



**NEW YORK UNIVERSITY**

A private university in the public service

**Office of the Provost**

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**David W. McLaughlin** *Provost*

**MEMORANDUM**

**To:** University Space Priorities Working Group

**From:** David W. McLaughlin, Provost

**Date:** January 16, 2013

**Re:** University Space Priorities - Decision Making Process

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In response to the Working Group's inquiry, I write to provide a broad context and description of the processes that led to prioritizing the space needs I presented to the Working Group earlier this year.

**Strategic Academic Planning**

At NYU, and under my leadership as Provost, space planning is grounded in academic planning. As with all large research universities, most academic planning is done within the schools by their faculty and shaped by deans and directors to identify academic priorities and develop proposals to address them. These proposals typically, but not always, include the acquisition of new space and/or renovation of existing space. These proposed academic plans, with the attendant space and fiscal implications, are subject to University-level review, which takes place on a continuous, iterative basis throughout the year.

The starting point for these reviews is the schools' annual Strategic Academic Plans, in which each school presents its aspirations and plans for academic development. These plans focus on the school's academic dimensions and objectives, how proposed academic initiatives fit within the school's long-term plan, and how they advance teaching and research excellence. In addition to plans from the schools, the University administration identifies University-wide needs, such as those for library, IT, classrooms and student spaces.

The plans are reviewed by the Provost (by the Executive Vice President for Health for the schools of medicine, dentistry, nursing) in consultation with the senior leadership of the University. It is the responsibility of University leadership - enabled by its overview of the University as a whole - to coordinate and prioritize academic development across the University, align academic initiatives with overarching University values and strategies, and prioritize associated capital projects with respect to their claim on University and school resources.

Since 2008, the University has been guided in its academic development by *NYU Framework 2031*, a document that was widely reviewed within the University community and considered formally in the University Senate, the respective Councils of the Senate, key University committees, school faculties, and student sponsored forums. The purpose of the Framework is “to outline some principles and processes to guide the difficult choices and bold decisions that NYU has to make in order to succeed. NYU does not enjoy the endowments of dollars and space of its peers. If the reality is that not all initiatives can be funded, how should NYU make the judgment among many appealing proposals? The Framework puts forth a set of overarching principles, or fundamental tenets of quality, that must not be sacrificed; criteria for evaluating specific proposals for investment; and further considerations or “plus-factors” to be weighed in assessing proposals going forward.” (Framework, page 2.) The document recognizes that NYU does not have sufficient space and financial resources to do everything that it wants to do. “Even the best endowed of NYU’s peer schools feels constrained to make choices among attractive academic options, with the result that certain opportunities must be passed; this reality presses itself upon NYU a fortiori. “ (Framework, page 7.) In the best case scenario, NYU has to make difficult choices about how it allocates its precious space and financial resources. For this purpose, the Framework established “Guiding Principles and Criteria for New Strategic Initiatives,” (p. 14), attached for your convenience.

Turning to the assessment of financial feasibility, the financial envelope for each project typically consists of a combination of school resources, University resources, philanthropy and University borrowing. The process for identifying resources for the project begins at the school level to set the school’s contribution, and proceeds to the University level, where the Provost (or Executive Vice President for Health), Executive Vice President for Finance & Information Technology (Martin Dorph) and Vice President for Budget & Planning (Anthony Jiga) set the University contribution. At both levels, resource allocation for the project is judged against competing priorities, and at the University level, borrowing is determined within the limits of the University’s borrowing capacity. These assessments frequently force projects to be adjusted in scope and schedule. As an example, an iterative review of the space proposal for the Tisch School’s Institute of Performing Arts (IPA) reduced the original program, which would have required a capital commitment that the school could not sustain and that would have unduly drawn upon the University’s borrowing capacity. The result was the establishment of a more realistic fiscal envelope.

### **Space Planning Working Group (SPWG)**

Once a project’s priority and fiscal envelope are set, the project is further developed by the Space Planning Working Group (SPWG), an advisory committee co-chaired by the offices of the Provost and the Executive Vice President for Operations. SPWG conducts detailed planning, working with the school sponsor (typically the Dean’s Office and designated faculty leadership), University space designers and engineers, and school and University budget offices to develop space needs; consider alternate locations, timetables, and design parameters; and fine tune cost estimates -- so as to identify and frame options for decision and action by University senior leadership. SPWG may recommend to approve the project to proceed, modify the project scope, or substantially reshape the project; leadership may in turn request additional analysis and justification, and may modify, reject, or scale back the project.

In its work, SPWG follows the University’s “*Guidelines for Space Planning and Approval of Capital Projects for Schools and Administrative Units of the Washington Square Campus.*” (The Guidelines are attached and are also available at

<http://www.nyu.edu/content/dam/nyu/provost/documents/Guidelines-for-Space-Planning-and-Capital-Project-Approval-6-15-11.pdf>) The Guidelines describe the process for “allocating additional space to school and administrative units, developing new University space, undertaking major renovations in existing space and authorizing planning studies and capital projects.” These guidelines were first developed roughly five years ago when SPWG was established, and are regularly updated, most recently in 2011. Vice Provost Joe Juliano, who presently co-chairs SPWG with Alison Leary, Executive Vice President for Operations, can answer questions about how the SPWG structure and procedures may have changed since then.

### **University Capital Plan**

The University’s space plan is incorporated into the University’s multi-year fiscal and capital plan for presentation to the Board of Trustees for its approval. The capital component of this plan is updated annually based upon the space planning processes described above. The iterative process incorporates new opportunities that arise outside the University, e.g., real estate opportunities, and major developments within the University. For instance, in FY 2009-10, the process incorporated the savings recovered from the University’s re-engineering program. This 2009-10 investment plan was summarized as the *Provost’s White Board* of approved capital commitments and reviewed with the Deans and Directors, and with the Faculty Advisory Committee on Academic Priorities over the course of the year. (See attached, my talking points for my February 2010 presentation to the faculty committee.)

The 2009-10 capital plan has now evolved into the capital component of this year’s 10-year Financial Plan, summarized in Martin Dorph’s presentation to the Working Group (see [http://www.nyu.edu/content/dam/nyu/spacePriorities/documents/Dorph\\_Presentation\\_11.29.12\\_Final.pdf](http://www.nyu.edu/content/dam/nyu/spacePriorities/documents/Dorph_Presentation_11.29.12_Final.pdf) at page 16), and adopted by the Trustees in June 2012. In conclusion, it should be noted that individual projects in the 2009-10 plan (such as Tisch’s IPA) are potentially realized on the South Block as part of the NYU Core Space Plan.

### **Attachments**

- NYU Framework 2031, *Guiding Principles and Criteria For New Strategic Initiatives*, 2008
- SPWG, *Guidelines for Space Planning and Approval of Capital Projects for Schools and Administrative Units of the Washington Square Campus*, 2011
- Provost’s “*White Board*” – *Faculty Advisory Committee on Academic Priorities*, 2010

## NYU FRAMEWORK 2031 (issued June 2008)

### Guiding Principles and Criteria for New Strategic Initiatives \*

**1. First Principles.** These conditions should be met prior to considering additional investments.

- **Protect Existing Strengths.** It is easier to protect strengths than to rebuild them or to build new strengths. NYU's research excellence and distinction, and stellar reputation in the arts and the professions, should be enhanced and preserved.
- **Continue to Nurture the Arts and Science Core.** Arts and Science is at the curricular and intellectual heart of any major university.
- **Further Enhance the Undergraduate Experience.** NYU's long term financial stability as well its reputation depends on the quality of the undergraduate education it provides.
- **Maintain a Focus on the Development of NYU's Schools.** Recognizing that much of NYU's recent academic progress and excellence has come as the result of the innovative efforts, vision, and entrepreneurial initiatives of talented faculty and Deans, NYU should, under Provostial review and oversight, continue to facilitate such academic initiatives that originate from and are based in NYU's schools.

**2. Criteria for Additional Academic Investments.** These are the primary grounds for deciding among proposals for additional University investment.

- **The unit or program is important for NYU's long term academic mission and scholarly reputation, and there is a feasible plan for making it among the very best of its kind.** The feasibility of a plan depends not just upon financial resources, but also upon such internal factors as the program's current quality and reputation, the quality of its leadership, and the faculty's collective commitment to a well thought-out plan for future development, and upon such external factors as whether the intellectual area is attracting superior talent and whether it is likely to continue to be a focal point for future growth.
- **There is current student interest and an expectation of increased student interest in the future.** For university investment, it is not enough for the program to have the potential to be intellectually outstanding; in addition, there have to be strong curricular implications at the undergraduate and/or graduate level.

**3. Additional Considerations for University Investment.** These are ways of making sure that additional investments are leveraged by the distinctive strengths of NYU - namely, its global network, its location in NYC, its "common enterprise" openness to crossing disciplinary and school boundaries, and its innovative and forward-looking spirit.

- **The plan utilizes NYU's global network to create competitive advantages.**
- **The plan makes use of New York City ("in and of the City") and alumni networks to create competitive advantages.**
- **The plan draws upon relevant curricular and research expertise in other units, and also creates opportunities for faculty, graduate students, and/or undergraduate students in other units.**
- **The plan responds to NYU's most pressing challenges and new opportunities.**

**4. Review Process.** The Provost's Office has the lead responsibility in the University for evaluating the merit of new academic initiatives and recommending action, informed by consultation with faculty groups, advice from the relevant deans, and appropriate guidance from internal or external assessments of quality. The President and his Core Team -- the University's most senior officials (Provost, Executive Vice President, Senior Vice President for Health, General Counsel, Dean of the Faculty of Arts and Science, and Chief of Staff and Deputy to the President) -- will assist the Provost in reviewing the evidence in support of proposals and making final decisions.



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**David W. McLaughlin, Provost**

**Michael C. Alfano, Executive Vice President**

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# **GUIDELINES FOR SPACE PLANNING AND APPROVAL OF CAPITAL PROJECTS FOR SCHOOLS AND ADMINISTRATIVE UNITS OF THE WASHINGTON SQUARE CAMPUS**

These Guidelines describe the University's process for allocating additional space to schools and administrative units, developing new University space, undertaking major renovations in existing space and authorizing planning studies and capital projects. The Guidelines pertain to all units of NYU other than the School of Medicine and Abu Dhabi, and apply to projects in the immediate and the near future (in a five to ten year time frame). They ensure that:

- All requests from schools and administrative units for additional space and capital development, including planning and design studies, are in the first instance vetted and authorized by the University's senior leadership.
- Proposals for space and capital projects are reviewed with coordinated input from the Offices of the Provost; Finance and Budget; Strategic Assessment, Planning & Design (SAPD); Facilities & Construction Management (FCM); and University Relations and Public Affairs (URPA).
- New space allocations for any one unit are coordinated within the context of all University strategic plans and capital projects, and with a broad view of the University's space portfolio, including new acquisitions and new, renewed, or terminated leases.
- Proposed funding for capital projects is reviewed and a recommendation is made regarding approval in the context of the University's and the project sponsor's financial capacity and funding resources, before incurring significant expenditures for design and planning.

The processes described herein are guided by the Space Planning Working Group (SPWG). SPWG reviews proposed projects along several dimensions, including financial, programmatic, and design feasibility, and identifies and frames options for decision and action by the Provost and the Executive Vice President, and as appropriate, the Core and other members of the University's senior leadership.

## **SPACE PLANNING WORKING GROUP (SPWG)**

SPWG is co-chaired by Joseph Juliano, Vice Provost and Associate Vice Chancellor for Strategic Planning, and Lori Mazor, Associate Vice President for Planning and Design, and meets weekly. A full listing of the SPWG membership is provided on Page 6.

Working iteratively with the project sponsor, SPWG reviews requests for new space and proposals for major capital projects, particularly projects that require strategic and logistical coordination between units or significant changes in current space allocations.

In addition, SPWG functions in an advisory capacity to the Provost and EVP in:

- Reviewing schools' strategic plans with respect to space and capital projects.
- Developing a 5-year space plan that coordinates the Provost's capital priorities schools, other academic units and administrative units, and can serve as a basis for the annual development and approval of the University's capital budget.
- Developing preliminary design parameters and/or prioritizing academic programs to be considered for new space allocation that may involve sites that the University proposes to acquire or develop.
- Carrying out special space planning assignments.

## **PROCESS**

### **To Initiate Planning Studies or Capital Projects**

To start the process, project sponsors – typically, Deans and Vice Presidents - consult with the Provost and the Executive Vice President (and for Nursing and Dentistry, the Senior Vice President for Health) about their intent to conduct a strategic planning study, request additional space, or plan a major capital project. In consultation with SPWG they will request authorization to initiate a project. Such authorization from Provost and EVP (and SVP Health) requires a preliminary review of project scope, as well as assurance from Finance and Budget (including, as appropriate, the University Chief Financial Officer) that an appropriate funding plan can be proposed.

Upon authorization to initiate the project, schools or administrative units then approach SAPD, which will work with the unit to conduct the programming and feasibility studies, and engage design and engineering consultants as necessary. Planning studies are commissioned by SAPD. Architects must be approved by SAPD, and must agree to the terms of NYU's Standard Architects Agreement, available on the SAPD website. Studies are funded by the project sponsor.

SPWG works closely with project sponsors and University offices to obtain information and evaluate the proposal along several dimensions, including programmatic and design feasibility, regulatory compliance and community impact, and financial feasibility. (These are discussed more fully below.) When the analysis is complete, SPWG frames the discussion for decision-making, and submits recommendations to

the Provost and the Executive Vice President for their consideration in the context of University priorities.

### **To Request Additional Space**

With authorization from the Provost or EVP, schools or units may submit a Space Request Form and Worksheet, which can be found at the SAPD website at <http://www.nyu.edu/sapd/space.planning/request.form.html>. SAPD will identify possibilities, conduct a preliminary assessment of programmatic feasibility, and determine additional considerations (including short and long term plans for the space, associated domino moves, and special costs). On behalf of the school or unit, SAPD will request the assistance of the Real Estate Office if leased space is seen to be a possible solution to the sponsor's space needs. SAPD will review the options with SPWG.

An expedited process will apply to projects that have limited scope and cost, do not involve complicated strategic space plans for the University, and that have clear budget proposals that are fully funded without reliance on debt financing.

### **To Propose a Major Capital Project to Renovate Within a Unit's Existing Space**

For schools, these conversations typically begin with the Annual Academic Plan, in which schools identify and describe substantial space needs triggered by recruitment, programmatic development, and other new or continuing needs. The Plans should include status reports or proposals for reconfiguring existing space or acquiring new space, provide preliminary cost estimates, and identify funding sources. These Plans should reflect any prior consultation with the Provost or EVP about project scope, and should be developed in consultation with SAPD, which offers programming, planning, pre-design, estimating (with the Office of Construction Management), and capital planning services to assist units with defining their project scope and budget. The Plans are reviewed in the Provost's Office and referred to SPWG for consideration. Similarly, projects that emerge during the course of the academic year (and are not contained in the Annual Academic Plan) require prior discussion with the Provost/EVP, including authorization as to project scope. With that authorization, the sponsor may contact SAPD.

The process for administrative units is similar to the preceding, with the EVP replacing the Provost.

### **To Propose a Major Expansion (In Space That Is New to the Unit):**

Any initiative of this scope will require multiple conversations with the Provost and EVP, leading successfully in the first instance to approval to conduct a programming and feasibility study. SPWG may be asked to advise the Provost/EVP by considering the request within the context of other needs and in light of new spaces or sites that the University proposes to be acquired or developed. The process for developing the preliminary project scope, and proceeding to finalize project scope and funding follows the steps outlined above.

## **PROJECT FINANCE**

### **Introduction**

The scope of the requested project will be determined, in part, by the University's and/or sponsor's capacity to fund the project. The type of project (i.e. "as-is move in to existing space" at the low end of the cost spectrum vs. gut renovation or new construction at the high end) is determined through a combination of program need

and project affordability, and this combination of information will be used to develop and examine project options. Once the range of project options has been determined, the cost of the selected project will then be estimated by professional architects, cost estimators, or engineers who will incorporate appropriate design and construction contingencies and cost inflators to the projected mid-point of construction. Project cost estimates include domino costs, unless otherwise specified, acquisition costs if appropriate, costs of required infrastructure (including deferred maintenance) and any costs associated with review by regulatory agencies.

### **Policy Regarding Occupancy of Additional University-Owned Space**

When a school acquires control of an existing University-owned building or a significant portion of a building with the expectation of long-term occupancy, the school will be assigned a capital cost of that acquisition. Being cognizant of prevailing real estate market values for comparable properties, the University will place a value on the space and determine a price. Typically, the school will be offered an internal mortgage that will finance the acquisition cost over 30 years at a fixed rate of interest. If the school vacates the building during the term of the mortgage, the school's obligation for the balance of the mortgage is cancelled.

### **Three Funding Cases**

Full-funding, cash in hand – Ideally, a school or other unit that proposes a new project will demonstrate that it has the capacity to fund the type of project requested from available fund balances. The sponsoring school or unit will demonstrate in its financial plan the ability to cover any incremental operating costs associated with the project.

Full-funding, short-term financing – If the full cost of the project is not available in existing fund balances, the sponsoring school or unit may have written pledges or grant commitments for the balance. Pledges typically should not extend more than 5 years beyond project completion. The sponsor may then apply to the University for an internal loan to be paid down as pledges or grant commitments are received. The sponsor will demonstrate in its financial plan the ability to cover debt service on the internal loan and any incremental operating costs associated with the project.

Partial funding supplemented by long-term debt financing – If a sponsor proposes to use long-term debt financing, the following guidelines generally apply:

1. At least 1/3 of the total project cost will be in hand, in the form of identifiable fund balances, which may include cash gifts in hand and designated for the project.
2. Written gift pledges or grant commitments can account for not more than 1/3 of the total project costs.
3. Long-term debt shall not exceed 1/3 of the total project cost. The University generally meets its long-term financing needs through external borrowing.
4. The sponsor will demonstrate in its financial plan the ability to cover debt service and any incremental operating costs associated with the project.

NOTE: The University has limited borrowing capacity. There can be no assurance in advance of developing a formal project proposal that short-term or long-term financing will be available from either the University's working capital or external sources.

### **Approval of the Funding Plan**

The Budget Office will evaluate the project sponsor's proposed funding plan, and present the plan to the University Treasurer if debt financing is proposed. The Budget Office and the Treasurer will then present their recommendations to the CFO, whose approval is required to advance the project.

### **PROJECT APPROVAL**

After determining the feasibility of the proposed project with respect to its program and design, community impact, and funding, SPWG will make a recommendation to the Provost and EVP to approve the project to proceed, to modify the project scope, or to abort the project. These officers may demand additional analysis and justification, and may modify, reject or scale back the project. Projects of substantial scale, and all projects requiring external debt financing, are then brought to the Core Leadership Group of University executives, including the President. The project is again scrutinized, and may be modified, scaled back or rejected. If the Core approves the project, projects that require external debt financing are then presented to the Finance Committee of the Board of Trustees, which may require further justification or may not approve the request. As a part of the annual budget process, the VP for Budget and Planning presents to the Finance Committee a comprehensive University operating and capital budget and financial plan that incorporate all capital projects and the operating budget impacts of those projects.

Projects that are approved by the Provost and EVP continue through the process that the Budget Office coordinates, working with project sponsors (the schools, administrative units) to establish funding accounts, and proceeding through the design and construction process managed by FCM.

#### *Space Allocation Approval*

Decisions will be recorded in the Space Allocation Approval (SAA) process, which details the terms of the space allocation, a summary of the project cost and funding plan, the timeline for assigning the space, and the term of the assignment. The SAA will be circulated to the project sponsor (who is frequently the new user of the space), the relinquishing user, the Budget Office, the Provost and the EVP or their designees for approval.

## **SPACE PLANNING WORKING GROUP MEMBERS (as of June 2011)**

Joseph Juliano, Vice Provost and Associate Vice Chancellor for Strategic Planning (Co-chair)

Lori Mazor, Associate Vice President for Global Facilities Planning and Policy (Co-chair)

Martin Dorph, Senior Vice President for Finance and Budget

Alison Leary, Senior Vice President for Operations

Steven Donofrio, Chief of Staff to the EVP and Vice President for Administration

Paul Horn, Senior Vice Provost for Research

Alicia Hurley, Vice President, Government Affairs and Community Engagement

Anthony Jiga, Vice President, Budget and Planning

Eve Klein, Assistant Vice President, Strategic Assessment and Design

Nancy Morrison, Associate Vice Provost for Academic Initiatives and University Life

Carol Morrow, Chief of Staff to the Provost and Associate Provost, Academic Operations Planning

# Provost's "White Board"

Faculty Advisory Committee  
on Academic Priorities  
February 2010

## Source and Amount of Funds

- Administrative savings from Offices of the President, Executive Vice President, Provost
- Recurring available funds in fiscal 2012:  
\$58 million
- Assigned funds (authorized, encumbered):  
\$46 million
- Unassigned funds to date: \$12 million

## Commitments (Authorized and Encumbered) as of Fiscal 2012

- **FAS**

Debt service for Science Phase III (primarily in Meyer and Silver Complexes) and other academic investments. *Authorized*

- **IFA**

Modest support for annual operating budget, plus transition funding for two years. *Authorized*

- **Tisch**

Debt service for Institute for Performing Arts including "New Studios on Broadway," theatres, studios and production for drama, movement, dance (383 Lafayette or South Block, 715-725 Broadway). *Encumbered contingent upon philanthropy*

## Commitments (Authorized and Encumbered) as of Fiscal 2012, Continued

- **Steinhardt**

Debt service for capital improvements, primarily for Music, Applied Psychology, Teaching & Learning (Education, Kimball, East, Third Ave North Res Hall). *Encumbered contingent upon philanthropy*

Annual operating support. *Authorized*

- **General Purpose Classrooms**

Debt service for 29 new classrooms (Bobst Lower Concourse, Tisch Hall Concourse and Goddard Residence Hall). *Authorized*

- **Information Technology**

Reserve for potential new operating and capital investments.

*Encumbered*

## Commitments (Authorized and Encumbered) as of Fiscal 2012, Continued

- **Wagner**

Annual operating support associated with prospective surplus share policy. *Continuing commitment beginning Fiscal 2009*

- **Gallatin**

Annual operating support associated with balance-of-trade reformulations. *Continuing commitment beginning Fiscal 2009*

- **University's Financial Gap**

Very modest contributions to annual operating gap, with larger contributions in earlier years. *Authorized*

Continued

## Current Candidates

*Given available funding, not all candidates will be funded*

- **One time "capital" commitments**
  - University Learning and Classroom Center
  - University-wide Institutes in the Mews (mostly Partners funded)
  - Science/Science Ed Teaching Labs (School funded)
  - LSP renovation (mostly School funded)
  - University "Dashboard"
  - NYU "Catalyst"/ "Little (IBM) Blue"
  - Steinhardt Teaching and Learning Center
    - School/Philanthropy funded
  - Language Institutes/ Immersion Programs
    - at Global Sites
    - at the Square
  - Global Faculty Facilities
    - Center at the Square
    - Short term housing for international faculty at the Square
    - Space at the sites

## Current Candidates, Continued

- **Continuing commitments**

- Neural Science, joint with Med School
- Modern Computational Statistics – Courant/ Med School/Steinhardt/FAS
- Institute of Global Public Health
- Bio/Biomedical Engineering
- The Science of Urbanization
- Faculty/Research throughout the GNU
  - Faculty Mobility/ Site Identity
  - Research/Scholarly Groups (Virtual Institute for Advanced Study)
  - Graduate Student Mobility
- New Pedagogical Technology/Methodology; NYU Open Education Project, NYU "I-tunes U"
- Steinhardt's FAR4
- Institute of Fine Arts – Department of Art History
- "Passport" Program for New York City Arts
- Support for Unfunded Undergraduate Internships

## Emerging Possible Major Capital Projects

- South Block & Tisch Institute for the Performing Arts
- Forbes
- Hebrew Union
- Puck
- Meyer Renovation (Science Phase Next)