

**UNIVERSITY OF HOUSTON SYSTEM
ADMINISTRATIVE MEMORANDUM**

SECTION: General Administration

NUMBER: 01.B.07

AREA: Facilities and Physical Plant

SUBJECT: Facilities Acquisition, Construction, or Renovation

1. PURPOSE

This administrative memorandum describes the procedures to be followed by all institutions governed by the University of Houston System seeking authorization to lease facilities, acquire property, construct new facilities, or expand, renovate or repair existing facilities at a cost of greater than \$300,000.

2. POLICY

2.1. This administrative memorandum applies to all institutions governed by the University of Houston System (UHS), including any campus, division, college/school, foundation or other UHS entity.

2.2. [BOR Policy 55.01.3](#) outlines the general guidelines to be followed in negotiating, executing, and administering all contracts and related necessary legal documents and instruments not requiring board approval. Projects \$300,000 or less will be reviewed and managed by the university facilities management department unless otherwise requested. Projects greater than \$300,000 will be planned, budgeted, designed, and constructed by the UHS Facilities Planning and Construction (FPC) unless otherwise delegated per an approved University Campus Project Management Approval request submitted to the University of Houston Facilities Planning department.

2.3. Request for authorization to acquire or lease property, construct new facilities, or expand or renovate existing academic or auxiliary buildings shall include:

2.3.1. A needs assessment analysis

Each analysis shall clearly define the purpose of the facility and how it relates to the mission of the institution or entity.

Both degree and non-degree offerings, where applicable, must be consistent with the institution's role and scope mission statement and must comply with the guidelines for offering academic courses as set forth by the [Texas Higher Education Coordinating Board](#).

2.3.2. Evidence of the academic programs ability to meet [Southern Association of College and Schools standards](#).

- 2.3.3. For total project costs over \$1,000,000, UHS Facilities Planning must be involved in the development of the project.
- 2.3.4. The total initial cost to acquire, lease, construct or renovate the capital asset.
- 2.3.5. A five (5) year projected budget for continued operations.
- 2.3.6. Ability to establish a capital renewal fund for all new construction.
- 2.3.7. For Auxiliary operations, a proforma showing that the lease, construction or renovation is supported by the expected revenue or equity free balance.
- 2.4. Project over \$5,000,000 will need to follow the Capital Improvement Program process.
- 2.5. Projects over \$1,000,000 shall be documented on the submitted MP1 as required by Texas Administrative Code – Title 19, Part 1, Chapter 17, Subchapter K, [§17.101](#). All project estimates used in the MP1 must be validated and approved by UHS Facilities Planning.
- 2.6. Projects shall conform to the master plan for the university campus where the project will be located.
- 2.7. All UHS universities will record and track capital and renovation projects in plant funds.
 - 2.7.1. Each university will establish procedures for the review and approval of cost centers and budgets to be created for capital and renovation projects to ensure appropriate designation of funding source and compliance with restrictions on funding.
 - 2.7.2. Each university will establish procedures for the regular review of funding of construction and renovation projects to help ensure that deficits are identified and appropriate modifications planned.
- 2.8. Funding of construction and renovation projects
 - 2.8.1. Construction and renovation projects funded by bonds and commercial paper proceeds, as well as the related income from investment of proceeds, must be approved by the Senior Vice Chancellor for Administration and Finance or their designee. Each university will develop guidelines for the request for use of bond and commercial paper funds, including utilized proceeds and investment income.

- 2.8.2. Each university will identify responsibility for the collection of gifts designated for the funding of construction and renovation projects if gifts have not been fully realized and transferred to plant funds before project commencement.
- 2.8.3. Each university will develop guidelines to help ensure that funding sources for construction and renovation projects are identified prior to project commencement. Each university will develop guidelines to help ensure that project funding that is not fully available at the commencement of the project is monitored to ensure that funding occurs as scheduled.
- 2.8.4. Each university will develop oversight procedures for the funding of construction, renovation and other projects by internal component loans. These procedures will include the requirement for a signed Memorandum of Understanding (MOU) and an agreed upon repayment schedule.
- 2.8.5. University departments requesting and benefitting from construction and renovation projects are responsible for cost overruns.
- 2.8.6. Work on construction and renovation projects will not begin until funding commitments are agreed upon and documented.
- 2.8.7. Each university will define spending priorities, including the return of funds, for construction and renovation projects funded by multiple sources. Spending priorities will be based on the conditions associated with each funding source.
- 2.9. In addition to the general guidelines listed above, projects that have a fundraising component, including those projects under \$1 million, shall provide the following:
 - 2.9.1. A funding plan that contains:
 - A. Proposed specified amounts of institutional funds by category, included HEAF allocation and/or other sources (e.g., bonding).
 - B. Identified fundraising prospects, gift chart and a fundraising business plan that has been approved by the Vice Chancellor for Advancement and Alumni.
 - 2.9.2. An approved project scope, description of the facility, and identified naming opportunities.
- 2.10. All projects managed by UHS Facilities Planning and Construction will follow the current Project Delivery Manual.
- 2.11. All projects must result in a complete and usable facility or improvement suitable for its intended functional purpose, meets all applicable building codes, and satisfies all state, local and UHS requirements. Waivers for UHS requirements

may be submitted to the Facilities/Construction Management Senior Associate Vice Chancellor.

- 2.12. Circumventing programming and approval requirements results in unauthorized incrementation and is prohibited.
 - 2.12.1. No project may be subdivided for reasons of circumventing programming and approval requirements.
 - 2.12.2. Each project must result in the user being able to perform the function purpose of the facility (or facilities).
 - 2.12.3. If the performance of the facility's function purpose requires improvements to other facilities, then the project must include those facility improvements.
 - 2.12.4. Incrementation(s) should not be confused with project phasing. Phasing is allowed under specific circumstances; however each phase shall result in a complete and usable facility.
- 2.13. The following are expressly prohibited:
 - 2.13.1. Subdividing repairs or construction work into multiple projects for the purpose of avoiding Board of Regents or FPC approval or notification.
 - 2.13.2. Using in-house workforce or multiple contracts to avoid Board of Regents or FPC approval or notification. Project approvals must be obtained based upon the total project cost, including all contracts, subcontracts, material purchases and in-house work.
- 2.14. Projects may be phased to ensure efficient use of available resources. Each phase must be complete and usable in and of itself such that the facility is left operational between phases or in the event phases are delayed or never completed. Projects shall not be phased for purposes of incrementation. (See Section 2.12.) Projects that are phased shall be reviewed and approved based on the total cost of all phases to ensure Board of Regents or FPC approval is obtained when required.
- 2.15. Construction Project Procurement
 - 2.15.1. Procurement of all construction projects will follow directives as published in UHS Board of Regents Policies.
 - 2.15.2. Construction projects with an expected value over \$300,000 will be executed and managed through UHS Facilities Planning and Construction as a UHS Project per [BOR Policy 55.01.3](#) unless otherwise delegated per an approved University Campus Project Management Approval request submitted to the University of Houston Facilities Planning department.

2.15.3. UHS Facilities Planning and Construction will coordinate and have final approval for selection committee assignments for all UHS construction contracts. UHS contractor selection committees will include appropriate representation from stakeholder groups associated with the project, and personnel assigned to selection committees must be UHS employees.

2.16. THECB Reporting

2.16.1. UHS Facilities Planning and Construction (FPC) will submit all certified MP-1 reports for all UHS universities.

2.16.2. FPC will submit/resubmit all Project Applications for UHS universities that meet the following criteria per [Texas Administrative Code](#).

- A. All new construction projects including additions to existing buildings with E&G project costs of \$10M or greater. (E&G is Education and General net assignable space used to carry out institutional missions of instruction, research and support as defined by the [Texas Higher Education Coordinating Board](#).)
- B. All renovation projects with E&G project costs of \$10M or greater.
- C. Improved real property with a purchase price of \$1M or greater that the institution intends to include in the E&G buildings and facilities inventory.
 - 1. If the real property contains structure(s) that will contain E&G space.
 - 2. If the real property does not contain a structure(s) with E&G space, it does not have to be reported.
- D. Projects financed with any tuition revenue bonds pursuant to TEC §61.0572 and §61.058.
- E. All Energy Savings Performance Contracts projects require pre-approval by THECB before the contract is executed. After pre-approval is received, a Project Application will be filed per [Texas Administrative Code](#).

3. REVIEW AND RESPONSIBILITIES

Responsible Party: Senior Associate Vice Chancellor for Facilities/Construction Management

Review: Every five years

4. APPROVAL

Approved: /Raymond Bartlett/
Senior Vice Chancellor for Administration and Finance

 /Renu Khator/
Chancellor

Date: April 9, 2024