA Real Estate. In the case of any inconsistency between the Policy and these Standards, the Policy shall govern. All capitalized terms used in these Standards shall have the same meanings as set forth in the Policy.
2. Disposition. For the purposes of the Policy and these Standards, a "disposition" is a conveyance of University Real Estate or an ownership interest therein from the University to another party or a request of a Campus for a conveyance of UMBA Real Estate being utilized by the campus. Disposition of University Real Estate may occur by sale, gift, exchange, or other grant or transfer. Except as otherwise set forth herein, disposition of University Real Estate shall require prior consultation and approval by DCAMM and/or the Legislature and the Governor. In order to allow for adequate review and analysis, Campus proposals for all dispositions of University Real Estate and Campus requests for the disposition of UMBA Real Estate being utilized by the campus must be presented to the Board of Trustees for informational purposes at one meeting and presented at a later meeting for the Board of Trustees' approval. Such proposals must contain particular findings as to why the real estate no longer serves the current and future needs of the University as well as a description of the process to be utilized by the Campus to complete the disposition and the anticipated proceeds to be earned from the transaction. Any disposition of University Real Estate by a Campus must be in the best interest of the University and consistent with the Campus Master Plan.
 - a. Disposition of University Real Estate to UMBA shall not require consultation and approval by DCAMM and/or the Legislature and the Governor.
3. Acquisition. For the purposes of the Policy and these Standards, an "acquisition" is a conveyance of real estate or an ownership interest therein to the University, or a Campus request to UMBA for the acquisition of real property on behalf of a campus. Acquisition of real estate may occur by gift, purchase, exchange, or other grant or transfer. Prior to the acquisition of real

estate by or on behalf of a Campus, the Campus must conduct a due diligence review, provided, however, any acquisition of real property by UMBA on behalf of a Campus shall be pursuant to the applicable UMBA legislation and/or policies. Such review shall include (i) the anticipated cost based on recent appraisals, assessments and other available information, (ii) an environmental investigation identifying any concerns and/or confirming the environmental condition, (iii) an evaluation of all improvements, and (iv) an appropriate title search confirming the title for the property is in acceptable condition (i.e. no unduly burdensome encumbrances or restrictions). All acquisitions of real estate by the University must be in the best interests of the University and consistent with the Campus Master Plan. Any proposed acquisition of real estate by or on behalf of a Campus with (i) a total estimated cost greater than \$10 million; or (ii) a total estimated cost greater than \$2 million that also requires University borrowing, must be approved by the Board of Trustees.

D. AGREEMENTS ON THE USE OF REAL ESTATE

1. These Standards are intended to implement those portions of the Policy concerning the use of real estate by the University. These Standards shall apply to the negotiation and execution of leases, licenses, and other agreements regarding the use of University Real Estate and the University's use of real estate owned by other parties.
2. Capital Projects. Any Capital Project that requires the execution of an agreement for the use of real estate (i) owned by the University or (ii) owned by any other party shall be subject to the approval requirements set forth in Article III, Section A(3) of these Standards based on the total estimated value of the project. Any agreement for the use of real estate that does not meet the threshold for approval as a Capital Project shall be subject to the following requirements:
3. Agreements for the Use of University Real Estate. The University may, from time to time, enter into agreements to permit third parties to use University Real Estate for research and academic purposes or other uses that are consistent with the University's mission. Any request for a third party to use UMBA Real Estate is subject to UMBA's approval and must be approved by UMBA and its bond counsel in its sole discretion. Any proposed use of University Real Estate by any entity or person through a lease, license, or other agreement with a term of less than ten (10) years, including any optional extensions or renewals, may be approved by the Campus or President's Office. Any Campus seeking to lease, license, or otherwise allow for the use of University Real Estate for a term of ten (10) years or more, including any optional extensions or renewals, or any Campus request for a third party to use UMBA Real Estate for a term of ten (10) years or more, must obtain the final review and approval of the University President. The guidelines set forth below in paragraph 7 of this section D explain the process and criteria required to obtain the University President's approval of such agreements. The University President may request additional information regarding such agreements as needed. Whenever practicable or required by law, Campuses should use a public process to solicit competitive offers when making University Real Estate available for use by other parties to assure best value for the University. Any request for a third party to use UMBA Real Estate is subject to UMBA's approval in its sole discretion.
4. Easements or Other Agreements with Public Utilities, Municipalities, and Service Providers. When deemed beneficial to the University, a Campus may grant easements or enter into

agreements with public utilities, municipalities, service providers, or other parties to allow for the limited use of University Real Estate in order to facilitate the delivery of utilities or services to the Campus or to abutting properties. In certain circumstances, the University may also enter into agreements not to perform, exercise, use, or conduct a lawful activity on a portion of University Real Estate for the benefit of a third party, however such agreements shall be treated the same as any other grant of use of University Real Estate and shall be subject to the same requirements for approval as set forth above in paragraph 3 of this section D. Any proposed easement or any other limited use as described in this paragraph involving UMBA Real Estate is subject to UMBA's approval in its sole discretion.

5. Agreements for the University's Use of Real Estate Owned by Other Parties. Any proposed use by the University of real estate owned by another party (excluding UMBA) through a lease, license, or other agreement with a term of less than ten (10) years, including any optional extensions or renewals, may be approved by the Campus or President's Office. Any Campus seeking to lease, license, or otherwise provide for the University's use of real estate owned by another party (excluding UMBA) for a term of ten (10) years or more, including any optional extensions or renewals, must obtain the final review and approval of the University President. The guidelines set forth below in paragraph 7 of this section D explain the process and criteria required to obtain the University President's approval of such agreements. The University President may request additional information regarding such transactions as needed. Whenever practicable or required by law, Campuses should use a public process to solicit competitive offers when seeking to lease or license real estate for use by the University.
6. Extensions of Agreements. If a Campus intends to extend the term of any lease, license or other agreement concerning the use of University Real Estate and/or the University's use of real estate owned by other parties (excluding real property owned by UMBA) to a term of ten (10) years or more, and such lease, license, or agreement was not subject to the University President's approval upon initial execution, the Campus must obtain the final review and approval of such extension by the University President.
7. Submission of Agreements for Presidential Approval. Any proposed real estate transaction by a Campus requiring the approval of the University President pursuant to paragraphs 2-6 of this section D shall be submitted for the University President's review, with copy to the Senior Vice President for Administration & Finance, accompanied by a memorandum from the Chancellor or his/her designee describing the proposed transaction and the reason(s) for entering into the transaction. Such memorandum should include, but not be limited to, the following information: (i) a description (including improvements) and location of the property; (ii) the term of the lease or agreement, including any extensions or renewals; (iii) the rent and other anticipated additional charges or costs if the University is lessee, including build-out or construction expenses, furnishings, and utilities; (iv) the anticipated revenue if the University is the lessor, based on comparable leased properties or other available information; and (v) memorandum from Office of the General Counsel confirming review and legal acceptability of the proposed documents for execution. In the event a Campus enters into a letter of intent to pursue a real estate transaction that will require the approval of the President pursuant to these Standards, the Campus shall provide notice of the execution of such letter of intent to the President's Office.
8. Fair Market Value. Any proposed real estate conveyance to or by a Campus subject to these

Standards shall be at fair market values, supported by a comparable market analysis of rents or other applicable rates. Any proposed real estate transaction by a Campus at other than fair market value shall include a written justification explaining why such transaction is in the best interests of the University.

E. OTHER UNDEFINED PROJECTS

Projects not defined in these Standards or which otherwise are not clearly categorized into one of the sections above should be submitted for consideration to the Senior Vice President of A&F and Treasurer by the requesting Campus. The Senior Vice President of A&F and Treasurer will consult with UMBA and Office of the General Counsel to determine the approval process for the project. Whenever possible, projects will be assigned to the most appropriate existing approval process.

F. REVIEW BY OFFICE OF THE GENERAL COUNSEL

1. Any interpretation or questions related to Sections C-E herein shall be submitted for legal review to the Office of the General Counsel.
2. Transaction documents contemplated under Sections C-E shall constitute Real Property Agreements, as defined in the Procurement Policy and associated Administrative Standards for the Procurement Policy (Doc. T92-031) (“Procurement Policy and Standards”). The General Counsel, or an attorney in the Office of the General Counsel as the General Counsel may determine, shall review and determine legal acceptability of any Real Property Agreement prior to execution as set forth in the Procurement Policy and Standards. Review by the Office of the General Counsel under this Policy and the Procurement Policy and Standards is in addition to any other internal approvals that may be required under other University and any other notices to the Office of the General Counsel contemplated herein.
3. No provision in these standards shall be construed as to limit UMBA’s powers under its Enabling Act.

G. PRIVATE BUSINESS USE

1. Any facilities of the Campuses that are purchased, constructed, renovated, rehabilitated, improved or otherwise funded by use of funds from a tax-exempt bond issue are subject to limitations on “Private Business Use”, as defined below, and as further described in the federal tax law. Excessive Private Business Use of facilities financed with tax-exempt bonds may cause the interest on the tax-exempt bonds to become taxable to the holder of the bonds.
2. “Private Business Use” (“PBU”) is defined as direct or indirect use of the tax-exempt bond financed facilities in any activity carried on by any party other than a “Qualified User.” As used herein a Qualified User is a state or local governmental unit or, in certain circumstances, a nonprofit, charitable organization described in Section 501(c)(3) of the Internal Revenue Code using facilities in furtherance of its tax-exempt purpose. The federal government is not a Qualified User for the purposes of Private Business Use.
3. Any intended Private Business Use by a party other than a Qualified User of University Real

Estate that is purchased, constructed, renovated, rehabilitated, improved or otherwise funded by use of funds from a tax-exempt bonds user must be reviewed and monitored by UMBA in consultation with the University.

4. The University shall comply with all applicable Private Business Use restrictions, including, but not limited to, any restrictions set forth in policies issued by UMBA.

IV. FINANCIAL RATIOS & BENCHMARKS

- A. **Operating Margin** – indicates whether total operating activities resulted in either a surplus or deficit as a percentage of the budget.

Calculation
$\frac{\textit{(Operating Revenue + Government Appropriations + Gifts + Endowment Income + NonOperating Federal Grants + Investment Income Net of Unrealized Gains and Losses)}}{\textit{(Total Operating Expenses + Interest Expense)}}$

- B. **Debt Burden Ratio** – compares the relative cost of borrowing to overall expenditures.

Calculation
$\frac{\textit{Debt Service (P\&I)}}{\textit{(Total Operating Expenses + Interest Expense)}}$

- C. **Debt Coverage Ratio** – measures the ability to make debt service payments from annual operations.

Calculation*
$\frac{\textit{(Total Revenues - total expenses) + Depreciation + Interest + Large Noncash Expenses}}{\textit{Debt Service (P\&I)}}$

*Noncash expenses include pension expense and OPEB expense

V. RELATED POLICIES AND PROCESSES

The Policy and these Standards should be reviewed in consultation with:

1. Debt Policy (T09-050)
2. University Reserve Policy (T18-026)
3. Procurement Policy (T92-031, Appendix A)
4. Annual 5-year Financial Forecast

5. Annual Operating Budget
6. UMBA Policy and Procedures for the Purchase and Sale of Real Estate and all other relevant policies and procedures.

APPENDIX A
UNIVERSITY OF MASSACHUSETTS
CAPITAL PROJECT REVIEW
Project Name

PURPOSE

The purpose of the Capital Project Review process is to: (1) provide guidance to the University's Campuses on Traditional Project Vote 2 approvals from the President or the Board of Trustees; and (2) provide a uniform method for documenting the full capital spending requirements so that capital activity can be effectively communicated and monitored.

The UMass President's Office requires all Campuses to complete a Five-year Capital Plan. In addition, the Board of Trustees has adopted a two-step approval process (Vote 1 and Vote 2) focusing on projects that will be starting over the succeeding 24-month periods. Traditional Project Vote 1 Approval is required to formally start a project allowing procurement of the OPM (for projects over \$1.5m), Design Team, and Construction Manager (c.149A projects) through completion of the Study and Schematic Design Phases. Traditional Project Vote 2 Approval follows the completion of the Schematic Design Phase and allows the design to continue, as well as allows the project to be bid and the construction to commence. To aide in that process, the President's Office and UMBA will work collaboratively with Campuses to provide assistance and appropriately review any proposed capital project.

The Capital Project Review (Appendix A) is required to be submitted to the UMass President's Office (UMPO) in preparation for a Traditional Project Vote 2. The process will:

- Review project Schematic Design documentation.
- Review documented deferred maintenance reports.
- Confirm extent of hazardous materials within the project site and in the existing building(s).
- Examine the project schedule.
- Understand the necessity of any project related enabling projects.
- Review the extent of the project scope given the allocated funding, current construction market and test the project design and construction cost projections.
- Assess whether all of the relevant project cost components have been accounted for.
- Assure the Campus approvals are in place.

I. GENERAL INFORMATION

Campus: X

Project Name: X

UMBA Project Number (if applicable): X

Project Delivery Method: c.30, c.149, (or) c.149A

Identify Enabling Projects and Critical Timing Implications: X

Gross Square Footage: State the estimated gross square footage of the total project. Explain this projects impact on the Campus’ overall space inventory including any plans to reprogram, abandon or demolish existing space.

Project Description: Briefly describe the project and its general use. If the project includes a mixture of new construction and renovation work, describe the amounts in each portion of the project. State any unique design objectives for the project that may affect project costs in the areas of appearance, use, or construction methods. Indicate if the project is expected to be less expensive, of average cost, or more expensive than comparable facilities.

II. PROJECT JUSTIFICATION

Justification: Briefly justify the need for this project. Reference the Campus strategic plan and/or Campus master plan as appropriate. Discuss the alternatives considered and why they were rejected. Provide a statement on the Campus’s realistic expectations for funding. Explain the consequences if the project is not approved.

Facility Purpose/Use: Briefly describe how this facility will be used once it is complete.

Site Description: Provide a general street address or basic description of location. If appropriate, describe any external factors influencing the cost of construction on the site such as existing streets and roads, parking areas, vehicular access, adjacent construction, drainage, above and below ground utilities, easements, etc.

III. PROJECT SCHEDULE

Site Mobilization & Early Construction Packages	Month, 20XX
Final Design Package	Month, 20XX
Commence Main Package Construction	Month, 20XX
Substantial Completion	Month XX, 20XX
Certificate of Occupancy (Operational occupancy)	Month XX, 20XX
Project Completion	Month, 20XX

IV. FINANCIAL PLANNING

Sources of Project Funding

Local Funding - Reserves	\$	0
Local Funding - Operating	\$	0
External Fund Raising	\$	0
Borrowed Funding	\$	0
State Funding	\$	0
Other	\$	0
Total	\$	0

Income Projection: For projects with an associated revenue stream, provide a five-year forecast of the project's operating revenues and expenditures from the date of completion of the project. All assumptions should be specified in the forecast.

V. ESTIMATED TOTAL PROJECT COST (TPC)

Vote 1 Approval - Preliminary Cost	\$	0
Proposed Cost (TPC) for Vote 2 Approval	\$	0

Total Project Cost (TPC) Breakdown

Hard Costs (ECC)		
Construction (incl. Pre-Con, Exploratory, Escalation, GMP Contingency)	\$	0
Soft Costs		
Professional Services Fees (OPM, Designer, Cx, Testing)	\$	0
Administrative Costs (Legal, Insurance, LEED, Printing/Advertising)	\$	0
Furniture & Equipment	\$	0
Technology / IT / Security	\$	0
Audio Visual	\$	0
Other misc. costs (Signage/Branding, Moving, Events)	\$	0
Project Contingencies		
Construction Contingency (Change Orders)	\$	0
Owner's Project Contingency	\$	0
Campus Contingency	\$	0
Enabling Projects Contingency	\$	0
<i>TPC Total</i>	\$	0

VI. CAMPUS APPROVALS

Campus Facilities Approval: _____ Date: _____

Campus Admin. & Finance Approval: _____ Date: _____

VII. ATTACHMENTS

- A. Executive Committee Presentation dated Month XX, 20XX
- B. Project Budget dated Month XX, 20XX
- C. Reconciled Schematic Design Cost Estimate dated Month XX, 20XX
- D. Project Schedule dated Month XX, 20XX
- E. Schematic Design dated Month XX, 20XX

APPENDIX B

Alternative Delivery Screening Manual and Checklist for Capital Projects

A. Purpose and Objective

The Administrative Standards for the Capital Planning, Land, and Facilities Use Policy (Doc. T93-122), as amended on July 19, 2023, includes a capital investment screening process for all new capital projects or major renovations. The objective of the screening process is to determine the potential suitability of alternative delivery and procurement for capital projects being put forth for approval by each Campus.

The University of Massachusetts Office of the President (“UMPO”) has created a screening manual and accompanying checklist that provides a framework for reviewing and scoring a capital project’s technical, financial, and commercial characteristics to identify whether that project should be put forward for detailed analysis under the alternative delivery approval process or proceed under a traditional delivery process. In addition, the Campus narrative (“Campus Narrative”) sections provide the opportunity for a Campus to provide a high-level description of the Project, why it should be considered for approval if not already in the approved capital plan (“Capital Plan”), and why the subject Campus desires to use alternative delivery and procurement, where relevant.

B. Process Overview

The screening checklist should be completed by the proposing Campus and approved by the Vice Chancellor for each capital project that is being proposed for capital project approval, with guidance issued by UMPO. The Campus may work in collaboration with the UMPO in completing the checklist, but in all cases must submit the checklist to the UMPO for review in preparation for the Board of Trustees (“BOT”) Vote 1.

If the checklist scoring outcome and Campus narrative indicates a project may be a good candidate for alternative delivery and procurement, the screening checklist will be presented to the BOT as part of Vote 1. An affirmative Vote 1 would authorize a detailed, independent third-party analysis of the project for alternative delivery feasibility. If the checklist scoring outcome indicates that the project should not be considered for alternative delivery, the project will proceed to a Vote 1 for traditional delivery.

Board approval for an independent, third-party analysis of alternative delivery feasibility does not guarantee that a project will be delivered through alternative delivery. Rather, the checklist provides a framework for assessing preliminary feasibility only and the independent, third-party analysis compares the alternative delivery and traditional delivery approaches through a detailed quantitative and qualitative analysis (e.g., market interest, delivery model, risk transfer, etc.).

If the independent, third-party analysis indicates that alternative delivery is not optimal, the Campus and UMPO would then determine whether to advance the project through the traditional delivery approval process. Where the independent, third-party analysis indicates that alternatively delivery is optimal, the project will proceed to a Vote 2 for BOT approval.

C. Scoring Overview

The screening checklist is comprised of the following sections:

- Section 1: Campus Narrative/Project Need Statement;
- Section 2: five (5) Technical Considerations; and
- Section 3: two (2) Commercial/Financial/Legal considerations.

The Campus is responsible for completing the Campus Narrative section and indicating, by use of an “X,” whether “Low/Medium/High” applies across each of the seven (7) questions in Sections 2 and 3.

D. Scoring Guidance

The following guidance can be referenced when evaluating each of the seven (7) checklist considerations.

Category	Consideration	Guidance
Complexity	The expected complexity of the project design and construction.	High complexity could be the development of multiple assets and/or programmatic use types that drive a need for multiple architectural, engineering, and/or construction firms with specialty skills. Standalone scientific or other facilities with intricate designs could also be considered highly complex. Finally, projects with significant construction risk related to the site, schedule or otherwise could also be scored as high. Examples of low complexity could include: (i) a single new asset with limited design complexity that does not require multiple firms with specialty skills to construct, i.e., a single dorm or academic building or (ii) the renovation of an existing asset.
Innovation and Flexibility	The University’s desire to leverage private sector innovation and provide flexibility with respect to the program, design, construction sequencing, performance specifications, and operations for the project (rather than preserving the ability to be wholly prescriptive).	Alternative delivery can enable the University to specify facility performance standards, and allow for design creativity and flexibility in the development and operation of the project. An openness to deviations or new design concepts relative to the concept design, and a focus on the outcome of the project rather than the inputs (e.g., materials, design, scheduling, etc.) would score high in this category. Conversely, projects that require the University to be very design prescriptive or projects where the University is confident in its ability to effectively manage costs throughout operations would score low.
Date of Completion	The importance of date-certain, on-time construction completion.	If the opening date of the project is time-bound and inflexible, then there would be a high score in this category. Examples might include student housing, classrooms or research laboratories that need to be open by the fall semester of an academic year. If there is significant flexibility with respect to the opening date of the project, this would score low.
Performance	The need for the	If the University believes that there is significant opportunity to improve its

Levels	University to assess its current level-of-service standards with respect to the performance of this type of asset.	operations, either by increasing the quality of service or decreasing the cost of service, this would score high.
Long-term asset management	The desire to ensure the asset’s performance meets specified standards over the life of the asset while having budget predictability.	If the University believes there is a significant opportunity to manage long-term capital rehabilitation requirements of the asset and avoid deferred maintenance, this would score high. In the past, this may have manifested as an inability to allocate adequate funding for preventative and capital maintenance, resulting in a spending pattern with large unpredictable spikes that are difficult to manage.
Capital Cost	Whether the total project capital cost is expected to be at least \$50 million?	Projects generally need to be of a certain size (on a total project cost basis) to attract private sector interest. That said, a project below \$50 million may not preclude private sector interest.
Funding Diversity	Is there a significant non-governmental funding source for the project, i.e., student fees, rates, and/or charges?	Current statutory interpretation is that alternative procurement can only be considered if 50% or more of the project funds are derived from non-governmental sources. As such, this appears to limit the application to revenue generating assets such as housing, dining, athletic, parking, and/or other auxiliary facilities. Note, however, that where an auxiliary project is bundled with a non-revenue producing project, alternative delivery may be feasible for <i>all</i> bundled projects.

Alternative Delivery Screening Checklist

Section 1: Project Overview and Campus Narrative

If the project is not approved as part of the Capital Plan, the Campus should explain why it would like the project to be considered in the first instance *and* for alternative delivery.

	Yes	No
Is the Project currently envisioned as part of the Campus master plan?		
Is the Project currently approved as part of the five-year capital plan?		
Does the proposed capital investment address capital maintenance requirements specified in the Reserve Policy?		
Does the Campus have sufficient debt capacity to meet the requirements of the Debt Service Ratio specific in the Debt Policy (T09-050)?		

Business Case: Provide an overview of the business case for the project, including, but not limited to, the following information: project description, summary program, estimated budget, anticipated funding source(s), and anticipated project completion date.

Campus Narrative:

Relationship to Academic Goals: How does the capital investment assist the Campus with meeting its academic goals and objectives? Will the capital investment impact the Campus annual indicators in the areas of academic quality, access and affordability, student success and satisfaction, service to the Commonwealth, and/or financial health?

Campus Narrative:

Preferred Delivery Approach: Has the Campus determined a preferred project delivery approach (i.e., traditional or alternative procurement?) Why does the Campus wish to utilize this preferred approach? If no preferred project delivery approach has been determined, please indicate what further analysis will be necessary in collaboration with the Office of the President and UMBA.

Campus Narrative:

Section 2: Technical Score

Insert an “X” in either the “Low/Medium/High” boxes for each statement. Gray shaded cells to be completed by the President’s Office.

Considerations – Technical		Low	Medium	High	Score
1.	The expected complexity of the project design and construction.				[X]
2.	The University’s desire to leverage private sector innovation and provide flexibility with respect to the program, design, construction sequencing, performance specifications and operations for the project (rather than preserving the ability to be wholly prescriptive).				[X]
3.	The importance of date-certain, on-time construction completion.				[X]
4.	The need for the University to assess its current level-of-service standards with respect to the performance of this type of asset.				[X]
5.	The desire to ensure the asset’s performance meets specified standards over the life of the asset while having budget predictability.				[X]
Total Technical Score					[X]

Section 3: Financial

Insert an “X” in either the “Yes” or “No” box for each question.

Considerations – Commercial/Financial/Legal		No	Yes	Score
6.	Is the project capital cost expected to be at least \$50 million?			[X]
7.	Is there a significant non-governmental funding source for the project, i.e. student fees, rates and charges?			[X]
Total Considerations Score				[X]

Section 4: Recommendation – To be completed by the President’s Office

Recommendation	
Recommend for Alternative Delivery Options Analysis? (Yes/No)	

APPENDIX C

Key Components of the Options Analysis

If it is determined that alternative delivery is a feasible delivery option, an options analysis (“Options Analysis”) of one or more alternative delivery approaches as compared to the traditional delivery approach would be conducted, focusing on qualitative considerations and quantitative results. The timeline for completion is +/- 2 months.

The Options Analysis allows for the evaluation of different project delivery options and the ultimate feasibility of pursuing alternative over traditional delivery. Qualitative analysis evaluates the advantages and disadvantages of each option relative to the objectives of the University and the specific project. Quantitative analysis typically compares the whole-life cost of the project on a net present value basis for each delivery option under consideration using discrete financial models for each. The ultimate output of the quantitative analysis is the project’s net financial impact to the University under each approach. The qualitative and quantitative analysis together inform the President’s Office and the Board of Trustees regarding the tradeoffs between traditional and alternative delivery for the project, and the ultimate decision on the project approach. To inform the options analysis, a market sounding exercise is also recommended to ascertain the market’s interest in a potential alternative delivery transaction. Components of an options analysis to be completed following Vote 1 and preceding Vote 2 include:

- Executive Summary
- Background and Scope of Work
- Project Objectives
- Overview of Options Analyzed
- Qualitative Analysis
- Quantitative Analysis
- Conclusions
- Next Steps / Implementation Plan