

**UNIVERSITY OF HOUSTON SYSTEM  
ADMINISTRATIVE MEMORANDUM**

**SECTION: General Administration**

**NUMBER: 01.B.08**

**AREA: Facilities and Physical Plant**

**SUBJECT: Third-Party Construction**

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**1. PURPOSE**

This administrative memorandum provides guidance and direction regarding the execution of construction projects, such as tenant build-outs or construction of new facilities on University of Houston System (the “System”) land by means of a ground lease, by private corporations, State of Texas organizations, or non-University organizations on the University’s campus or property.

On occasion, the University allows third-party organizations such as private corporations, State of Texas organizations, University-affiliated foundations, or non-University organizations to execute new construction projects on the campus or other lands owned by the System. Third-party construction projects are typically associated with ground lease transactions, but may occur as a result of other real estate transactions, in accordance with applicable System, state and federal rules. The purpose of these projects is to enable these third-party organizations to support and enhance the System’s mission. Such projects represent a major commitment by the System to allow its property and real estate, one of its most valuable resources, to be used in this manner.

**2. POLICY**

- 2.1. This administrative memorandum applies to all institutions governed by the System including any campus, division, college/school, foundation or other entity requesting authorization to construct new facilities through a third-party.
- 2.2. All proposed third-party construction projects (the “Project”) will support the System’s mission and shall be appropriate in terms of the academic and research mission. The Project shall not place the System out of compliance with relevant state and local laws and guidelines, and should not adversely affect the System’s credit rating.
- 2.3. All Projects shall be executed in a well-planned, professional, and high-quality manner as determined by the applicable UH System component university (the “University”) and the UHS Office of Facilities Planning and Construction (“FPC”).

- 2.4. All Projects shall be designed with sound architectural and engineering principles and practices and comply with all applicable life safety, fire protection, electrical, accessibility and other codes intended to ensure and maintain safety; as well as binding declarations and covenants.
- 2.5. All Projects shall comply with the appropriate University's master plan.
- 2.6. All Projects shall comply with UHS Design and Construction Standards, or shall be required to obtain written approval from FPC to deviate from such standards.
- 2.7. All Projects shall comply with applicable national, state, and local environmental and/or storm water management regulations.

3. PROCEDURES

- 3.1. FPC shall share joint responsibility with the Office of Real Estate Services (ORES) for enforcement of the requirements of this policy and the terms of the lease agreement. FPC shall have primary oversight of the Project's management and delivery of the Project in accordance with the following:
  - 3.1.1. FPC shall review and approve the proposed site location and facility orientation of any Project to ensure conformance with the Campus Master Plan. FPC and the ORES shall also check to verify that the proposed Project and contract complies with any recorded covenants or declarations attached to the land upon which the project shall be undertaken. The ORES will coordinate and involve the Office of General Counsel (OGC) early in the planning process to ensure timely approval of the Predevelopment Agreement and Ground Lease to allow on-time project construction and final delivery.
  - 3.1.2. FPC shall provide the design standards for the Project. Compliance with assigned design standards will be a key element of FPC's design review approval.
  - 3.1.3. FPC shall review the proposed design and construction documents of the Project and shall coordinate reviews by other University and System departments at all stages of design and project development, including but not limited to, schematic design, design development, and construction document completion. The project design shall not progress beyond any of the designated milestones until the University's design review feedback for that specific milestone is discussed and satisfactorily addressed.
  - 3.1.4. FPC shall make the final determination as to whether the proposed Project meets the University of Houston System design and construction standards and also whether all other University interests regarding the proposed design have been satisfied. No project will begin without written approval of the final design by the designated FPC project manager.

- 3.1.5. FPC shall issue a written “Notice to Proceed” prior to allowing construction operations to start on any Project.
- 3.1.6. During the construction phase of any Project, FPC shall act as the “owner’s representative” on behalf of the University and shall participate in the construction oversight of the project through periodic on-site observations and activities as detailed in Section 3.1.7 below.
- 3.1.7. FPC shall ensure the University’s interests are protected regarding, without limitation, the following aspects of the project:
  - Coordination with other University organizations;
  - Minimizing impact on campus operations and environment;
  - Project safety;
  - Project quality;
  - Site utilities and infrastructure; and
  - Construction site storm water management and other regulatory requirements.
- 3.2. The third-party organization shall at all times be solely and exclusively responsible for designing and constructing the Project properly and safely in full compliance with all applicable laws, regulations, ordinances, standards, and other rules, whether federal, state, or local. The University’s and FPC’s role on Projects is not to supervise, superintend, inspect, oversee, or direct how the work is done but rather, through FPC, to verify that the third-party organization fulfills its duty and contractual obligations to construct the Project in a consistent manner and in full compliance with University policies, as well as any local, state, and federal laws and regulations.
- 3.3. The third-party organization responsible for the project will reimburse FPC for the actual cost of the project development, design review, and construction observation work undertaken by FPC during performance of the Project. Prior to the start of any Project, FPC will estimate the cost of its work. Based on this estimate, funds to cover FPC’s costs must be received from the third-party organization prior to a Notice to Proceed being issued.
- 3.4. FPC may decide to suspend construction operations if problems exist with any of the issues listed above. If such a suspension is issued, the third-party organization shall correct the issue prior to commencing construction operations.
- 3.5. All real estate transactions associated with Projects shall be submitted by the University to the ORES, and this department is responsible for ensuring that appropriate approvals are obtained for such transactions. The ORES is also responsible for ensuring appropriate System reviews are undertaken, including but not limited to review by FPC, the System Office of Risk Management, the System Office of Contract Administration, and the UHS Board of Regents.

4. REVIEW AND RESPONSIBILITIES

Responsible Party: Associate Vice Chancellor for Facilities/Construction Management

Review: Every three years on or before March 1

5. APPROVAL

Approved: \_\_\_\_\_  
Senior Vice Chancellor for Administration and Finance

\_\_\_\_\_  
Chancellor

Date: \_\_\_\_\_

6. REFERENCES

[System Administrative Memorandum \(SAM\) 01.B.02 – Selection of Architectural and Engineering Firms](#)

[SAM 01.B.05 – Signature Authority for Construction Contracts](#)

[SAM 01.B.07 – Facilities Acquisition, Construction, or Renovation](#)

[SAM 03.A.05 – Contract Administration](#)

[SAM 03.C.03 – Repair and Construction Funds](#)

[SAM 03.F.05 – Sale, Lease, Purchase or Conveyance of Real Property](#)

[SAM 03.F.08 – Requests for Services from the Office of Real Estate Services](#)

**REVISION LOG**

<b>Revision Number</b>	<b>Approval Date</b>	<b>Description of Changes</b>
1	TBD	Initial edition