

2010-2016 CAPITAL PLAN
 PROPOSED CAPITAL PROJECT
 FORM SYP-P2
 PLAN VERSION - 3
 7/20/2009

Branch: Executive Branch
Cabinet/Function: Cabinet for Postsecondary Education
Agency/Institution: University of Kentucky-University System

Project Title Construct Gatton Building Complex
Category Construction - Other
Biennium 2010-2012
Priority Agency 2 Cabinet Agency Bond
Location (county) Fayette
Location (ADD) Bluegrass ADD
Appropriation Unit 455U

Additional Funding? No

Brief Description/Justification:

This 214,000 gross square foot facility is designed to support the University of Kentucky's effort to increase undergraduate and graduate enrollment and meet the growing demand for high quality, globally-competitive business education. The new structure also will facilitate the Commonwealth's quest for global competitiveness by providing necessary skills to aspiring entrepreneurs who want to bring new products and services to market. In addition, the new structure will strengthen the provision of professional and continuing education outreach that ensure that Kentucky's business leaders stay current on emerging business issues and innovative management concepts.

PROJECT BUDGET

<u>Fund Sources</u>	<u>Amount</u>	<u>Cost Elements</u>	<u>Amount</u>
General Fund	117,460,000	Land Acquisition	
Restricted Funds		Site Survey/Prep	331,000
Federal Funds		Project Design	7,657,000
Road Fund		Construction Cost	115,966,000
Agency Bonds		Mov. Equip/Furn.	7,123,000
Other(Private - Cash)	25,000,000	Contingency	11,383,000
Other(LT Financing)		Other(specify)	
Other(Local Bonds)			
Total	142,460,000	Total	142,460,000

Explanation of Project Budget

UK Capital Project Management Division estimated the project scope based upon Vermeulens Cost consultants 2008 estimate brought forward in time using the average of four historical inflation cost indexes to current dollars, then escalated forward in time based upon the current construction inflation rate to the estimated mid-point of construction.

IMPACT ON OPERATING BUDGET? Yes

<u>Fund Sources</u>	<u>Amount</u>
General Fund	2,062,000
Total	2,062,000

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Explanation of Impact on Operating Budget

Personnel = \$822,000
Operating = \$1,006,000
Non-recurring = \$234,000

PROJECT DETAIL

Installation (Name and ID)	Provost - 80000
Facility (Name and Stars #)	
Method of Procurement	Purchase
Fuel Type	Coal
Type of Space	Educational and General
Completion Date	08/2013

Existing Facility? Yes

The new facilities will replace the existing Gatton College. This existing building has 120,755 square footage, which was completed in 1965. An addition was completed in 1991. It is currently used for educational and administration purposes. It is in good condition

Program Re-location? Yes

Entire programs and occupants will vacate the existing building and relocate to the new facility. The vacated building will be reassigned to other university programs that 1) need space for expanding programs, 2) need to vacate other university buildings to allow other university programs to expand, or 3) are currently housed in leased space off-campus (the University currently leases 270,000 square feet of space in Lexington at an annual cost of \$2,600,000 because of lack of space on campus).

In addition to capital project requests, the Provost Office continually receives space requests that require resource management solutions. Many colleges, departments, and research programs need expanded space to sustain growth. For example, the new College of Public Health has inadequate space to accommodate its consolidation and growth.

The vacated building will be used for classrooms, faculty offices, administrative offices, support space, and computational research. Some renovation work will be required to meet the needs of the reassigned uses and occupants. Funds to renovate the vacated building are not included in this project.

Phased Project? No

Eliminate the need for other proposed projects? No

Need eliminated by other proposed project(s)? No

Additional Description/Justification

The proposed Gatton College Complex will include a state of the art Classroom Building which will enable the Gatton College to provide the type of "world ready" business education demanded by today's students and business leaders. The Classroom Building will include tiered and flat smart classrooms furnished with computer/ video and projection systems as well as

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smaller break-out rooms that will permit high impact peer-to-peer learning. This Complex also will house the business research and study library as well as the Undergraduate and Graduate Advising Centers. The Complex will contain signature spaces including a large auditorium; trading floor; and innovative laboratories to support action learning, creative problem-solving, and leadership development. The building also will house the Von Allmen Center for Entrepreneurship and E-Commerce Laboratory. The Faculty/Administration Building will consist of office space for faculty, staff, and graduate assistants. The Outreach Building will host nationally competitive professional and life-long learning experiences, and house the College's economic development related service centers including the Center for Business and Economic Research, Kentucky Small Business Development Center, and the Center for a Sustainable Aluminum Industry. The new structures will permit the University to re-assign the current College space on central campus to other priority programs. Many colleges, programs, and research functions are in need of additional space to accommodate substantial increases in enrollment experienced since 1997 and planned by 2020.

The proposed site is located off Martin Luther King Blvd. and Euclid Avenue, moving UK's Business and Economics efforts closer to downtown Lexington and the business community. The University owns this land that is currently used as a parking area. Locating the new Gatton College campus on this site is consistent with the University's Physical Development Master Plan. Pre-planning, programming, and siting of the new Complex were done with the assistance of two consulting architectural firms at two points in time with different areas of focus.

SPACE PROGRAM:

Classroom Space: 71,500 nsf
Class Lab: 2,000 nsf
Office: 3,600 nsf
Service: 19,000 nsf
Total: 128,500 nsf
Total Building: 214,010 gsf
Total Parking: 17,500 gsf
Total: 231,510 gsf

PLANNING/STUDY:

Two feasibility studies have been completed related to this project. The first study by Ayers Saint Gross Architects assessed the existing square footage plus an allowance for some growth and then looked at four possible sites on the University of Kentucky campus. The second study by Kohn Pedersen Fox Architects analyzed the current space, benchmarked it against peer business schools, and developed schematic floor plans and elevations.

JUSTIFICATION:

At its December 2005 meeting, the University of Kentucky Board of Trustees approved the Top 20 Business Plan. The Plan provides the long-term strategies the University will pursue to achieve the state-mandated goal that it become a Top 20 public research university by 2020. Among other things, the Business Plan calls for substantial enrollment increases and for the University to increase substantially its outreach activities to Lexington, central Kentucky, around the state, across the country, and around the globe. By 2020, UK intends to increase its undergraduate enrollment to over 33,000 and its faculty to over 2,500. Additional classroom space is needed to accommodate enrollment growth, both to serve the general studies needs of

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all students and the upper-division needs of college majors. A recent survey of classrooms indicates a shortage of both small (less than 25 seats) and large (more than 150 seats) classrooms and lecture halls needed for a consistently expanding freshmen classes. The Council on Postsecondary Education projects that UK will become deficient in seven (7) categories of space.

Over the past several years, increased enrollments and space constraints have forced the Gatton College of Business to make selective admissions decisions that have limited substantially the number of academically qualified students who can major in the College. UK's projected enrollment growth in the future will further limit Kentuckians' ability to enroll in the Gatton College unless more space is constructed.

The construction of a new facility for the Gatton College also frees up 120,000 square feet of space in the central core of campus. Many colleges, departments, and research programs need expanded space to meet the needs of rapidly growing enrollment. The vacated building will be used for classrooms, faculty offices, administrative offices, and support space. In addition to serving more students, UK must expand Gatton College's capacity to provide "world ready" educational experiences for the growing number of qualified, motivated Kentucky students who want a nationally competitive business education. The current facility and the technology that supports it were designed to accommodate lecture-based courses where faculty members present material to students in large or medium sized rooms. The demands of today's business classroom are different. Students should routinely learn in peer-to-peer formats that require small break out rooms to facilitate group interaction. Students also should be participating in both simulated and real action learning projects that require highly specialized technology and flat floor spaces that can be reconfigured to meet varying needs.

Two current initiatives exemplify the College's innovative approach and demonstrate the need for expanded, state-of-the-art facilities so these approaches can have maximum impact. First, the College recently launched "Project Destiny"; a program designed to provide a transformative learning environment for undergraduate students. The program empowers students to take more control over their professional careers, expands their horizons by offering highly accessible international experiences, and invites them to take a more active role in the life of the College through a number of innovative activities and events.

Second, the Master of Business Administration is now an immersive 11 month program. This innovative MBA program teaches business processes in a hands-on, multi-functional format that makes students world ready. The program also teams students with Gatton graduates who hold high level jobs in major corporations.

Innovative approaches to teaching in state-of-the-art facilities is attractive to potential students. And Kentucky's economic future depends on the College's ability to attract and retain the Commonwealth's most gifted students and a world-class faculty by providing the same advanced business educational and research facilities routinely provided by nationally recognized business schools.

Business recruiters pay attention to the level of sophistication of the facility where potential employees have developed their skills. UK's facilities are substandard compared to nationally-recognized public university business schools at institutions such as the University of Indiana, Ohio State University, and the University of Tennessee. The state's most academically accomplished high school students therefore have attractive educational opportunities just outside Kentucky's borders. Once

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these students go out of state to get their education, they are less likely to come back to Kentucky to begin their professional careers.

The University's emphasis on increasing engagement coincides with the University's Business Plan and Strategic Plan, which place substantial emphasis on outreach activities aimed at improving the lives of Kentuckians and strengthening the state's businesses and communities. The Gatton College has established a strong record of engagement across Kentucky and has built an aggressive agenda for more outreach in the years to come. Economic success in the knowledge economy will be affected by: 1) the degree to which universities translate their research agendas and expertise into solving the problems of existing enterprises; 2) the ability of researchers and teachers to turn ideas into better business practices and new products; and 3) the capacity universities have for helping aspiring entrepreneurs discover and deliver new products and services to market. All these efforts create businesses and jobs. Nearly three-quarters of economic growth in the U.S. is driven by technological advance and nearly all of those advances are the result of university-based research and entrepreneurship.

The College's history of accomplishment demonstrates it has been an important catalyst for economic development in the Commonwealth. The College is a demonstrated source of innovation and thought leadership and provides the intellectual capital on which Kentucky's economy is based. The 28,000 alumni of the College create wealth and transfer to practice the knowledge created by the faculty. Eighty-five percent of UK's Business and Economics students are from Kentucky and 77% of them stay in Kentucky after graduation.

UK partners with industry to create new businesses and spur economic growth. In one year alone, the Von Allmen Center for Entrepreneurship helped 34 technology start-ups secure over \$17 million in funding. The Small Business Development Center counseled over 3,022 clients that had total sales in excess of \$120 million. The Center for Economic and Business Research routinely provides both state government and private enterprise with economic forecasts and analysis that serve as the basis for decisions that impact job growth and business expansion. A good example of the Gatton College's impact was its instrumental involvement in helping the University secure funding from the Sloan Foundation for a new research center to promote a sustainable aluminum industry. The aluminum industry is Kentucky's fifth largest employer and the Gatton College serves as the Center's academic home.

The College's outreach efforts are substantial, but limited by the capacity of the current facility. The proposed facility will be closer to the downtown Lexington business community and house expanded space for outreach. This will allow UK to build an even stronger partnership with local and regional businesses. The new facility also will provide greater resources for statewide initiatives. For example, the new facility will help Kentucky business leaders meet the professional and lifelong learning standards required of business and corporate personnel competing in the ever-changing global market place. UK does not have space to provide executive training. The lack of such professional and nationally-competitive facilities also acts as a deterrent for mobile knowledge economy industries that seek to locate in areas where professional development opportunities are readily available for employees. With the help of the Research Challenge Trust Fund ("Bucks for Brains"), UK has dramatically increased the intellectual capital of the Gatton College faculty. Over the last several years the College has raised gifts and pledges that, combined with state matching funds, have meant more than \$59

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million dollars for the College. This money has been used to create 11 endowed chairs and 32 endowed professorships that have attracted high caliber faculty members to the College. It is increasingly difficult to recruit world-class teachers and researchers to these positions due to lack of competitive research and office space.

Endorsement for a new facility is indicated by the support it is receiving from the business community. As of February 2009, UK has raised over \$20 million towards a \$25 million private support goal to build this new facility.

Previous CAPITAL PLANS? Yes

2008-2014	Construct Gatton Building Complex
2006-2012	Construct Gatton Building Complex - Phase I
2004-2010	Construct Gatton Building Complex
2002-2008	Construct Gatton Building Complex

Differences between the current and most recent previous project? No

Previous BUDGET REQUESTS? Yes

2008-2010	Construct Gatton Building Complex-Design
2006-2008	Construct Gatton Building Complex - Phase I
2004-2006	Construct Gatton Building Complex-Design

Differences between the current and most recent previous project? No

Previous BUDGET AUTHORIZATIONS? Yes

2008-2010	Construct Gatton Building Complex-Design
2006-2008	Construct Gatton Building Complex - Phase I
2004-2006	Construct Gatton Building Complex-Design

Most recent authorization undertaken? No

Funds not available.

Differences between the current and most recent previous project? Yes

Programming and feasibility study performed by an outside consultant.