STATE OF ARIZONA

Joint Committee on Capital Review

1716 WEST ADAMS
PHOENIX, ARIZONA 85007

PHONE (602) 926-5491

FAX (602) 926-5416

http://www.azleg.gov/jlbc.htm

JOINT COMMITTEE ON CAPITAL REVIEW
Tuesday, January 23, 2007
8:00 a.m.
Senate Appropriations Room 109

MEETING NOTICE

- Call to Order
- Approval of Minutes of November 15, 2006.
- DIRECTOR'S REPORT (if necessary).

1. Adoption of Committee Rules and Regulations.
2. ARIZONA STATE UNIVERSITY
   - A. Review of Indirect Financing for Downtown Campus Student Housing Project.
   - B. Review of FY 2007 Building Renewal Allocation Plan.
   - C. Review of Academic Renovations and Deferred Maintenance Phase IIB Bond Projects and Revised Scope and Cost for Instructional/Research Laboratory Renovations Phase II.
3. MARICOPA COMMUNITY COLLEGE DISTRICT – Review of General Obligation Bond Issuance.
4. DEPARTMENT OF ECONOMIC SECURITY – Review of Prescott Property Conveyance.

The Chairman reserves the right to set the order of the agenda.
1/18/07

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MINUTES OF THE MEETING
JOINT COMMITTEE ON CAPITAL REVIEW

Wednesday, November 15, 2006

The Chairman called the meeting to order at 1:50 p.m., Wednesday, November 15, 2006 in House Hearing Room 4 and attendance was as follows:

Members:	Senator Burns, Vice-Chairman	Representative Boone, Chairman
	Senator Aboud	Representative Biggs
	Senator L. Aguirre	Representative Brown
	Senator Gould	Representative Lopes
		Representative Pearce
Absent:	Senator Bee	Representative A. Aguirre
	Senator Cannell	Representative Tully
	Senator Johnson	

Hearing no objections from the members of the Committee, Chairman Tom Boone stated the minutes of September 21, 2006 would stand approved.

ARIZONA STATE PARKS BOARD – Review of State Lake Improvement Fund Projects.

Mr. Matt Busby, JLBC Staff, provided 2 handouts *(Attachments 1 and 2)* to the Committee members. He explained that the State Lake Improvement Fund (SLIF) monies are available to state agencies, counties and local governments for capital improvement projects on waters where gasoline powered boats are permitted. Last year's Environmental Reconciliation Bill changed the SLIF statutes to require that projects be on lakes that allow gasoline powered boats. SLIF revenues primarily come from an allocation from the gasoline tax attributed to watercraft use, in addition to revenue from the watercraft licenses.

Mr. Busby said the Parks Board is proposing to award $4 million in FY 2007 to 13 different projects. Of the $4 million, $3.8 million is for 12 grants in various cities and counties. The remaining $250,000 is for 1 State Parks project. While most projects appear to fit the statutory criteria, 3 raise issues. The first is the Town of Buckeye Recreational Lake, which the Parks Board is proposing to award $560,000 for design and engineering costs. The total project will cost approximately $3.8 million more to complete. Construction of the lake is consistent with SLIF statutes. The broader policy question is whether or not the Committee would want to devote the large amount of funding from SLIF for 1 specific project.

The next project, which is the Bullhead City Non-Motorized Boat Launch Ramp, does not involve motorized boats and may not be consistent with the intent of SLIF statutes.

The third project is the La Paz County/Buckskin Fire Department Kitchen Remodel located in the Water Rescue and Medical Aid Facility. The facility falls within SLIF statutes; however, the kitchen remodel may not be the consistent intent of the SLIF statutes.

JLBC Staff has provided the Committee with at least 2 options to consider.

Senator Bob Burns asked how much the Town of Buckeye receives in revenue sharing. He noted that the memo states that the Buckeye recreational lake project requires $4.7 million and only $560,000 is being awarded for design. He asked what the funding plan is for the rest of the monies.

Mr. Richard Stavneak, Director, JLBC Staff, stated that the Town of Buckeye does want SLIF money to complete most of the project. The original request made to the Parks Board was for $4.7 million; however, the board only recommended the $560,000 for design.

Representative Russell Pearce stated that the Buckeye Recreational Lake is a major project. This is a new lake. The statute was meant for major lakes and rivers. This would be a diversion of funds that were meant for other projects throughout the state.

Mr. Jay Ziemann, Assistant Director, State Parks Board, stated that the State Parks Board shares its concerns with the Committee about the construction of the new lake in the Town of Buckeye. The request for $4.7 million being reduced to $560,000 demonstrates the concern. The funds are to be used by the city to clarify the scope of the project. At this point, the lake would be 100 acres. In further conversations with the Parks Board, the project would eventually encompass a greater land acquisition to make the lake bigger. This would make the current scope of the project moot because of the possible change. The idea for the grant was to help Buckeye to further study and solidify their land acquisition, cultural resources, and conduct larger feasibility studies. There is no guarantee that SLIF money will be awarded in the future.

Mr. Ziemann also stated that the Bullhead City Non-Motorized Boat Ramp is in Lake Havasu which allows gas powered boats. This is a facility for people that are launching their canoes, which will free up the launches for the larger boats. This project is within the SLIF statute. The La Paz County/Buckskin Fire Department Water Rescue and Medical Aid Facility was originally constructed with SLIF money. This is a dated facility that needs to be upgraded.

Chairman Tom Boone asked if, from the Parks Board's perspective, the Bullhead City and the La Paz County projects meet the criteria of the statue.

Mr. Ziemann said yes and the Town of Buckeye project would also meet the criteria. However, the Town of Buckeye's lake project of $4.7 million was not going to complete the project. The project would be much bigger with a greater expenditure of funds.

Representative Pearce said that the Buckeye Recreational Lake and Bullhead City projects are outside the scope of the SLIF. He agrees that the La Paz County project falls within the scope of SLIF.

Representative Phil Lopes said that he would like clarification on the position of the Parks Board on the Buckeye Recreational Lake.

Mr. Ziemann replied that a new lake construction project is allowed under SLIF statutes. There were questions about the scope of the project, such as the size of the lake. There were also questions that the Town of Buckeye was unable to answer with regard to their plans. Buckeye had not acquired all the land and they did not know the full extent of the lake. At this stage of the planning, the Board does not know the final outcome of the project. The approval of $560,000 was to further the planning efforts to clearly define the project.

Representative Lopes asked if it is possible that the Board will approve the project once the plans are complete.

Mr. Ziemann said that the Board does not have any doubts about whether the project is within the criteria of SLIF. Once the project is defined, then Buckeye can process an application for SLIF to compete with other projects. The project would go through the same assessment process for funding.

Representative Pearce said the intent for SLIF is for major waterways and lakes. The funds are not intended for small man-made lakes. He also noted that in 1999, the Town of Buckeye received $260,000 of SLIF money for the same feasibility study.

Chairman Boone asked Mr. Ziemann if he recalled if $260,000 was awarded to Buckeye in 1999.

Mr. Ziemann replied that he did not recall. The feasibility study was discussed with the Parks Board. The problem is the scope has changed. The size of the lake has changed, so Buckeye needs additional studies. The funds are to allow Buckeye to get the information to determine if this is a feasible project. The Board is sensitive to the concerns because 2 previous lake construction projects failed.

Senator Burns asked how much revenue sharing money the Town of Buckeye receives. The project is bad use of SLIF money. He noted that there may be a needs assessment added to the statute to direct the board to look into the projects and their need.

Senator Ron Gould asked where the Town of Buckeye is going to get the water for the lake.

Mr. Ziemann replied that he does not know all the intricacies of the project; however, Buckeye has assured the Parks Board that they have adequate water rights to fill a lake. If the lake grows, they will need to assess how much water they have available. The board would not grant millions of dollars to construct a lake if they were not 100% sure there would be water.

Senator Gould stated that this project would be wasteful in water and is fiscally irresponsible.

<u>Senator Burns moved</u> that the Committee give a favorable review as recommended by JLBC Staff to the Parks Board request with the exception of the Town of Buckeye Recreational Lake.

Senator Linda Aguirre asked if the Bullhead City Non-Motorized Boat Launch Ramp is consistent with SLIF statutes.

Chairman Boone replied that he understands that the project is consistent with SLIF statutes.

Representative Pearce replied that it is statutorily consistent; however, it is not the intent of SLIF.

Senator Gould noted the Bullhead City Non-Motorized Boat Launch Ramp would be better funded by the private businesses that rent canoes and arrange canoe launches on the lake.

<u>Senator Aguirre moved</u> to amend the motion to also include the Bullhead City Non-Motorized Boat Launch Ramp as a non-recommended item. The motion carried.

<u>Senator Burns moved</u> that the Committee give a favorable review as amended. The motion carried.

NORTHERN ARIZONA UNIVERSITY – Report on Indirect Debt Financing for Conference/Hotel Center Complex.

Ms. Amy Strauss, JLBC Staff, provided a handout *(Attachment 3)* and presented the Indirect Debt Financing for the Conference/Hotel Complex for Northern Arizona University (NAU). Chapter 352 requires Committee review of any Arizona Board of Regents (ABOR) capital projects that use indirect debt financing, effective September 21, 2006. NAU entered into these agreements before the effective date of legislation. This item is for information only. Despite the legislation's effective date, NAU could have reasonably submitted this project for review.

Ms. Strauss explained that NAU is establishing 2 partnerships for development of new facilities using indirect financing. The first partnership establishes a limited liability company (LLC) for a conference center and parking structure. The second partnership is with a hotel company for a new hotel on campus. The facilities will be available for NAU's Hotel and Restaurant Management Program. University indirect debt financing projects are now required to seek JCCR review. These projects occur when universities partner with private entities or non-profits and secure a lease or issue bonds for development of a capital project.

NAU is planning a conference center and parking project for $12.4 million in lease revenue bonds issued by the LLC in September 2006. The conference center will be approximately 41,000 square feet and the parking structure will have approximately 344 parking spaces. The total cost for the conference center is approximately $305 per square foot and the parking structure is approximately $17,000 per space. Direct construction cost for the conference center is approximately $265 per square foot and the parking structure is approximately $15,000 per space. The LLC will lease both structures to NAU, and NAU will handle the operations and maintenance for the facility and will retain the title once the debt is paid off.

The ground lease for the hotel includes a 30-year term with two 10-year renewal options. The structure will have 150 rooms located on approximately 2 acres directly adjacent to the conference center and parking structure. Drury would pay a percentage of gross receipts of 3% for the first $3 million, 3.5% for $3 million to $5 million, and 4% for any amount in excess of $5 million. At the end of the lease, NAU could either acquire the hotel or request Drury to raze the site and to return it to its appearance prior to building the hotel.

Ms. Strauss informed the members that this item is for information only, however, in the spirit of Chapter 352, JLBC Staff has provided the Committee with 3 options to consider.

Representative Andy Biggs asked what the contingency is if the revenue does not sum to the computed bond.

<u>Ms. Christy Farley, Director of Government Affairs, NAU</u>, replied that the minimum amount of the ground lease is $60,000 annually with the remaining based on the gross receipts. That amount was built into the expectation. Should those receipts not come in, the parking fees will also be used from the adjacent parking garage to help finance the debt. The estimated expenditures show that from 2008 until 2012, the university expects to use general university revenue for $200,000 until it is fully self-sustained and making a profit after 2015. Those are dollars that will help supplement Hotel and Restaurant Management programs.

Senator Burns stated that JLBC Staff mentioned in their presentation that NAU would acquire a building at the end of the lease period. He asked how NAU would acquire the hotel at the end of the lease period.

Ms. Farley said that when the LLC debt is paid off after approximately 30 years, the parking structure and conference center are deeded to NAU. There will be no additional requirement for NAU to make payments. There is no expectation that the hotel will become NAU property, this will be continued as a ground lease. Should a non-renewal of the ground lease occur, the hotel either becomes NAU property, or the property would be razed and returned to its current state; however, it is not expected to occur.

Senator Burns clarified that there are two 10-year options after 30 years. After the 30 years, NAU would anticipate that it would continue to operate as a private hotel. If they decide they do not want to continue the operation then NAU could become the owner of the hotel.

Ms. Farley replied that NAU could become the owner of the hotel or require Drury to raze the site; however, the university does not wish to pursue that option.

Representative Pearce said NAU can take possession of the parking and conference center. He asked what would happen with the hotel since it is designed for smaller conferences.

Ms. Farley replied that the purpose of having the conference center, parking structure, and hotel attached is to accommodate conferences. The hotel will have 150 rooms which was negotiated with the local community knowing that there will be overflow to other hotels since conferences are expected to have 400-500 people. The conference center will partner with the hotel as its primary conference hotel. The conference center will continue serving outside conferences as a university owned facility.

Representative Pearce said it seems that it would create an additional problem for the hotel not having parking. His is concern is using public funds to compete with the free market and private investments.

Ms. Farley replied that the hotel has a designated number of spaces in the parking structure and will be assessing a fee for parking. Other spaces will be used for student parking.

Ms. Kathe Shinham, Vice President for Administration and Finance, NAU, said that as part of the lease with Drury Hotels, the university is required to provide both the conference center and parking garage to continue operation.

Senator Burns asked why NAU did not issue bonds as the first party instead of getting another party involved.

Ms. Shinham replied that they were advised that using an LLC structure was the best option for a public-private partnership whereby as a non-profit entity, the LLC, bridges the gap between the public and private.

Senator Burns asked if the new structures count against the university debt limit.

Ms. Shinham replied that structures count against the ABOR debt limits but not the state debt limits. However, in the materials provided by JLBC Staff, it increases the university's debt ratio from 6.2 to 6.5, which is within the state debt limit.

Mr. Stavneak asked for clarification on the difference between the ABOR and the state debt limit.

Ms. Shinham said that the ABOR limit includes indirect financing whereas it is excluded in the state debt limit.

Ms. Farley said they will meet with JLBC Staff to review the ABOR debt limit and the state debt limit.

Mr. David Harris, NAU, said the limit of ABOR and the state does not apply in this situation. The limits are based upon different formulas of expenditures.

Chairman Boone clarified that there is a separate limit for ABOR versus the state, however, neither debt limit applies to this project.

Mr. Harris replied yes. He said that the ABOR limit is smaller than the state limit. ABOR's debt limit is 10% of the expenditure and the state debt limit is 8% of the expenditure. Neither applies to the public/private partnership.

Chairman Boone would like the university to provide all the Committee members the differences between the ABOR and state debt limits.

Representative Pearce stated that it is probably correct that the debt limits do not apply in this situation. This is why the university used creative financing through the LLC to avoid the debt restrictions. It is not in the spirit of limiting debt for Arizona citizens. This creative financing incurs debt that is not called debt because it is outside of the debt limitations. It is a concern.

Senator Gould asked who the officers are of the LLC and their relationship to the university.

Ms. Farley clarified that the members of the LLC board are not NAU employees. They are a separate team of individuals. The university will provide their names for the Committee.

Senator Burns moved that the Committee give an unfavorable review because the process of receiving information was not done within a timely manner. In addition, as recommended by JLBC Staff, NAU submit the following information by December 8:

1) *Ground lease information that addresses whether the hotel will ever become a state asset.*
2) *Additional information on the procurement process for selecting a hotel developer; specifically, how NAU determined that Drury was a financially viable partnership.*
3) *Rationale for issuing system revenue bonds under the LLC instead of the university.*

Senator Aguirre moved a substitute motion to give a favorable review.

Senator Aguirre explained that NAU has to struggle because they do not receive money for infrastructure and building renewal. This is a project that will bring a conference center to the Flagstaff area that would meet a lot of needs. They worked out a situation with the City of Flagstaff for the overflow. The information is adequate.

Senator Burns said the process in which this project is taking place is frustrating. The universities will want to get into the game with cities calling the partnerships private-public when they are actually public-public partnerships. This is not headed in the right direction. There may need to be additional oversight. The limits that are in place do not apply and are troubling.

Senator Gould responded to the point that NAU does not receive money by pointing out that this project will not help NAU make money. He stated that NAU is in the business of education not the business of business. The free market is responsible for making money. The issue of whether the universities need money and whether the universities should be in the hotel-parking lot business are different issues that should not be connected.

Representative Pearce stated that he is opposed to the substitute motion. He agrees with Senator Burns' comments. This may not stop the universities from moving forward, however, this recognizes that the universities presented this project for discussion after-the-fact. There are policies in place for the process.

Representative Brown stated that this is a good project for the university and the community. He supports the substitute motion.

Ms. Farley added that NAU conducted a market analysis in May 2005. There have been conversations with the Board of Regents and the local partners. The statutory change on indirect financing occurred during the last session, which is after the start of this project. This project was submitted to JLBC in good faith as a project that was already approved and moving forward. This may seem like it was submitted late, however, this was a project that started well before the statutory change was in place.

Representative Biggs requested clarification on the motion.

Senator Aguirre replied that the substitute motion is for a favorable review, since the project costs for the conference center and parking structure appear to be reasonable, with the additional information request.

Chairman advised the Committee that Senator Aguirre did clarify the substitute motion.

The substitute motion carried. Division was called and the substitute motion carried by a hand vote of 6 ayes and 3 nays.

ARIZONA STATE UNIVERSITY – Review of New System Revenue Bond Capital Projects.

Ms. Leah Ruggieri, JLBC Staff, provided a handout *(Attachment 4)* to the Committee members and presented the Arizona State University request to issue bonds of $18.5 million. The bond would finance preparing future sites for 2 projects on campus, which are the Barrett College Dorm and the South Campus Academic Village housing facility. Of the $18.5 million, $12.5 million will be used for the ASU police department facility. The new facility will be 38,000 square feet with a total cost per square foot of $328 and a direct construction cost of $229 per square foot. The remaining amount of $6 million will be for additional site preparation on the proposed site and includes hazardous material abatement, demolition, waste removal, and a building acquisition.

Ms. Ruggieri continued by stating that the ground lease agreement ASU is proposing is with American Campus Communities (ACC). ACC has engaged in approximately 40 other facilities similar to this project across the country. The proposed Barrett College dorm will be 490,000 square feet of housing for 1,700 freshmen through upper-class honor students. The South Campus Academic Village will be 570,000 square feet apartment style housing for 1,900 upper-class and graduate students. In addition, there will be 240,000 square feet of retail space. The agreement with ACC is that ACC will provide $230 million for the construction of the 2 housing developments and will transfer title to ASU once they are constructed. In exchange, ASU would enter into a 65-year operating agreement with ACC. ASU would receive a percent of room and board revenue proportionate to the annual payment for the bonds on the site preparation project. If ASU had to debt finance these facilities on their own, their debt ratio would have risen from 5.3% to 6.6%.

Ms. Ruggieri advised the Committee that in regards to the $18.5 million bond issuance, the JLBC Staff recommends a favorable review of the request with the standard university finance provisions. In addition, the Higher Education Budget Reconciliation Bill passed during the last requires that all indirect financing projects that universities engage in have to come before the Committee for formal review. ASU does not believe that the arrangement with ACC qualifies as indirect debt financing. Should the Committee choose to review this particular project, they can grant either a favorable or unfavorable review. Alternatively, the Committee could take no action as this option would demonstrate that the reasonableness of ASU financial agreement with ACC cannot be fully assessed without the expertise of a third party with a background in these types of arrangements. There are 2 additional questions and reporting of information for ASU for follow up to the Committee.

Mr. Stavneak clarified for the Committee that there are 2 pieces to the recommendation, with the first being the building of the Police Department and the site preparation. JLBC Staff gives a favorable recommendation for this first piece. The second is the arrangement on building the dorms, which is questionable as to whether is would fall under the indirect financing provisions, JLBC Staff has provided a few different options for the Committee.

Senator Burns asked what would happen if the revenues from the dorm are not enough to pay off the debt on the site preparation bond.

<u>Ms. Carol Campbell, Executive Vice President and CFO, ASU</u>, replied that the annual debt payment for the $6 million for site preparation is $435,000 per year which is figured generously. ASU anticipates that under the agreement with ACC they will be receiving a percentage of the gross revenue about $2 million per year to start and working up to $4.5 million on the South Campus project. Also, $250,000 fixed for the first 10 years on the Barrett College. These are 2 separate projects on 2 separate agreements, however, they are dependent on each other. Either both will be entered into or neither will occur.

Senator Burns asked what protection ASU has if ACC does not meet minimum operating standards for the dorms.

Ms. Campbell said that should the minimum operating standards fail it would end in default of the agreement. Under an event of default, there will be no financing on the Barrett project; ACC has committed $110 million of cash payment on that project. In regard to the South Campus project, ACC has a lease-hold interest on the project limited to at least one-quarter of the budget of $130 million in cash investment. If they do not perform under the lease, to the extent there is a mortgager, the mortgager will replace them.

Senator Burns asked why the Legislature or this Committee shouldn't have the authorization to formally review ahead of time, any transactions that result in the state acquiring new assets.

Mr. Scott Smith, Director of State Relations, ASU, replied that ASU appreciates the Legislative prerogative and desire to be informed of financial activities the university is pursuing. The university has willing presented this project even though it is unclear whether the indirect financing statute applied to make sure there was Legislative oversight. The Legislature is a critical partner in the advancement of the university and will do anything possible to ensure the process is open and available.

Senator Burns stated that the neighborhood was objecting to having a parking garage around the area in the past. He asked if the issues have been resolved.

Ms. Campbell replied that they have recently met with the neighborhood and working to resolve the issues.

Mr. Paul Berumen, Director for Local Government Relations, ASU, stated that there have been meetings with the neighborhood on a continuing basis. There have been 3 large meetings and working group meetings to accommodate some concerns. To satisfy the issues, an agreement has been made to lower the parking garage, remove western facing balconies, and increase the amount of landscaping surrounding the project.

Senator Burns asked how the dorm fees will compare to other on-campus housing fees.

Ms. Campbell said that ACC retains the right to set the housing rate. There is an advisory committee at each of the residence halls with 3 members from ACC and 3 members from ASU. In the event of a voting tie, ASU has the tie-breaker vote on all matters that have to do with student discipline and programming. In the event of a voting tie on financial issues, ACC has the tie-breaker vote because they are the investor taking the financial risk. ASU does have a full review of the ACC capital budget, operating budget, and proposed student rates. There will be plenty of time for the university and students to comment on rates; however, ACC does retain the ability to set student rate. In order for the projects to be financially successful they would have to be no more than market rate. The South Campus project were built and designed for upper-class students, it is a high amenity and cannot charge more than comparable high amenity complexes in the area.
Chairman summarized that ACC has the final say of the fee structure, however, because of the market place it would be kept in-line.

Mr. Stavneak added that if there are not enough students to occupy the housing, non-students can also occupy the space.

Ms. Campbell stated that Mr. Stavneak is correct; she added that there is a pecking order where non-students are at the bottom of the list and require approval from ASU and the Board of Regents.

Senator Burns moved that the Committee give a favorable review as recommended by JLBC Staff including any caveats. The motion carried.

UNIVERSITY OF ARIZONA – Review of Law Commons Bond Project.

Ms. Amy Strauss, JLBC Staff, presented the University of Arizona (UA) request for review of $21 million for Law Commons Bond Project. The project will be funded by $14 million in gifts received before ground breaking and $7 million in system revenue bonds. This project includes renovations of 71,000 square feet of existing library, student organization, faculty office, and instructional space. UA also plans to expand the second floor of the Law Building, providing an additional 5,000 square feet for new office space. JLBC Staff recommends the Committee give a favorable of the request with the provisions that the project receive project approval from the Arizona Board of Regents at their November 30 – December 1 meeting and the standard university financing provisions.

Senator Burns asked if the university will have the full $14 million in gift revenues before the bonds are issued.

<u>Mr. Dick Roberts, Budget Director, University of Arizona</u>, replied that the university has $2.7 million cash in-hand with a firm pledge from Mr. Rogers that on ground breaking day, a $4 million revenue flow will follow the construction time period of 15 months. There are pledges that have created an internal loan to recognize the cash to do the construction. Those pledges will repay the internal loan. The third part of the project consists of a $7 million system revenue bond.

Senator Burns asked how the university would make up the difference if the full $14 million in gifts is not received.

Mr. Roberts replied that the university is comfortable with the loan responsibility of the project. The university is confident in the College of Law track record of raising money.

<u>Senator Burns moved</u> that the Committee give a favorable review as recommended by JLBC Staff including any caveats. The motion carried.

UNIVERSITY OF ARIZONA – Review of Intercollegiate Athletics Facilities Bond Projects.

Ms. Leah Ruggieri, JLBC Staff, presented the University of Arizona (UA) request to review the proposed $20 million Intercollegiate Athletics (ICA) Facilities Additions and Renovations Project. This project would be funded by $19 million in system revenue bonds and $1 million in gift revenues. The ICA projects are for the construction of an indoor practice facility, the expansion of the gymnastics training facility, and construction of a new diving pool. The JLBC Staff recommends a favorable review of UA's request with the standard university financing provisions.

<u>Senator Burns moved</u> the Committee give a favorable review as recommended by JLBC Staff with the additional provisions. The motion carried.

ARIZONA DEPARTMENT OF TRANSPORTATION – Report on Modular Buildings on Capitol Mall.

Mr. Bob Hull, JLBC Staff, presented the Arizona Department of Transportation (ADOT) proposal to install 2 modular office buildings southeast of their engineering building in the parking lot at 1600 West Jackson. ADOT says there will be sufficient parking available for personnel occupying the modular office buildings. ADOT plans to use $725,700 of operating budget money to install the buildings and lease them for $360,000 per year for 5 years beginning in FY 2008. The modulars would have 26,000 square feet and house 167 personnel. They would replace a current lease at 2828 North Central Avenue with 18,000 square feet for 86 personnel. This would allow ADOT to have additional space to relocate and add new positions closer to the engineering building. The lease for the Central Avenue facility is to be $402,000 in FY 2008 with the lease ending in FY 2007, there is a $42,000 annual lease savings on the lease of the modulars. The $42,000 annual lease savings would have a 17.3 year payback on the $725,700 installation cost of the modulars. ADOT expects to also have savings from not having to lease additional office space for additional personnel and reduce travel time due to centralizing the engineering staff. The Governmental Mall Commission has agreed to allow ADOT's modular project. This item is for information only, no Committee action is required. However, since ADOT proposes using the operating budget monies for a capital project, the Committee could give a favorable with the provision that no MVD monies be spent for the project.

Mr. Stavneak said that the thought behind the review with no monies being spent from MVD for this project was the discussions in the JLBC Committee about the use of monies that have not been available to hire MVD clerks.

Senator Burns asked what would happen with the buildings at the end of the lease.

Mr. Terry Trost, Budget Director, ADOT, replied that the modulars will have a 30-40 year life. They will be used until there is an economic crossover. ADOT plans to return to the Committee to get approval to purchase the modulars so they can be moved to where there will be needs around the state, such as maintenance yards or highway construction sites.

Representative Pearce asked if the modulars were moveable.

Mr. Trost replied by saying the modulars are trucked in on wheels like a trailer, however, they are more substantially built. They have a long life with 26,000 square feet composed of 19 sections. The modulars are built for office quality rather than residential quality.

Senator Paula Aboud asked why ADOT would lease rather than purchase the modulars, and if the lease money was going to be applied to the purchase.

Mr. Trost said the state currently does not have a contract with a vendor for the purchase of modular units. This would not be a lease-purchase, to the extent that the money for the lease gets applied to the purchase of the modular. They can be purchased during the lease period.

Chairman asked if there will be any credit given in the lease for a purchase option.

Mr. Trost said there is not credit applied to the purchase.

Representative Pearce asked how long the lease period is for the modulars.

Mr. Trost said this is a 5-year lease.

Representative Pearce asked what the cost is to purchase a modular.

Mr. Trost replied that the cost is $2.1 million to purchase. There is no contract; it would need to be put up for bid in the short timeline for the end of the current lease space. The current private lease is $402,000 annually and will go up 20% with escalators built into the lease contract. ADOT felt the option of leasing the modulars was the best available given the short time period.

Representative Pearce said there is no equity in leasing modulars. He pointed out that there should have been more negotiation to try to use the cost savings to purchase the modulars, which may have been more fiscally responsible.

Mr. Trost said that when ADOT looked at the project benefits, it was broken into several pieces such as the lease savings and a series of cost avoidances. Over a 5 year period, the net savings to ADOT would be $1.4 million.

Representative Pearce said that his issue is there will be a lease on modular buildings that ADOT intends to purchase. He wondered why the arrangement was not made to purchase the modulars rather than lease the modulars. An outright purchase would save money.

Mr. Trost replied that over a long period of time there would be more of a savings. ADOT would be willing to place this as a purchase request in the FY 2008 budget, however, the opportunity to move forward is now because of the time it would take to get the process in place. The plan is to place personnel into the modulars by July 1 when the lease expires.

Chairman asked if the lease structure with the purchase option is taken at the end of the year or after 5 years.

Mr. Trost said he understands it to be an arrangement where the leaser agreed to a lease, however, would rather have a sale as opposed to a lease.

Mr. Stavneak said that he understood from a previous statement that it was not an option because of the way the current state contract was set up.

Mr. Trost replied that there is no contract to purchase, there is a lease. He understands there is an option provision in the lease to purchase. He believed that ADOT could work with the vendor to exercise the option early.

Chairman asked if the intent would be to return to the Committee to request to purchase in the next session.

Mr. Trost agreed with Chairman. He added that ADOT is in a time crunch with the project.

Senator Aboud said that spending $360,000 to lease this year, then ADOT returning with a FY 2008 budget request to purchase, would result in a loss of $360,000. She asked if there can be a purchase option with a payment credit toward the final purchase cost.

Mr. Trost replied that if ADOT stays at their current location, they would lose the normal lease payment that will increase 20% after July 1.

Representative Pearce agreed with Senator Aboud that ADOT needs to make an arrangement to apply the $360,000 to the purchase price of the modular buildings.

Mr. Trost replied that ADOT will work with the vendor.

Chairman Boone summarized that ADOT will make the request to purchase the modular buildings in the next session and attempt to negotiate with the vendor to apply the lease payment to the purchase price.

<u>Chairman moved</u> the Committee to give a favorable review as recommended by JLBC Staff.

Mr. Stavneak clarified the motion for the Committee that this would be a favorable review with the provisions that no monies be spent from MVD for the project, ADOT will negotiate with the vendor to count the lease payment toward the purchase cost, and ADOT would provide the Committee with firm cost estimate for the direct purchase for consideration in the FY 2008 budget.

The motion carried.

SCHOOL FACILITIES BOARD – Review of FY 2008 New School Construction Report and New School Facilities Fund Litigation Account.

Ms. Leatta McLaughlin, JLBC Staff, presented the Review of the School Facilities Board (SFB) FY 2008 New School Construction Report and the Fund Litigation Account. This review includes SFB's demographic assumptions, proposed construction schedule, and new school construction cost estimates for FY 2008, along with the report on the litigation account.

JLBC Staff recommends a favorable review of SFB's report on the new school facilities fund litigation account since there has been no activity in this account. JLBC Staff recommends deferring action on the FY 2008 new construction report item until May 1, 2007 when SFB can report proposed construction schedule and cost estimates by project, since SFB will not complete its new construction approval process for the current fiscal year until the spring. This item was included in the agenda in order to provide the Committee of SFB's current estimate for the new construction spending of $401.8 million in FY 2008. SFB is requesting $399 million from the General Fund, which would be a $150 million increase above FY 2007. SFB expects enrollment to be at a higher rate in FY 2007 and FY 2008 than it was in FY 2006. The biggest growth is in the districts in the northern edge of the Phoenix metro area and Pinal County; however, SFB expects housing permits to decline, which is the reason for lower approvals in the FY 2007 approval cycle compared to FY 2006. One reason SFB approved more new construction in FY 2006 compared to FY 2005 is because there were twice as many high schools approved in FY 2006, which added $130 million in FY 2006 alone.

Senator Burns asked if SFB has taken the reductions relative to the decline in housing permits.

Mr. John Arnold, Acting Executive Director, SFB, replied that yes, housing permits across the state, especially Maricopa and Yuma Counties are down 25% to 30%. However, the population continues to grow at the same rate as it has over the last several years. The projects and awards from last year were based on the inflated residential construction numbers, therefore, the conceptual plans from last year were downgraded by 25%. There has been a review of 13 school districts this year and of the 13, 3 had projects that were thought to be approved this year and were not approved.

Senator Burns asked if the number of schools approved will not be as high as last year.

Mr. Arnold said Senator Burns is correct. Last year SFB approved $422 million in new facilities and in FY 2007 they are projecting the number to drop to approximately $350 million, which includes the 12% inflation increase approved by JLBC.

Senator Burns asked about the statement that housing permits were down and the population is still growing.

Mr. Arnold said that it was his understanding that the population continues to grow at the same rate as the last several years. They expect to see growth in ADM across the state, especially in the west valley, northwest valley, Pinal County, Pima County, and Yuma County regions.

Chairman clarified that action on the new school construction report will be deferred and no action will be taken.

Senator Burns moved the Committee give a favorable review to the New School Facilities Fund Litigation Account as recommended by JLBC Staff. The motion carried.

SCHOOL FACILITIES BOARD – Review of FY 2007 Building Renewal Distributions.

Ms. Leatta McLaughlin, JLBC Staff, presented the Review of SFB's FY 2007 Building Renewal Distributions. JLBC Staff recommends a favorable review of the FY 2007 Build Renewal Distribution as it complies with statutory requirements. According to statute, SFB must obtain Committee approval before awarding the 2 equal installments of current year $86.3 million building renewal money. Half the money is awarded this month and the other half in May 2007. Each district must have submitted their building renewal plan to SFB before they can receive any building renewal money. SFB has received plans from 134 districts and approved 49 of the plans for a November distribution of $8.4 million. The remaining $35 million of the November distribution will be distributed as more 3-year plans are received and approved.

On October 3, the Arizona Superior Court issued a summary judgment in favor of the state considering the K-12 building renewal lawsuit, which was filed in October 1999. The court held that school districts had not made an effort to obtain all available sources of state funding to maintain their facilities at the minimum guidelines and their claim was found premature.

Senator Burns said that SFB has received the 3-year plans from 134 districts and asked why SFB has only approved 49 of those plans.

Mr. Arnold replied that the due date for the 3-year plan was October 15; however, they trickle in over time. They are reviewed to ensure that the spending is on building renewal appropriate items. The remaining plans are still being worked on with the districts for clarification on some plans.

Chairman asked what square footage percentage they make up of the total.

Mr. Arnold replied that he does not know that percentage. He said that building renewal attached to the set of plans that went to the Board was $17 million of the $86 million that will be distributed, which is about 25%.

Senator Burns moved that the Committee give a favorable review as recommended by JLBC Staff. The motion carried.

ARIZONA STATE LOTTERY COMMISSION – Review of FY 2007 Building Renewal Allocation.

Ms. Leatta McLaughlin, JLBC Staff, presented the Review of the Arizona Lottery Commission Building Renewal Allocation. The building renewal appropriation for FY 2007 is $53,600. The appropriated monies will be used to repair the warehouse roof and paint the interior of the building at the Phoenix location. JLBC Staff recommends the Committee give a favorable review of the request.

Representative Pearce said that the contingencies are over half of the amount and asked what the unexpected contingencies may be.

Ms. Patricia Phillips, Arizona State Lottery Commission, replied that the building is 20 years old and the air conditioner and other systems are past their life expectancy. There has been an increase in water leaks and broken pipes which are going into the plan.

Representative Pearce said that there should be a known assessment itemizing the list of things that need to be repaired. There should have been bids for this project with an exact amount of the cost.

Mr. Stavneak said that the Lottery Commission can report on the use of the $18,000 contingency.

Senator Burns moved that the Committee give a favorable review as recommended by JLBC Staff including a report on the use of the contingency money.

Senator Gould noted that this would not be a roof replacement, it is a roof repair. He asked what the cost would be for a roof replacement.

Ms. Phillips replied that the ADOA construction services stated that it would cost an additional $30,000 to $50,000 to replace the roof.

Senator Gould asked how much time the $15,000 would add until the next repair.

Ms. Phillips replied that it would be about 15 years.

The motion carried.

Without objection the Committee meeting adjourned at 3:45 p.m.

Respectfully submitted:

Yvette Medina, Secretary

Lorenzo Martinez, Assistant Director

Representative Tom Boone, Chairman

NOTE: A full tape recording of this meeting is available at the JLBC Staff Office, 1716 W. Adams.

Arizona State Parks Board –
Review of State Lake Improvement Fund Projects

JCCR Meeting

November 15, 2006

JLBC

Attachment 1

State Lake Improvement Fund

- Provides funding to state agencies, counties, and local governments for capital and land acquisition projects on waters where gasoline-powered boats are permitted.
- 2 main sources of revenue:
  - Percentage of gasoline tax
  - Percentage of watercraft license fees
- Parks Board plans to use $4 million in FY 07 for 13 projects.

While Most Proposed Projects Appear to Fit Statutory Criteria, 3 Raise Several Issues

- Town of Buckeye Recreational Lake - $560,000
  - Funding is for engineering, design, and site preparation only.
  - Buckeye requested another $3.8 million to create the lake.

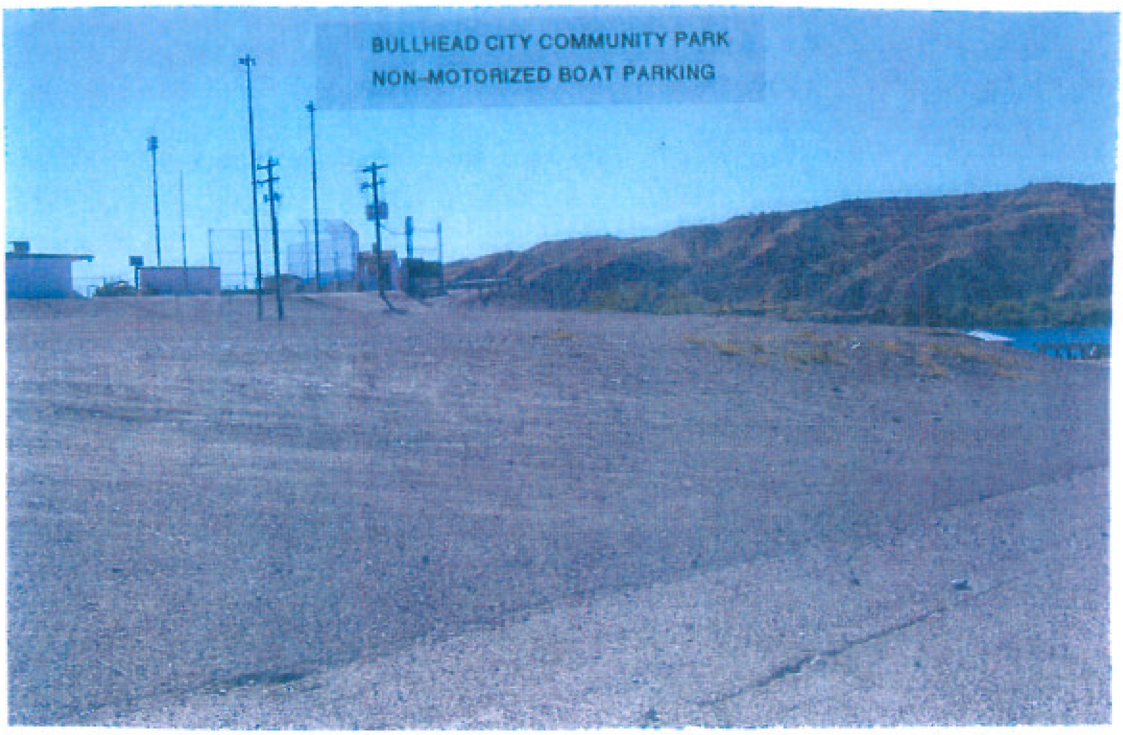
- Bullhead City Non-Motorized Boat Launch Ramp - $342,000
  - Projects involving non-motorized boats may not be consistent with the intent of the SLIF statutes.

- La Paz County/Buckskin Fire Department Water Rescue and Medical Aid Facility Kitchen Remodel - $39,500 of $67,600 grant
  - Remodeling a kitchen may not be consistent with the intent of the SLIF statutes.

Proposed development area

Proposed development area

View of proposed launch site



View of proposed parking area

View of proposed sewer improvements

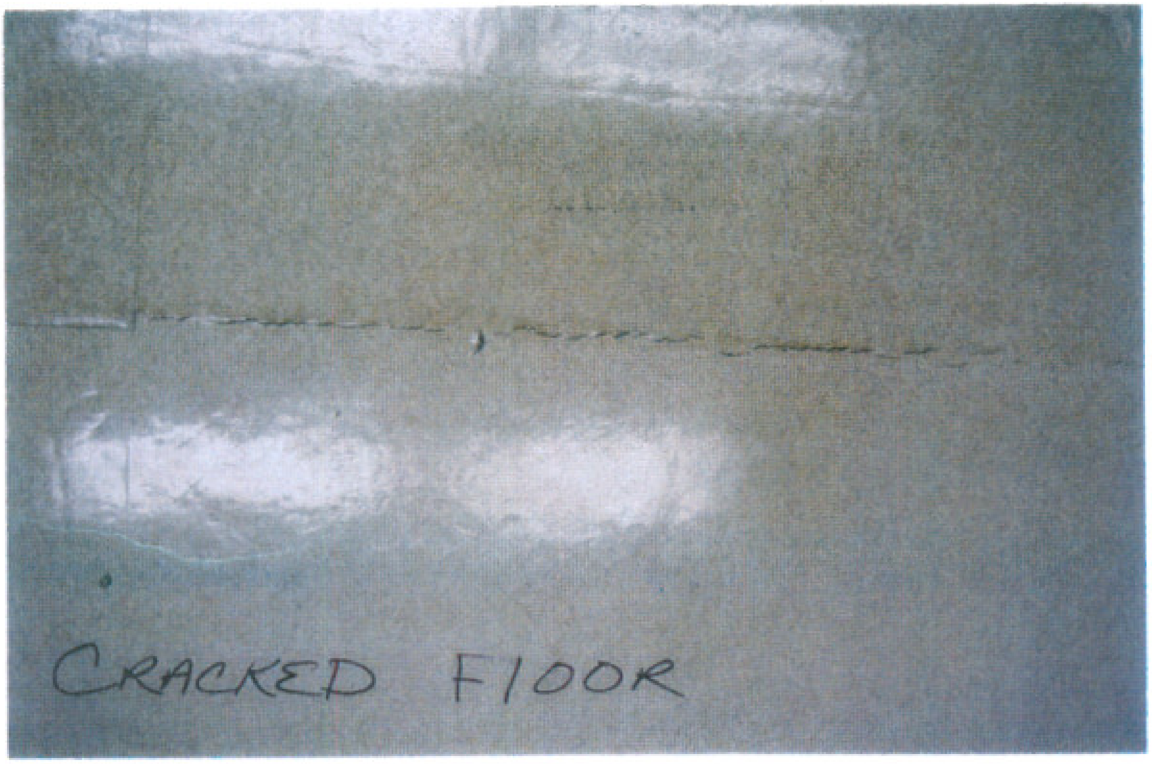
View of proposed sewer improvements

Current Watercrafts (replacements would be similar)

Jet skies are easier to approach other watercrafts

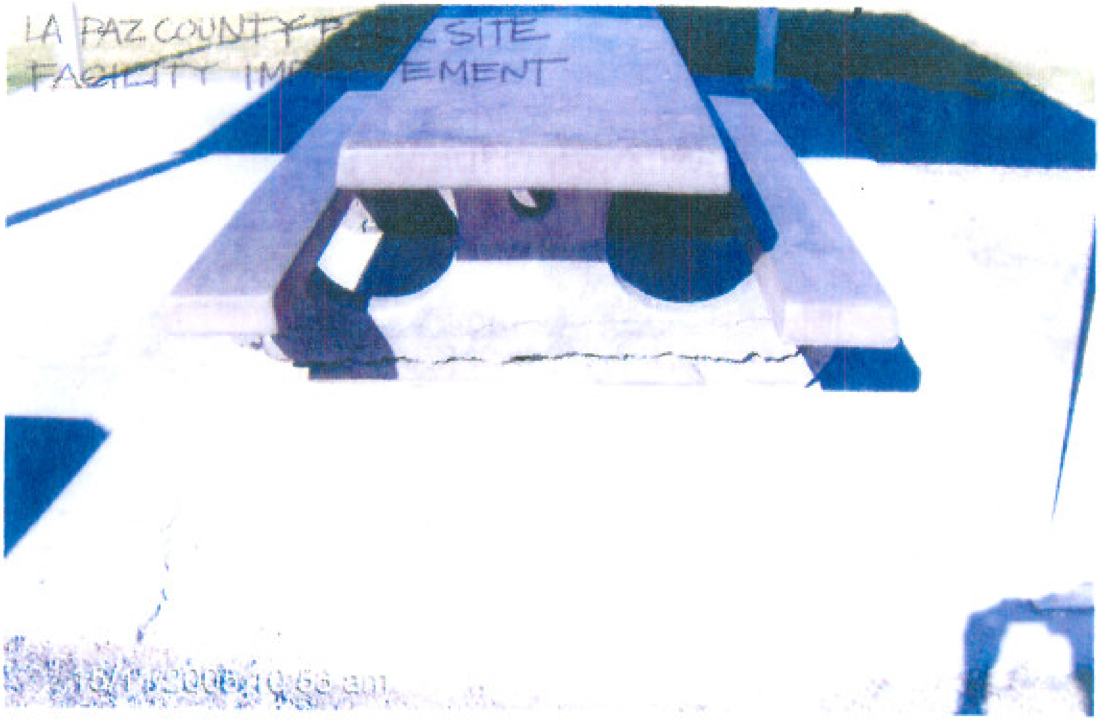
View of proposed improvement area

View of proposed improvement area



View of proposed improvement area

Equipment replacement

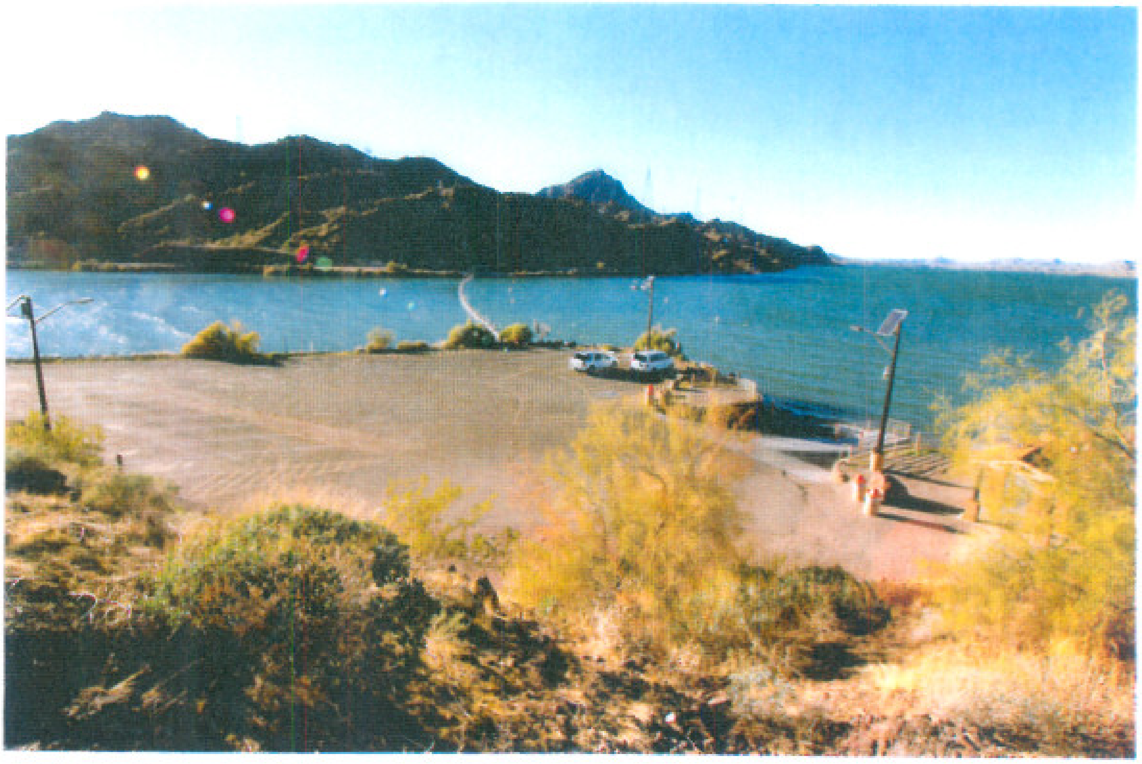


View of proposed improvement concrete picnic tables

View of proposed improvement area

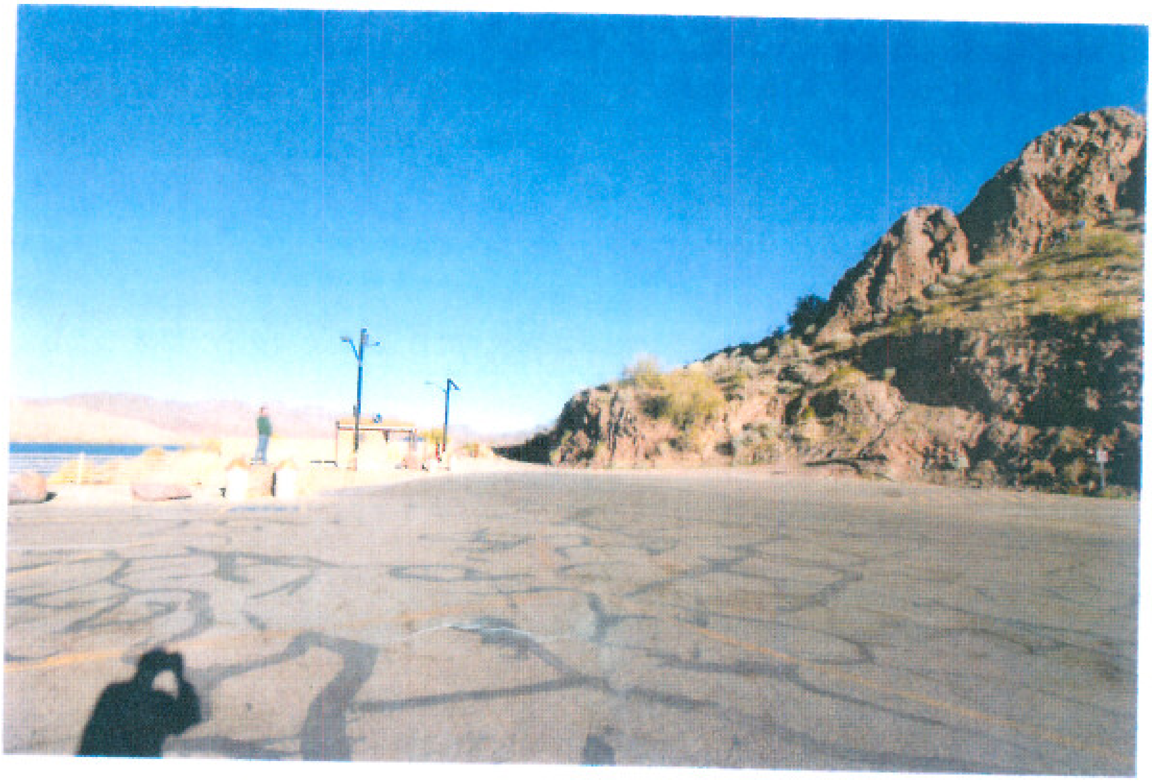
View of proposed improvement area

View of proposed improvement area



View of proposed improvement area

View of proposed improvement area



View of proposed improvement area

View of proposed improvement area

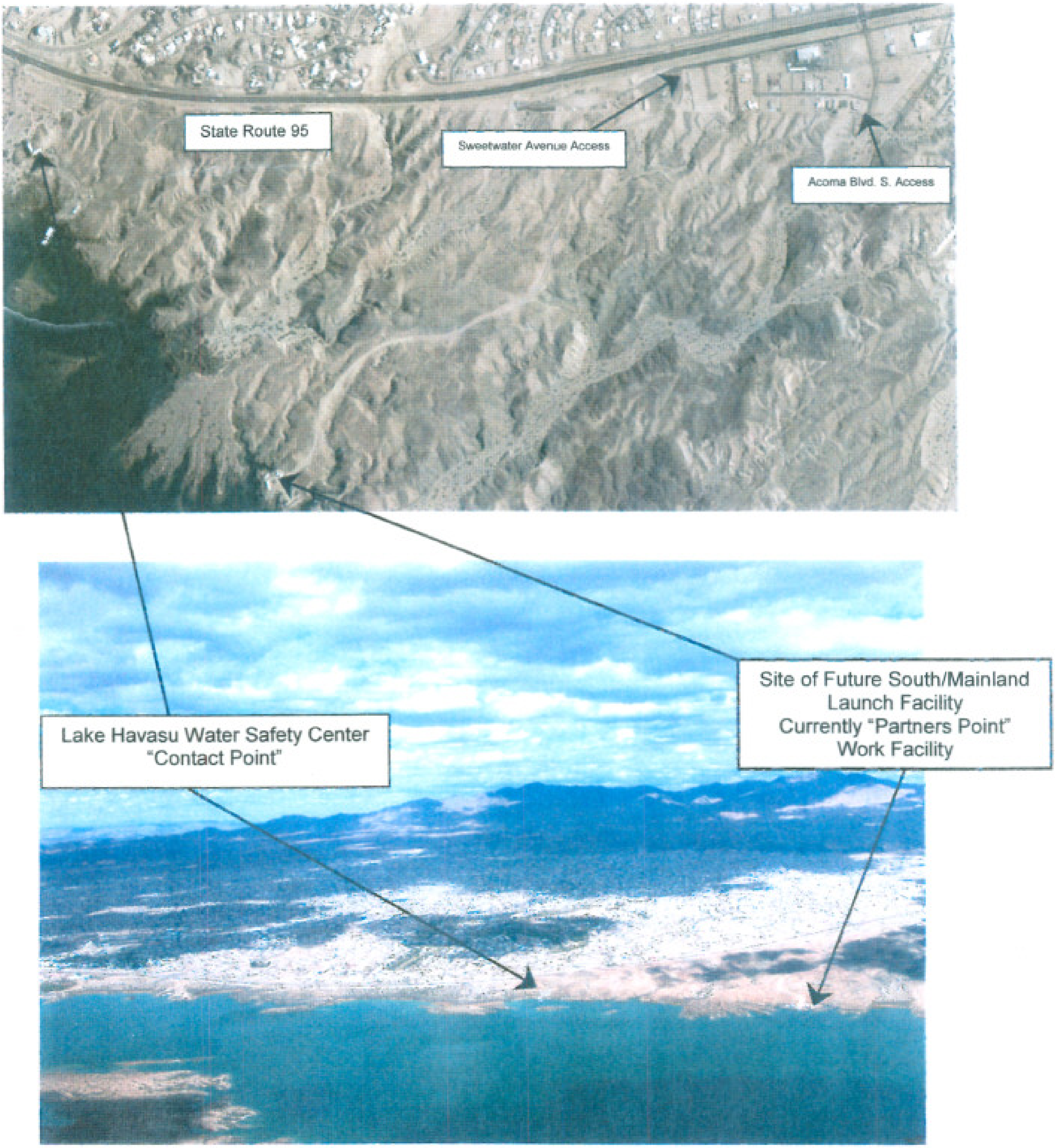
Proposed boat to be replaced

Proposed boat to be replaced

Proposed boat to be replaced

Proposed boat to be replaced

6. Project Photographs



Air Quality Advisory Board used to inform visitors

View of the Bridgewater Channel on a high use day

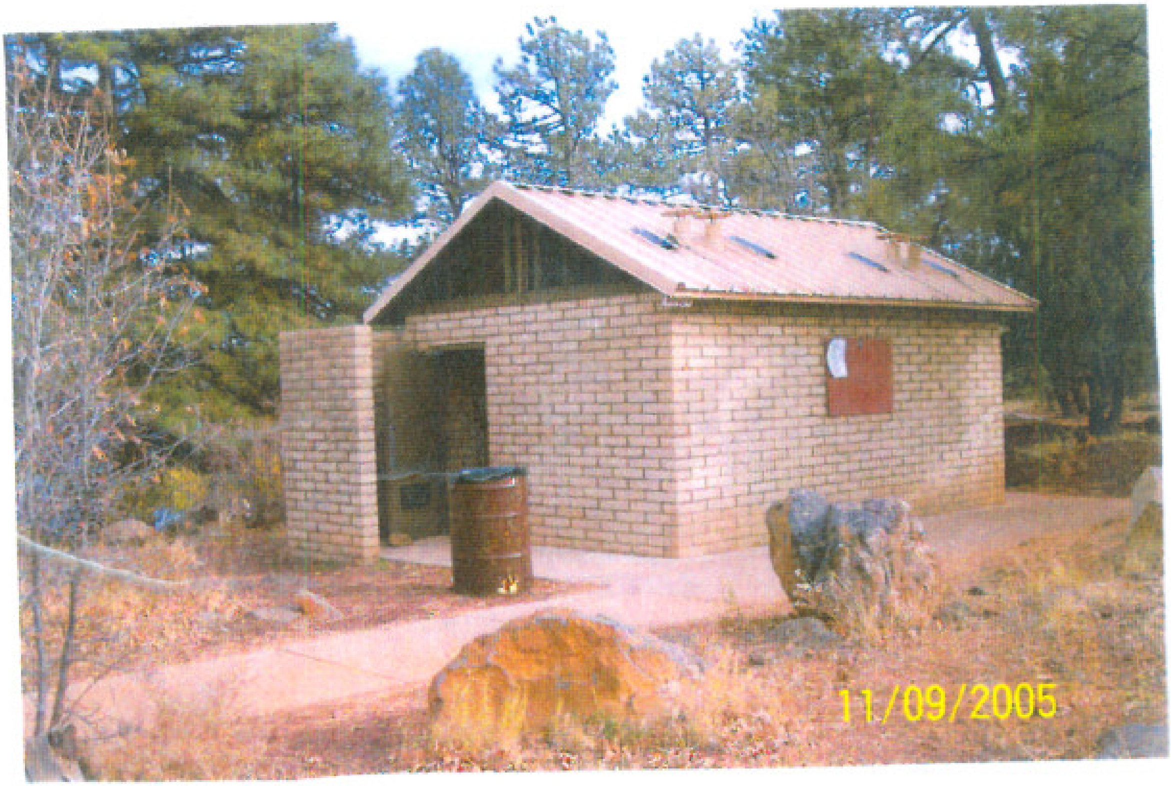
Maricopa County Sheriff's Office
FY2006 State Lake Improvement Fund Application
Lake Patrol Airboat Replacement

LP50
Airboat to be replaced

Watercraft to be replaced

View of proposed improvement area

View of proposed improvement area



View of proposed improvement area

Example of proposed restroom and fish cleaning station (picture taken at Fool Hollow)

Report on Indirect Debt Financing for NAU Conference/Hotel Complex

JCCR Meeting

November 2006

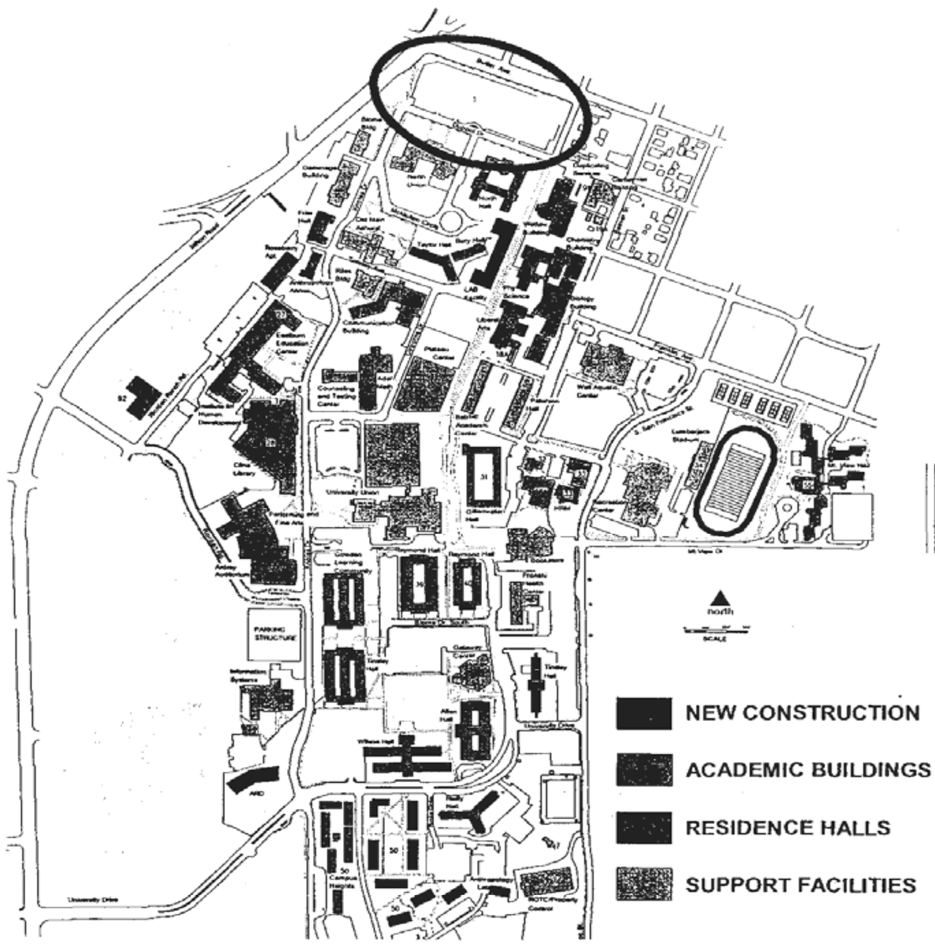
JLBC

Attachment 3

$12.4 Million Bond Issuance

New Conference Center and Parking Structure $12.4 Million

- Formation of LLC to issue bonds
- 41,000 square foot conference center and 344 space parking structure
  - Total Cost- $305/sq ft and $17,440/space
  - Direct Construction Cost- $265/sq ft and $15,000/space
- LLC will lease facilities to NAU for operation
- NAU will retain title after debt is retired


north
SCALE
NEW CONSTRUCTION
ACADEMIC BUILDINGS
RESIDENCE HALLS
SUPPORT FACILITIES

Ground Lease Agreement with Drury

Proposed Hotel

- 30-year term, with two 10-year renewal options
- 150-room hotel on 1.76 acres

Highlights of the Agreement

- Drury would pay a percentage of gross receipts of 3% for the first $3 million, 3.5% for $3 million to $5 million, and 4% of any amount in excess of $5 million
- NAU would use these revenues to pay debt service on LLC bonds
- It is not clear what happens with the hotel at the end of the ground lease

Committee Options

- Favorable review – Project costs for the conference center and parking structure appear to be reasonable
- Unfavorable review – As Chapter 352 was enacted in June 2006, NAU may have been expected to seek the Committee's input prior to entering into this transaction
- No action – NAU entered into this transaction prior to the effective date of the act requiring review of indirect debt financing

ASU Site Preparation and Lease Agreement

JCCR Meeting

November 2006

JLBC

Attachment 4

$18.5 Million Bond Issuance

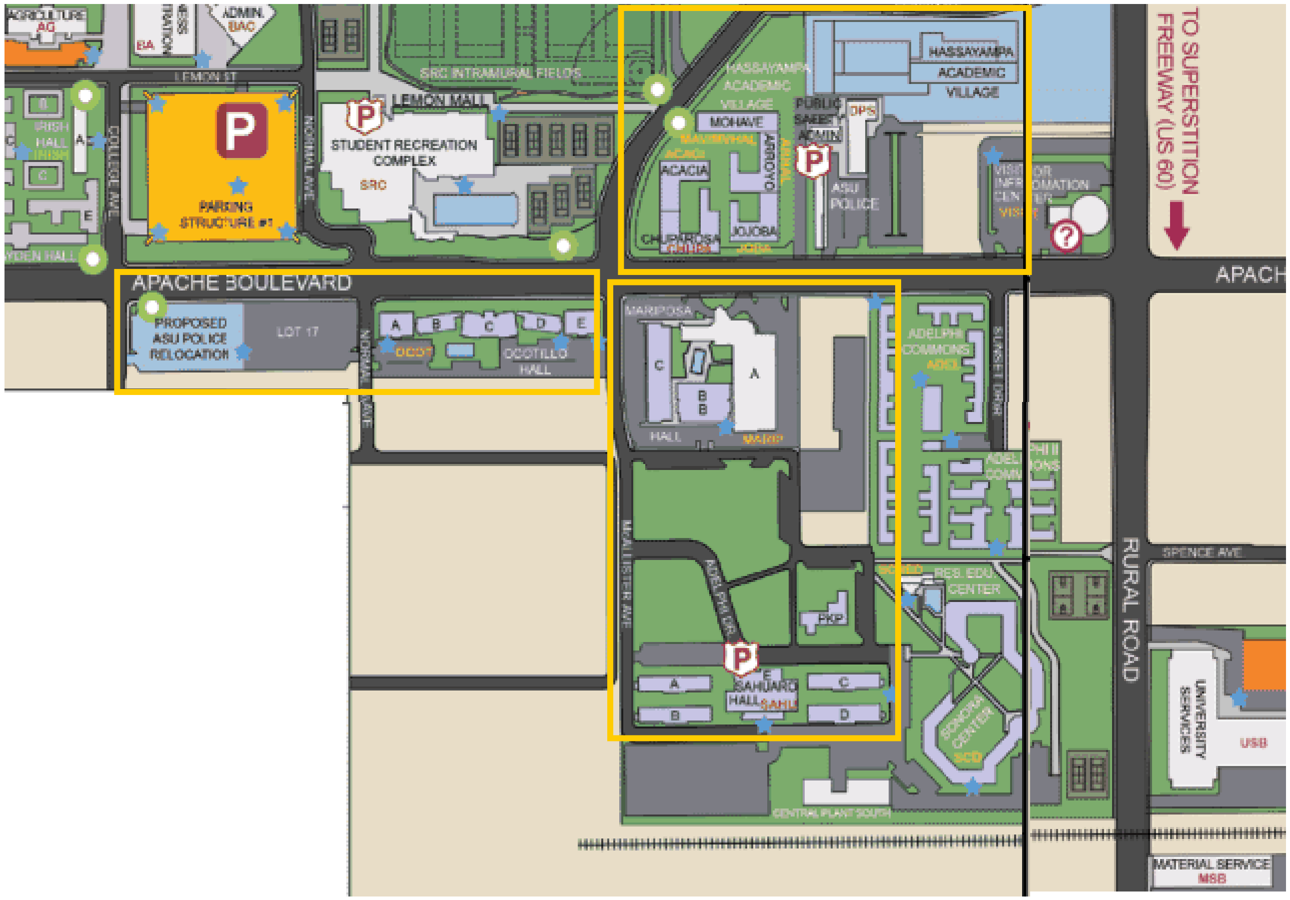
ASU Police Department Facility $12.5 Million

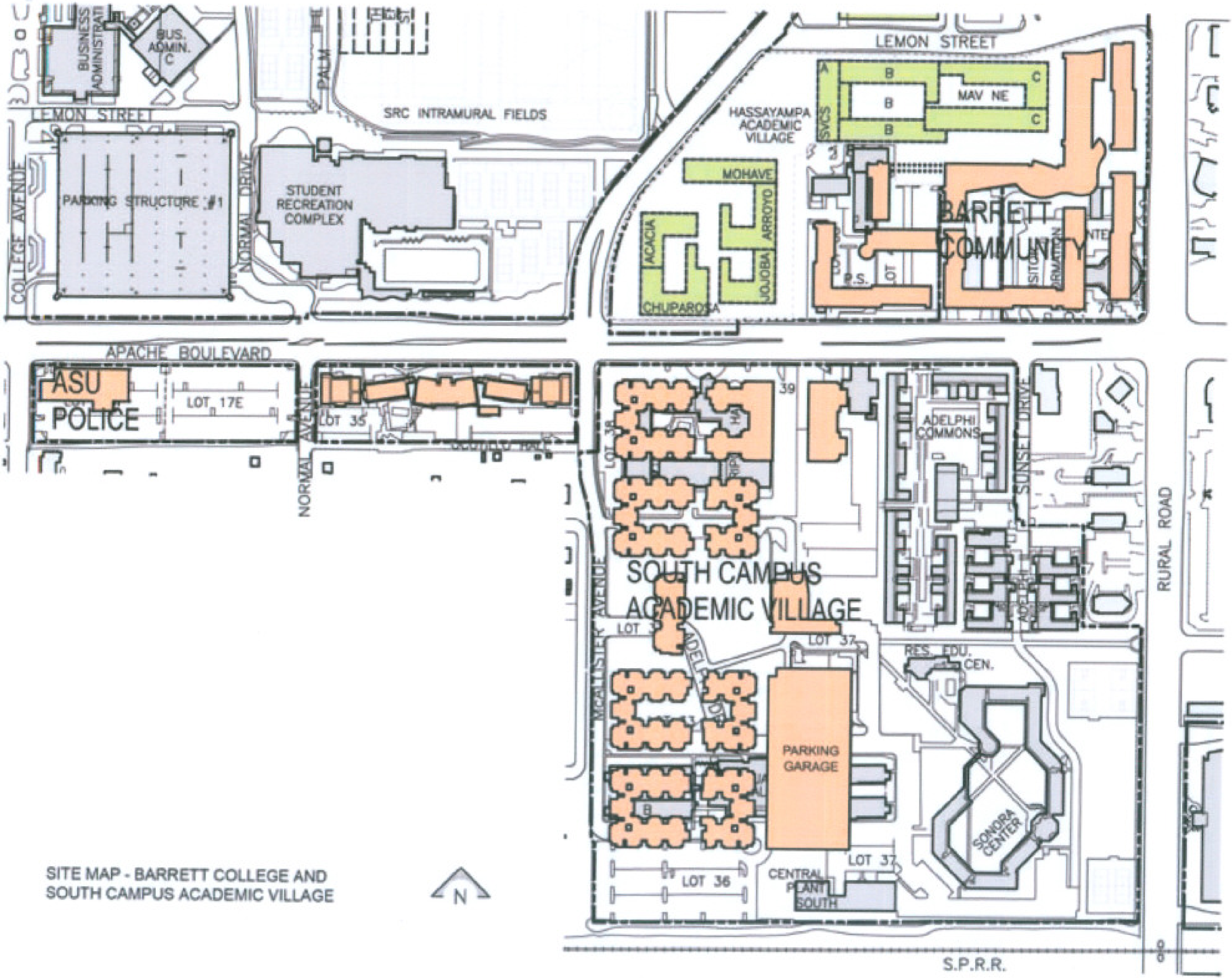
- Current facility is overcrowded and located on proposed dorm sites
- New facility would be 38,000 SF
  - Total Cost/SF - $328
  - Direct Construction Cost/SF - $229

Site Preparation $6 Million

- Bond proceeds would be used to clear the sites proposed for the Barrett College and South Campus Academic Village dorms
- Site preparation includes hazardous material abatement, demolition, waste removal, and a building acquisition

Site Map – Barrett College and South Campus Academic Village





SITE MAP - BARRETT COLLEGE AND SOUTH CAMPUS ACADEMIC VILLAGE

Ground Lease Agreement with ACC

Proposed Dorms

- **Barrett College** – 490,000 sq-ft of housing for 1,700 freshmen through upper-class honors students; includes academic space
- **South Campus Academic Village** – 570,000 sq-ft of apartment-style housing for 1,850 upperclassmen and graduate students; includes 240,000 sq-ft of retail space

Highlights of the Agreement

- ACC will provide $230 million for the construction of two housing developments and will transfer title to ASU once the developments are completed.
- In exchange, ASU enters into a 65 year operating agreement with ACC.
- ASU will receive a percent of room and board revenue, a portion of which will be used to make the annual payment for the site preparation project.
- If ASU had to debt finance these facilities, their debt ratio would have risen from 5.3% to 6.6%.

JLBC Recommendation

ASU PD Facility and Site Preparation Bond

- JLBC Staff recommends a favorable review with the standard university financing provisions

ASU and ACC Agreement

- The ASU/ACC agreement may qualify as indirect debt financing, thereby requiring Committee review
- Should the Committee review these indirect construction projects if the state eventually acquires the asset?
- What are the provisions for addressing contractor non-conformance in a 65-year lease?

STATE OF ARIZONA

Joint Committee on Capital Review

1716 WEST ADAMS
PHOENIX, ARIZONA 85007

PHONE (602) 926-5491

FAX (602) 926-5416

http://www.azleg.gov/jlbc.htm

DATE: January 18, 2007

TO: Members, Joint Committee on Capital Review

THRU: Richard Stavneak, Director

FROM: Lorenzo Martinez, Assistant Director

SUBJECT: Adoption of Committee Rules and Regulations

The Committee will consider the attached rules and regulations for adoption at its January 23 meeting. Under Rule 6 (Statutory Power and Duties of the Committee), Item 12 is new and Item 14 has been updated. Both items reflect statutory changes that have been enacted since the last Committee adoption in February 2005.

Item 12 is related to review of university indirect financing projects. Item 14 has been updated to reflect the repeal of School Facilities Board (SFB) authority to enter into lease-to-own agreements. The base statutes related to SFB lease-to-own agreements remain in law in order to allow already executed agreements to continue.

RS/LM:ym
Attachment

JOINT COMMITTEE ON CAPITAL REVIEW
RULES AND REGULATIONS

RULE 1

NAME OF COMMITTEE AND METHOD OF APPOINTMENT

The name of the Committee is the Joint Committee on Capital Review, hereinafter referred to as the Committee, consisting of fourteen members designated or appointed as follows:

1. The Chairman of the Senate and House of Representatives Appropriations Committees.

2. The Majority and Minority Leaders of the Senate and House of Representatives.

3. Four members of the Senate and four members of the House of Representatives who are members of their Appropriations Committees and who are appointed to the Committee by the President of the Senate and the Speaker of the House of Representatives, respectively.

RULE 2

CHAIRMAN OF THE COMMITTEE

The Chairman of the Senate Appropriations Committee shall have a term as Chairman of the Joint Committee on Capital Review from the first day of the First Regular Session to the first day of the Second Regular Session of each legislature and the Chairman of the House of Representatives Appropriations Committee shall have a term as Chairman from the first day of the Second Regular Session to the first day of the next legislature's First Regular Session.

RULE 3

QUORUM

A majority of the members of the Committee shall constitute a quorum for the transaction of business.

RULE 4

MEETINGS OF THE COMMITTEE

The Committee shall meet as often as the members deem necessary.

RULE 5

COMMITTEE PROCEEDINGS

The Committee proceedings shall be conducted in accordance with Mason's Manual of Legislative Procedure, except as otherwise provided by these rules.

RULE 6

STATUTORY POWER AND DUTIES OF THE COMMITTEE

The Committee shall:

1. Develop and approve a uniform formula for computing annual building renewal funding needs and a uniform format for the collection of data for the formula.

2. Approve building systems for the purposes of computing and funding building renewal and for preparing capital improvement plans.

3. Review the state capital improvement plan and make recommendations to the Legislature concerning funding for land acquisition, capital projects and building renewal. The recommendations should give priority to funding fire and life safety projects.

4. Review the expenditure of all monies appropriated for land acquisition, capital projects and building renewal.

5. Review the scope, purpose and estimated cost of the project prior to the release of monies for construction of new capital projects.

6. Approve transfers within a budget unit of monies appropriated for land acquisition, capital projects or building renewal.

7. Review and approve the acquisition of real property or buildings by the Arizona Department of Administration and Arizona Department of Transportation.

8. Review the acquisition of real property or buildings by the Department of Economic Security.

9. Determine the rental fee charged to state agencies for using space in a building leased to the state.

10. Approve expenditures from the Corrections Fund by the Director of the Department of Administration for major maintenance, construction, lease, purchase, renovation or conversion of Corrections facilities.

11. Review Arizona Board of Regents, Community College and Game and Fish bond projects.

12. REVIEW OF ARIZONA BOARD OF REGENTS INDIRECT DEBT FINANCING PROJECTS.

13. Review School Facilities Board building renewal calculations and distributions.

14. Review School Facilities Board and school district lease-to-own projects. (AUTHORITY TO ISSUE HAS BEEN REPEALED, BUT BASE STATUTES REMAIN TO ALLOW PRIOR ISSUANCES TO CONTINUE.)

15. The Committee shall have other duties and responsibilities as outlined in statute or determined by the Chairman, consistent with law.

RULE 7

STAFF

The Joint Legislative Budget Committee Staff shall provide staff assistance to the Committee as directed by the Committee.

RULE 8

AGENDA FOR MEETINGS

An agenda for each Committee Meeting shall be prepared by the Director, and, whenever possible, mailed or delivered to members of the Committee, not less than one week prior to the meeting. The Director must have at least three weeks prior notice for any state agency-requested items that appear on the agenda, unless the Chairman of the Committee approves of a later submission.

RULE 9

ORDER OF BUSINESS

The Order of Business at a committee meeting shall be determined by the Chairman of the Committee. It shall normally be as follows:

- Call to order and roll call
- Approval of minutes
- Director's Remarks (if any)
- Review of capital projects
- Other Business - For information only
- Adjournment

RULE 10

ADOPTION AND AMENDMENT OF THE RULES AND REGULATIONS

These rules and regulations shall be adopted and may be amended by a majority vote of the Committee members.

STATE OF ARIZONA

Joint Committee on Capital Review

1716 WEST ADAMS
PHOENIX, ARIZONA 85007

PHONE (602) 926-5491

FAX (602) 926-5416

http://www.azleg.gov/jlbc.htm

DATE: January 18, 2007

TO: Senator Bob Burns, Chairman
Members, Joint Committee on Capital Review

THRU: Richard Stavneak, Director

FROM: Leah Ruggieri, Fiscal Analyst

SUBJECT: Arizona State University – Review of Indirect Financing for Downtown Campus Student Housing Project

Request

The Higher Education Budget Reconciliation Bill (Laws 2006, Chapter 352) approved during the last legislative session includes a provision that requires the Arizona Board of Regents (ABOR) to receive Committee review for any projects using indirect debt financing. Arizona State University (ASU), on behalf of ABOR, requests Committee review of their proposal to enter into a lease or sub-lease agreement with Capstone Development to develop student housing for the ASU Downtown Phoenix Campus (DPC).

Summary

The highlights of the agreement with Capstone Development are as follows:

- Phases I and II of the student housing development would accommodate between 1,200 and 1,300 students. The project would have a total cost of $106 million and per-square-foot cost of $217.

- Capstone Development will construct subsequent phases of the development if they meet performance requirements specified in their agreement with ASU.

- Capstone Development will pay for the project. They will lease the land for the proposed site from the City of Phoenix for 30 years. Additionally, Capstone Development will issue $116.6 million in tax-exempt bonds to finance development construction costs, estimated to be paid off in 23 years with student housing fees. At the end of the lease or the period of bond indebtedness, whichever is sooner, ASU will become the owner of the land and the facilities.

- If Capstone Development does not obtain an occupancy rate of 99% in the first 4 years of the project, ASU would pay Capstone not more than $1.2 million in any year. ASU would receive reimbursement from Capstone for these payments from the project's future year profits.

- ASU requires a maximum rental price for student accommodations, though Capstone may raise the rent above this amount if significant cost increases occur.

(Continued)

Recommendation

The Committee has at least the following options:

1) A favorable review. Capstone Development would construct student housing at the DPC at no additional cost to the state, provided that 99% occupancy is achieved in the first 4 years of the project.

2) An unfavorable review. The Downtown Phoenix Campus facilities have not been approved by the full Legislature.

Under either option, the JLBC Staff additionally recommends that ASU submit for Committee review any subsequent phases beyond Phase II of the proposed development.

Analysis

Project Description and Justification

The DPC opened in FY 2007 and currently houses the College of Nursing and Healthcare Innovation, the College of Public Programs, and the University College. As of the fall 2006, approximately 2,800 (headcount) students were enrolled in one or more classes at the DPC. ASU projects by FY 2009, the headcount will increase to 7,500 with the addition of the Cronkite School of Journalism to the campus. Eventually, ASU will expand to a headcount 15,000 students.

To accommodate student housing needs in FY 2007 and FY 2008, ASU entered into an agreement with City Center, LLC, to lease the former Ramada Inn property (now named the Residential Commons) as a housing development for a maximum of 260 students. The investor group that owns the property has not committed this property to ASU beyond 2008. As the Residential Commons serves as a temporary housing development and does not offer sufficient space for future on-campus housing needs, ASU would enter into a lease or sub-lease with Capstone Development to construct permanent student housing at the DPC on a phased basis. Capstone Development is a private corporation that has developed 25,000 beds on colleges and university campuses across the country since 1994. In addition to meeting student demand, ASU is providing student housing to improve retention and graduation rates since students who live on-campus typically stay in college and graduate at a higher rate than students who live off-campus.

By FY 2009, ASU anticipates student demand for housing at the DPC will be somewhere between 750 to 800 students, or 10% of the anticipated enrollment and 50% of anticipated freshman and first-time student enrollment. These figures reflect current housing usage rates at the Tempe campus. When the College of Public Programs, the College of Nursing, University College and the Cronkite School of Journalism were located at the Tempe campus in FY 2006, 1,310 of students enrolled in the programs lived in on-campus housing. By FY 2009, most of the University College and all of the College of Public Programs and School of Journalism will be located downtown. ASU expects a particularly strong demand for student housing due to limited existing housing opportunities in the area and projected student demographics.

The proposed development is located on Taylor Street between First Street and Second Street. In the first phase, Capstone Development would construct a 193,000 square-foot student development with 700 to 750 beds that would target freshmen students. This development would be available for occupancy in August 2008. The second phase would include a 168,000 square-foot student development with an additional 500 to 550 beds oriented toward upperclassmen and planned for occupancy in August 2009. Both the first and second phase would provide housing for students only. Subsequent phases have not been definitively planned, but would accommodate freshmen through upperclassmen. If Capstone Development meets performance requirements specified in their agreement with ASU, they will finance and construct these subsequent phases. ASU plans to submit these phases to ABOR for review before they are implemented.

Lease or Sub-lease Agreement with Capstone Development

To meet housing demand at the DPC, ASU conducted a Request for Qualifications (RFQ) process to select a private developer to construct the student housing project. In a RFQ process, all entities interested in

(Continued)

contracting for a proposed project submit their qualifications for the contract award. An entity is then chosen based upon their relative qualifications, after which they develop a project cost estimate. This process is different from a Request for Proposal (RFP) process, in which entities submit project cost estimates up front and are selected based primarily upon price. ASU received 3 responses to their initial RFQ, of which they chose A&L Investments for the contract award. A&L Investments currently owns a portion of the site proposed for the student housing development. Because A&L Investments does not specialize in student housing development, they partnered with Capstone Development to construct the project.

Capstone Development is the lead partner in the development and the sole point of contact for ASU. According to their agreement with ASU, Capstone Development is responsible for the construction, financing, operation of the housing development, and any building renewal needs. ASU's role in turn is to 1) commit to not develop competing housing developments, 2) provide land for future phases of the project, 3) provide compensation to Capstone Development at pre-determined levels if the project fails to obtain 99% occupancy in the first 4 years, and 4) supply any needed academic support services in the housing development.

While A&L Investments owns a section of the site proposed for the housing development, the City of Phoenix owns the remaining portion of the site. As of the most current agreement among Capstone Development, the City of Phoenix and ASU, the A&L portion of the site would be gifted to the City, thereby consolidating the site and placing it completely under the City's ownership. Capstone Development would then establish a not-for-profit entity that would lease the site from the City at a nominal cost ($1 per year) for 30 years. Capstone Development is able to create this non-for-profit entity because the purpose of the housing project is to rent to university students. ASU expects that this arrangement with the City and Capstone will be finalized by late February.

To finance Phases I and II of the project, the not-for-profit entity would issue $106.3 million in tax exempt bonds. The interest paid would total $10.3 million, bringing the total cost of the bond issuance to $116.6 million. Capstone Development would finance their debt payments with revenue generated from student housing fees. If the housing development generates revenue above the bond debt payments, Capstone Development and A&L Investments would keep a portion of the revenue equivalent to a calculated fair market value return on their investment. Of this amount, Capstone Development would receive 80% and A&L Investments would receive 20%. Revenue received above the calculated return would be used to make additional payments above the required debt payments. ASU estimates that enough revenue will be generated from student housing fees to pay off the bonds in 23 years. At the end of the 30-year lease or Capstone Development's period of indebtedness, whichever is sooner, ASU would become the owner of both the land and the improvements.

The average total cost per-square-foot for Phases I and II would be $294 and the average total cost-per-bed would be $85,000. This project as a whole has a higher average cost-per-square foot and average cost-per-bed than the American Campus Communities (ACC) student housing project at the Tempe campus, favorably reviewed by the Committee in November 2006. For the ACC proposed housing project, the average total cost per-square-foot was $217 and the average total cost-per-bed was $64,800. These lower costs are likely due to economies of scale, as the ACC project would accommodate 3,500 students, whereas the Capstone Development would accommodate between 1,200 and 1,300 students.

If Capstone Development fails to obtain an occupancy rate of 99% during the 4 year period from fall 2008 to spring 2012, ASU would agree to directly lease from Capstone Development varying percentages of the student beds. The proposed schedule is:

- The last 15% of beds up to 99% in the first year of Phase I and Phase II;
- The last 10% of the beds up to 99% in the second and third year of Phase I and the second year of Phase II;
- The last 5% of the beds up to 99% in the fourth year of Phase I and the third year of Phase II;

(Continued)

ASU's maximum potential for required direct leasing in this arrangement is $775,000 in the first year, $1.2 million in the second year, $975,000 in the third year and $500,000 in the fourth year. ASU would finance these amounts with local non-appropriated funds. Capstone Development has indicated a need for these guarantees to mitigate the risk associated with opening housing at a new campus with no track record and the need to make debt payments for the project. In exchange for these guarantees, ASU would receive:

- Immediate ownership of land valued at $5.1 million;
- Ownership of the improvements of the land at the end of the project indebtedness;
- Naming rights to the facility;
- Reimbursement from Capstone of the amount expended by ASU for direct leasing if at one point housing revenue exceeds the amount necessary to make bond payments.

In their agreement, ASU requires a maximum rental price for student accommodations that is consistent with other new university housing. If Capstone Development exceeds this maximum price, ASU would not be required to directly lease from Capstone Development for vacant beds in the first 4 years of the project. Current discussions are for a maximum rate of $695 per month for a shared accommodation unit with a 10 month lease. Rent would escalate at a rate of 4% annually or a rate similar to Tempe housing rates, whichever is greater. The rent can be raised above these terms, however, if significant cost increases occur. The student's financial relationship will be strictly with Capstone Development.

A.R.S. § 15-1683 allows each state university to incur a projected annual debt service for bonds and certificates of participation of up to 8.00% of each institution's total projected annual expenditures. This calculation is known as the debt ratio. If ASU were to issue system revenue bonds to finance Phases I and II of the DPC housing development that Capstone Development has agreed to bond finance, the ASU debt ratio would increase from 5.4% to 6.0%.

<u>Indirect Debt Financing</u>

Laws 2006, Chapter 352 specifies that indirect debt financing occurs when ABOR or a state university enters into an agreement with a tax-exempt non-profit organization or a private developer in which the non-profit organization or private developer executes bonds or enters into lease or lease-purchase agreement for capital projects that meet at least one of the following 3 criteria: 1) are located on the property of a state university, 2) are intended to house university activity, or 3) are capital projects in which ABOR or a state university guarantee revenue to the developer or debt service payments on behalf of the non-profit or developer. ASU's proposed arrangement with Capstone Development qualifies as an indirect debt financing agreement as it grants Capstone Development a lease for a capital project that is intended to house university activity.

When a university enters into an indirect debt finance agreement for a capital project, the project does not appear in their balance sheets as an asset or a liability. Instead, the university would report these arrangements in their annual financial statements as "component units", which are defined as independent not-for-profit corporations that support the university in some capacity and to which the university has some financial responsibility.

RS/LR:ym

ARIZONA STATE UNIVERSITY

December 7, 2006

DEC 0 8 2006
JOINT BUDGET COMMITTEE

The Honorable Tom Boone, Chair
Joint Committee on Capital Review
1700 W. Washington
Phoenix, AZ 85007

Dear Representative Boone:

In accordance with ARS 15-1682.02, the Arizona Board of Regents requests that the following indirect debt financed project for ASU be placed on the next Joint Committee on Capital Review Agenda for review:

> Lease or sublease agreement with Capstone Developments, as a master developer for student housing for the ASU Downtown Phoenix campus

Enclosed is pertinent information relating to this project.

If you have any questions or desire any clarification on the enclosed material, please contact me at (480) 727-8307.

Sincerely,

Richard Stanley
Senior Vice President and University Planner

Enclosures

c: Lorenzo Martinez, Assistant Director, JCCR
Joel Sideman, Executive Director, Arizona Board of Regents
David Harris, Acting Assistant Executive Director for Capital Resources, Arizona Board of Regents
Kathy Bedard, Assistant Executive Director for Business and Finance, Arizona Board of Regents
Carol Campbell, Executive Vice President and CFO
Virgil Renzulli, Vice President for Public Affairs
Scott Cole, Deputy Executive Vice President, University Services
Steve Miller, Deputy Vice President, Public Affairs
Lisa Frace, Associate Vice President for Budget and Planning
Gerald Snyder, Associate Vice President for Finance and Treasurer
James Sliwicki, Director, Budget Planning and Management
Scott Smith, Director, State Relations
Anne Gazzaniga, Director, Planning Studies

OFFICE OF THE PRESIDENT
PO BOX 877705, TEMPE, AZ 85287-7705
(480) 965-8972 FAX: (480) 965-0865

ACTION ITEM:

Request for Authority to Enter into a Lease or Sub Lease agreement with Capstone Developments, as a Master Developer for Student Housing for the ASU Downtown Phoenix campus.

ISSUE:

Pursuant to ABOR Policy 7-207, Arizona State University (ASU) requests Board approval to negotiate and enter into a Lease or Sub Lease Agreement with Capstone Developments, for the development of student housing for the ASU Downtown Phoenix campus.

BACKGROUND:

Arizona State University at the Downtown Phoenix campus opened its inaugural year this Fall 2006. Phase I of the campus brought the Colleges of Nursing and Public Programs and University College to the Downtown campus. Projected enrollment for the first year is 2,500 to 3,000 students. By Fall semester 2008, and with the addition of the Cronkite School, the projected number increases to 7,500, and by the year 2014, it is expected that nearly 12,000 students will enroll. Over a longer time, the campus is expected to grow to its capacity of 15,000 students.

Following approval at the April 2006 ABOR meeting, the University entered into an agreement with City Center, LLC, to lease the Ramada Inn property for use as student housing in the 2006-07 and 2007-08 academic years. The Ramada Inn property has been renamed the Residential Commons and has the capacity to house up to 260 students. This provides the Downtown Phoenix campus with a temporary start-up program for student housing. However, Residential Commons is not intended or desirable as a permanent facility and will not be sufficient to meet the needs of the campus after the School of Journalism relocates from Tempe and as the enrollment in University College grows. Providing appropriately designed and managed student housing, particularly for freshmen, is an important component of ASU's efforts to improve retention and graduation rates since students who live on campus and are supported in their transition to college and its demands have substantially improved retention rates.

By Fall 2008, the University anticipates the need to accommodate 750 to 800 students at the Downtown Phoenix campus. This would represent about 10% of the anticipated overall enrollment at that time, and roughly 50% of the anticipated freshman and first-time student

CONTACT: Richard H. Stanley, Senior Vice President and University Planner
(480) 727-8348, richard.h.stanley@asu.edu

enrollment. This is generally in line with current usage rates of housing on the Tempe campus. Over time, ASU expects that the Downtown Phoenix campus will require 3000 to 4000 beds. On the Tempe campus, more than 1310 students from the College of Public Programs, the College of Nursing, University College, and the Cronkite School of Journalism lived in housing last year. With the move of these programs in Fall 2006 and the Cronkite School in Fall 2008 to the Downtown Phoenix campus, there is an anticipated enrollment of 7500 students including nearly 1200 freshmen. With the increase in student enrollment, limited appropriate market housing opportunities in Downtown Phoenix, and current student demographics (approximately 70% of the students enrolled at the Downtown Phoenix Campus are female) the University anticipates a strong demand for beds at the new student housing facility.

ASU has determined that, given its existing debt capacity, the priority of other academic facility needs, and the existence of a private market industry for student housing, it can best meet the housing needs of the Downtown Phoenix campus through a relationship with a private developer. ASU conducted an RFQ process to select a private developer who will be able to meet the phased needs of the planned growth of the residential student population in downtown Phoenix. After the selection process, one developer was chosen with which to negotiate, A&L Investments. A&L Investments brought forward a competitive team to meet the university's demands, including Capstone Development, a nationally recognized and respected company in the field of student housing. Since the time of the selection process, Capstone and A&L Investments have completed arrangements for Capstone Development ("the Developer") to become the lead partner and the sole point of ASU contact. A&L has assigned its rights under the selection RFP to Capstone. They have also taken on the options that A&L had on the required parcels of land and are working to assure that they are available for the project. A&L Investments retains a 20% share in the profits from the project.

The proposed development is on a site on Taylor Street between First Street and Second Street. See attached aerial graphic of the site. The site includes parcels controlled by the Developer (the unnumbered parcels) and City owned parcels (#10, #11, and #12 and small portions of parcels #4 and #9).

The University and the Developer intend to approach student housing on the Downtown Phoenix Campus on a phased basis The phased growth of student housing will allow the Developer and the University to work together to plan for appropriate student housing as the need materializes. The first phase is expected to be 700-750 beds oriented toward freshman and planned for occupancy in August, 2008. The second phase is expected to be 500-550 beds oriented towards upperclassmen and planned for occupancy in August 2009. Subsequent phases will include additional housing that will satisfy the spectrum of the student body from the freshmen through upperclassmen. Approval is not being sought for any subsequent phases and ASU will review later phases with ABOR before proceeding.

The housing will be constructed, financed, and operated entirely by the Developer. The University's involvement will be limited to providing assurances of not competing, land for future phases, and a limited financial exposure during the early stages of the project's life. The student's financial relationship will be with the Developer. The University will work with the Developer in providing certain academic support services in the project.

Land acquired by the Developer and land owned by the City of Phoenix are required for the first two phases. The Developer's land will be given to the University and the City's land will be leased to the University at nominal cost. The University proposes to lease the combined parcel to Capstone for a period of 30 years at nominal cost. At the end of the 30 years (or the period of indebtedness by Capstone if it is sooner), the land will revert to the University and the City, respectively. While it is the University lease to Capstone that requires ABOR approval, the entire relationship is being outlined as important context for that real estate transaction.

SUMMARY OF COSTS AND BUSINESS TERMS PROPOSED FOR THE LEASE:

Major Deal Points:

1. **Development and Disposition Agreement** – The project is to be administered by a Development and Disposition Agreement between the University and Capstone Development.

2. **Land Gift** –Capstone will "gift" to ASU three (3) lots owned on Taylor Street, between 1st and 2nd Streets.

3. **Land Lease** –The land required for the project will come from a combination of City land and land acquired by Capstone.

4. **Financing** – The financing structure proposed by Capstone would bond the entire cost of the project (phases I and II), including the land (which when A&L had been the owner of the option had previously been shown as an equity contribution in the pro-forma).

   The owner of the leasehold improvements is proposed as a not-for-profit (501c3) entity such as Collegiate Housing Foundation or a qualified 6320 entity. The total project cost, including financing, is currently anticipated in the finance model at $116,624,000, with $106,265,000 to bond for the total development cost for constructing Phases I and II (after interest earnings and a re-offering premium are deducted). This is structured as $68.7 million in Series A senior bonds and $37.6 million in subordinate Series B bonds. They would be issued as tax-exempt bonds.

The pro forma also shows a Series C bond issue. These are subordinate, cash flow bonds that would be privately placed with Capstone and its partners (such as A&L and potentially the City of Phoenix as compensation for city land). They are sized to provide a calculated fair market value return to Capstone. Surplus generated beyond that required for Series C payments would be held by a Trustee and invested to be used to repay the bonds in order of seniority in advance of the maturity dates. Rough calculation shows that if the pro forma results were achieved and the surplus funds are applied in that fashion, all three series would be fully paid during the 23rd year.

5. **Improvements** – Capstone will construct the residence hall without financial involvement of ASU. At the end of the lease term, all or a portion of the Improvements will be gifted to ASU for value received.

6. **Management** – Capstone will be responsible for the day-to-day operations of all aspects of the Project. ASU and Capstone will negotiate provisions for Student Life Activities.

7. **Maximum Exposure** – To the extent that an occupancy rate of 99% is not achieved during the academic year, in the four year period from Fall 2008 to Spring 2012 (or until the third phase project is open sooner than 2012), the University will agree to directly lease from Capstone a varying percentage of the last of the student beds during a 10 month rental period up to the projected occupancy rate of 99%. The schedule proposed are exposures limited to:

    - the last 15% of the beds up to 99% in the first year of Phase I and Phase II,
    - the last 10% of the beds up to 99% in the second and third year of Phase I and the second year of Phase II,
    - the last 5% of the beds up to 99% in the fourth year of Phase I and the third year of Phase II,
    - no further exposure after the fourth year of Phase I and the third year of Phase II.

    ASU's maximum potential of required direct leasing in this arrangement is approximately: $775,000 in year 1; $1,150,000 in year 2; $975,000 in year 3, $500,000 in year 4; and zero thereafter.

    The levels of exposure are a balance between the university's desire to avoid any exposure and the need for Capstone to obtain favorable financing terms. Capstone's issues leading to the need for guarantees are: (1) the need to mitigate the risk factors associated with opening housing on a new campus with no track record of housing or student enrollment; and (2) the need to achieve on the pro forma debt coverage ratios at the rental rates required by ASU. ASU would gain from Capstone the following financial benefits in exchange for the four years of guarantees (limited to about $3.4 million over four years):

- Immediate ownership of land valued at $5.1 million under the option price (the Woodward and Palandri parcels).
- Ownership of the improvements on the land at the end of the period of the projects indebtedness (about the 23rd year if the pro forma is met; 30th year at worst).
- Naming rights to the facility (granted by the not-for-profit to ASU) which provides a fund raising opportunity.
- Reimbursement by Capstone of any expended guarantee monies from project surplus as it becomes available.

With appropriate phasing of project size and cooperative efforts at marketing the value of on-campus housing to student success, the risks of the University incurring these additional costs will be low. ASU will assure that planning in the size and use of existing reserves within the overall auxiliary budget for residential life and within general reserves takes into account the need to have the ability to meet any additional costs that may be required. Housing rates in existing University-owned residence halls will not be impacted by this.

8. **Pricing** - The University will require that there be a maximum price set for the student accommodations at the project's opening. Should the maximum rental price not be achieved, the University will not be required to directly lease from Capstone. The maximum price at opening must not be out of line with other new University housing. Current discussions are for a rate not to exceed $695 per month for a shared accommodation unit with a ten month lease. The rental rate is intended to be fully inclusive of utilities including water, sewer, electricity, gas (if required), cable TV, and internet connectivity. Rent will escalate at the rate of 4% annually or equivalent to similar Tempe housing rates, whichever is greater.

9. **Non-compete** – The University will agree that it will not enter into any other student housing development agreements for the Downtown Campus, so long as the Capstone meets certain performance requirements, that will include rent escalations and other criteria associated with safety, amenities, staffing levels, and overall satisfaction.

10. **Continuation of Phasing**: Each subsequent phase, after Phase I and II, is contingent on satisfactory delivery of the previous phase (on-time and with anticipated price level) and a satisfactory operations report (behavior, safety, and price escalation). Subsequent phases require Board review.

11. **Resident Assistants** – The University will receive, at no cost, beds for a pre- determined number of Resident Assistants (RA) to provide academic support.

FISCAL IMPACT:

During the period between the agreement with Capstone to move forward (post-Regent approval) and the confirmation of the cost assumptions in the pro forma, Capstone will incur significant costs in land acquisition and design. Capstone has proposed the following protective terms; if the University determines to not move the School of Journalism to the campus, Capstone could claim reimbursement of all design and development costs expended. If there are material increases in the costs of the project beyond the level forecast in the pro forma, Capstone would expect the University to work cooperatively to examine modifications to the project to reduce costs to the planned level and would permit the required rent levels to be achieved, and if such reductions are not possible, to work cooperatively on defining new rent levels that would permit the project to proceed with the same University participation. (It should be noted that significant contingency has been built into the estimates in an effort to avoid such a scenario.) The University agrees that these are reasonable provisions. As last step, they seek assurance that the property they acquired reverts to their ownership and that the University will work with them on provisions regarding the City property such that they could proceed with a student housing project independent of ASU participation. Discussions are not yet complete on this aspect of the arrangement.

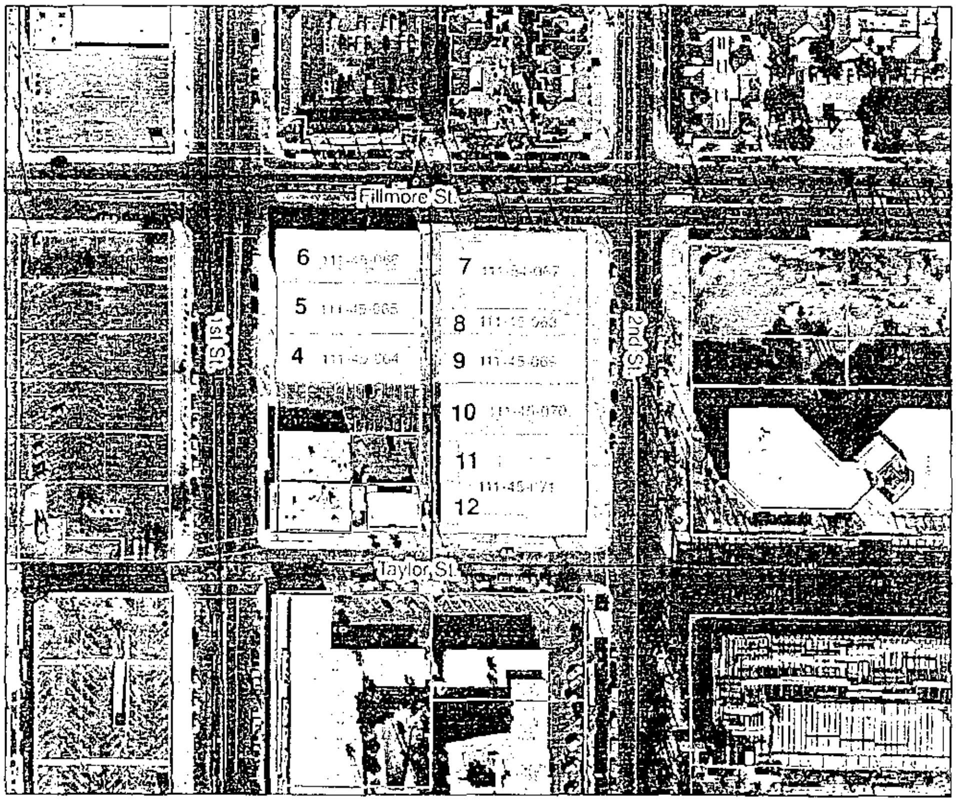
RECOMMENDATION:

RESOLVED: Arizona State University is hereby authorized to enter into a Lease or Sub-Lease with Capstone Developments concerning the development of Student Housing on the Downtown Phoenix campus according to the terms and conditions set forth in this executive summary, subject to approval by the ABOR Capital Committee and Board, and subject to review by Board counsel and University counsel of the final document.

RESOLVED FURTHER: That the President of the University or the Senior Vice President and University Planner shall take such actions as may be necessary and proper to negotiate and execute the Master Lease on behalf of ASU.

EXECUTIVE SUMMARY

Attachment



STATE OF ARIZONA

Joint Committee on Capital Review

1716 WEST ADAMS
PHOENIX, ARIZONA 85007

PHONE (602) 926-5491

FAX (602) 926-5416

http://www.azleg.gov/jlbc.htm

DATE: January 18, 2007

TO: Senator Bob Burns, Chairman
Members, Joint Committee on Capital Review

THRU: Richard Stavneak, Director

FROM: Amy Strauss, Fiscal Analyst

SUBJECT: Arizona State University – Review of FY 2007 Building Renewal Allocation Plan

Request

Laws 1986, Chapter 85 established the Joint Committee on Capital Review and charged it with developing a Building Renewal Formula to guide the Legislature in appropriating monies for the maintenance and repair of state buildings. A.R.S. § 41-1252 requires Committee review of expenditure plans for building renewal monies. Laws 2006, Chapter 345 distributed $20 million to the Arizona Board of Regents (ABOR) for building renewal. Of this amount, Arizona State University (ASU) received $6.5 million. ASU requests Committee review of the FY 2007 Building Renewal Allocation Plan.

Recommendation

The JLBC Staff recommends that the Committee give a favorable review of the request with the following provision:

- ASU report on any reallocation above $500,000 between the individual projects in the favorably reviewed Building Renewal Plan.

Analysis

Arizona's Building Renewal Formula takes into consideration a facility's age (adjusted to account for major renovations), replacement value, and expected life in determining a suitable appropriation level for repairs. The formula does not account for any maintenance deferred as a result of insufficient past funding. The FY 2007 Capital Outlay Bill (Laws 2006, Chapter 345) appropriated $20 million from the General Fund to ABOR, funding 29% of the building renewal formula. ABOR has since allocated $6.5 million of those monies to ASU for building renewal.

ASU has submitted for review the following projects, which total $6.5 million in building renewal allocations. The costs of these projects appear reasonable and consistent with guidelines for building renewal.

(Continued)

1. Fire Alarm and Sprinkler System Replacements
   The current fire alarm system no longer meets building codes at the Tempe and Polytechnic campuses. This replacement would bring the system up to code and will include the installation of new alarms and associated code requirements. This project is estimated to cost $970,000.

2. Sun Devil Stadium- North End Tunnel
   This project aims to correct structural damage, which has resulted from corrosion and rust at the north end of Sun Devil Stadium. This project is estimated to cost $800,000.

3. Roof Recoatings and Replacements
   This project replaces and repairs aging roofs in buildings on the Tempe and West campuses. This project is estimated to cost $1,813,000.

4. Life Science E-Wing Repair/Brick Veneer
   This project will repair and replace the brick veneer of the Life Science E-Wing. The bricks need to be replaced, after cracking has caused them to come away from the building. This project is estimated to cost $105,000.

5. Classroom Upgrades/Renovation
   This project renovates classrooms at the Tempe campus. These renovations include paint and patching, flooring, and asbestos abatement. This project is estimated to cost $1,000,000.

6. Memorial Union/Re-pipe Waste Lines
   Built in 1955, the current waste lines are the ones originally installed in the building. These lines are not up to building code and are failing. This project will replace those pipes and is estimated to cost $110,000.

7. Mona Plummer Aquatic Complex- Heat Exchanger
   This project will replace the pool heating system, which controls the Mona Plummer Complex. This is intended to improve water temperature requirements for swimming events. This project is estimated to cost $105,000.

8. Physical Science F-Wing- Electrical & Chilled Water Upgrades
   This project provides infrastructure upgrades required to perform laboratory renovations. This includes updating electrical and chilled water systems. This project is estimated to cost $575,000.

9. Building Exterior Painting and Re-Caulking
   This project focuses on cleaning, degreasing, repairing exterior cracks, resurfacing, re-caulking, and painting building exteriors on both the Tempe and West Campuses. This project is estimated to cost $657,900.

10. Lightning Infrastructure Replacement and Upgrades
    This project corrects inefficiencies in exterior lighting in various areas between buildings, along walkways, and streets at the Polytechnic campus. This is meant to address safety concerns associated with the lack of adequate lighting in pedestrian walkways. This project is estimated to cost $316,000.

The above projects total $6.5 million in building renewal funding. Final project costs may change, as they will not be finalized until the projects are bid.

RS/AS:ss

ASU
ARIZONA STATE UNIVERSITY

RECEIVED NOV 21 2006 JOINT BUDGET COMMITTEE

November 21, 2006

The Honorable Tom Boone, Chair
Joint Committee on Capital Review
1700 W. Washington
Phoenix, AZ 85007

Dear Representative Boone:

In accordance with ARS 41-1252 (A)(4), the Arizona Board of Regents requests that the attached list of building renewal projects for ASU be placed on the next Joint Committee on Capital review Agenda for review:

If you have any questions or desire any clarification on the enclosed material, please contact me at (480) 727-9920.

Sincerely,

Carol Campbell

Carol Campbell
Executive Vice President and CFO

Enclosures

c: Lorenzo Martinez, Assistant Director, JCCR
Joel Sideman, Executive Director, Arizona Board of Regents
David Harris, Acting Assist. Executive Director for Capital Resources, Arizona Board of Regents
Richard Stanley, Senior Vice President and University Planner
Virgil Renzulli, Vice President for Public Affairs
Scott Cole, Deputy Executive Vice President, University Services
Steve Miller, Deputy Vice President, Public Affairs
Lisa Frace, Associate Vice President for Budget and Planning
James Sliwicki, Director, Budget Planning and Management
Gerald Snyder, Associate Vice President for Finance and Treasurer
Scott Smith, Director, State Relations
Leah Ruggieri, Fiscal Analyst, JCCR

OFFICE OF THE EXECUTIVE VICE PRESIDENT AND CHIEF FINANCIAL OFFICER
Business and Finance
PO BOX 877505, TEMPE, AZ 85287-7505
(480) 727-9920 FAX: (480) 727-9922

JOINT COMMITTEE ON CAPITAL REVIEW
ARIZONA STATE UNIVERSITY
2006-2007 Building Renewal Funds Allocations Plan
December 2006

The Arizona Legislature has allocated $20,000,000 to the Arizona Board of Regents ($6,451,900 to ASU) for building renewal for 2006-2007. ASU's list of priorities for the allocation is shown below, as well as preliminary budget estimates for: roof repairs and replacements; structural repairs; exterior painting, caulking, and repairs; classroom upgrades; and facility infrastructure upgrades. Preliminary budgets are subject to change and will not be finalized until projects are bid.

BUILDING RENEWAL PROJECT	ESTIMATE
Fire Alarm and Sprinkler System Replacements	$970,000
This project will replace obsolete fire alarm and sprinkler parts that no longer meet building codes at the Tempe and Polytechnic campuses. This project will install new panels, alarms, strobes, pull stations, controls, horns, sprinkler heads and risers.	
Sun Devil Stadium - North End Tunnel	$800,000
This project will correct structural damage resulting from corrosion and rust at the north end of Sun Devil Stadium.	
Roof Recoatings and Replacements	$1,813,000
This project will replace and repair aging roofs in buildings on the Tempe and West campuses.	
Life Science E-Wing Repair/ Brick Veneer	$105,000
This project will repair and replace the brick veneer at Life Science E-Wing. Bricks are cracking, separating from the block, and breaking loose from the building.	
Classroom Upgrades/ Renovations	$1,000,000
This project will perform renovations to classrooms on the Tempe campus. Renovations will include paint and patching, flooring, and asbestos abatement.	
Memorial Union/ Re-pipe Waste Lines	$110,000
The Memorial Union was built in 1955. Waste lines in the building are original and have exceeded their useful life, are now not code compliant, and are failing. This project will replace aging waste lines.	
Mona Plummer Aquatic Complex - Heat Exchanger	$105,000
This project will replace the pool heating system and controls at the Mona Plummer Complex. The facility cannot currently maintain competitive pool temperature requirements for swimming events	
Physical Science F-Wing - Electrical & Chilled Water Upgrades	$575,000
This project will perform upgrades necessary to support lab renovations by updating electrical and chilled water systems. The project will allow the building to meet current technological demands.	
Building Exterior Painting and Re-Caulking	$657,900
This project will clean, degrease, repair exterior cracks, resurface, re-caulk, patch and paint building exteriors at the Tempe and West campuses.	
Lighting Infrastructure Replacement & Upgrades	$316,000
This project will correct long standing deficiencies in exterior lighting infrastructure in various areas between buildings, along pedestrian walkways and streets at the Polytechnic campus. This project will remedy pressing life safety issues documented in lighting surveys by police, student organizations and facilities management.	
Total Allocation:	**$6,451,900**

STATE OF ARIZONA

Joint Committee on Capital Review

1716 WEST ADAMS
PHOENIX, ARIZONA 85007

PHONE (602) 926-5491

FAX (602) 926-5416

http://www.azleg.gov/jlbc.htm

DATE: January 18, 2007

TO: Senator Bob Burns, Chairman
Members, Joint Committee on Capital Review

THRU: Richard Stavneak, Director

FROM: Leah Ruggieri, Fiscal Analyst

SUBJECT: Arizona State University – Review of Academic Renovations and Deferred Maintenance Phase IIB Bond Projects and Revised Scope and Cost for Instructional/Research Laboratory Renovations Phase II

Request

A.R.S. § 15-1683 requires Committee review of any university projects financed with system revenue bonds. Arizona State University (ASU), on behalf of the Arizona Board of Regents (ABOR), requests Committee review of Academic Renovations and Deferred Maintenance Phase IIB. ASU would finance this project with a total new revenue bond issuance of $10,000,000.

ASU is also submitting for Committee review revised scope and cost estimates for Instructional/Research Laboratory Renovations Phase II, a system revenue bond project first favorably reviewed by the Committee at its 2004 meeting. The total project cost for Instructional/Research Laboratory Renovations Phase II remains the same. Due to evolving academic program priorities, however, ASU seeks to cancel certain items, change the scope of others, and introduce new components associated with each project.

Recommendation

The JLBC Staff recommends that the Committee give a favorable review of Academic Renovations and Deferred Maintenance Phase IIB and the scope and cost revisions for Instructional/Research Laboratory Renovations Phase II with the following standard university financing provisions:

- ASU shall report to the Committee before expenditure of any allocations that exceed the greater of $500,000 or 10% of the reported contingency amount total for add alternates that do not expand the scope of the project.

- ASU shall submit for Committee review any allocations that exceed the greater of $500,000 or 10% of the reported contingency amount total for add alternates that expand the scope of the project. In case of an emergency, ASU may immediately report on the scope and estimated cost of the

(Continued)

emergency rather than submit the item for review. The JLBC Staff will inform the university if they do not agree with the change of scope as an emergency.

- A favorable review by the Committee does not constitute endorsement of General Fund appropriations to offset any auxiliary revenues that may be required for debt service, or any operations and maintenance costs when the project is complete. Auxiliary funds derive from substantially self-supporting university activities, including student housing.

- ASU shall not use bonding to finance any repairs whose typical life span is less than the bond repayment period. Such repairs include, but are not limited to new flooring and painting. The exceptions to this stipulation are circumstances where such repairs are required to complete a major renovation.

- ASU shall submit to the Committee an expenditure plan for the $4,030,000 unallocated to specific projects in Academic Renovations and Deferred Maintenance Phase IIB.

Analysis

Academic Renovations and Deferred Maintenance Phase IIB
The Academic Renovations and Deferred Maintenance Phase IIB is comprised of 3 renovation and deferred maintenance projects that total 54,800 square-feet, at an estimated total cost of $6 million. *Table 1* below lists estimated capital costs and renovation scopes for the 3 projects associated with Phase IIB. Of the $10 million budgeted for these projects, $750,000 would be used as a contingency fund and $4 million is unallocated to specific projects.

Table 1

ASU Renovations and Deferred Maintenance Phase IIB Costs and Scopes

Project	Request	Sq-Ft	Description
Classroom Renovations - Various Locations	$5,000,000	48,800	Backfill renovations to accommodate program needs, life safety improvements to bring the building into compliance with building and fire codes, restroom upgrades, 4 new classrooms, general building improvement, and cabling replacement.
Goldwater Chemistry/ Geology Labs	850,000	6,000	Renovation of existing lab space to accommodate research in chemistry and geological sciences, including upgrading HVAC, ductwork and electrical in the building, and adding fume hoods and supporting systems.
SESE/Chemistry - Keck Lab Upgrades	120,000	-	Upgrades to the existing all-plastic Keck Lab to address shortfalls in the existing lab ductwork and air intake.
Total - Allocated	**$5,970,000**	**54,800**	
Unallocated Total	**$4,030,000**		

ASU plans to issue system revenue bonds to be repaid over a 15-year period at an estimated interest rate of 5%. The anticipated date of the bond issuance is February 2007. Annual debt service would be approximately $963,400, paid from tuition collections and auxiliary revenues. The interest paid would total $4,451,000. ASU does not anticipate any additional operating and maintenance costs associated with this project.

(Continued)

A.R.S. § 15-1683 allows each state university to incur a projected annual debt service for bonds and certificates of participation of up to 8.00% of each institution's total projected annual expenditures. This calculation is known as the debt ratio. The $10 million of issued bonds would increase the ASU debt ratio from 5.4% to 5.46%.

When considering all 3 projects included in Phase IIB, the average total cost-per-square-foot would be $109 and the direct construction cost-per-square-foot would be $91.

Instructional/Research Laboratory Renovations Phase II

A.R.S. § 15-1683 requires Committee review of any university projects financed with system revenue bonds. The Committee first favorably reviewed Instructional/Research Laboratory Renovations Phase II at its September 2004 meeting and favorably reviewed subsequent scope revisions to the project at its July 2005 meeting. Almost all the components of Instructional/ Research Laboratory Renovations Phase II address laboratory upgrades to meet the needs of program growth and new faculty researchers.

Of the 19 components included in ASU's further revised plan, ASU now seeks to cancel 4 projects, modify the budgets and scopes of 10 projects, and add 3 new projects within the original project cost of $20 million.

Table 2 summarizes the updates cost and square footage of each proposed component for Instructional/Research Laboratory Renovations Phase II.

Table 2

ASU Instructional/Research Laboratory Renovations Phase II
Updated Costs and Square Footage

Project	July 2005 Review	Revised Request
Unchanged Projects		
Engineering Code Upgrades Phase II	$ 2,600,000	$ 2,600,000
East Field Lab Facility	988,300	988,300
Psychology 3rd Floor Renovations	853,000	853,000
Goldwater Computing Center	800,000	800,000
SCOB [FSE Geography Trade]	332,000	332,000
Life Science C-Wing	475,000	243,600
Modified Projects		
School of Human Evolution	2,000,000	1,654,200
Engineering A & B-Wing Labs	1,310,400	1,280,400
Physical Science D-wing	1,188,000	1,263,000
Engineering G-wing	1,200,000	1,259,000
Physical Science C-wing	1,175,000	1,075,000
Whitaker Design Center Studio	865,000	805,000
Electronic Door Lab Security	400,000	225,000
LS E-Wing Mass Spectrometry Labs	300,000	225,000
Physical Science B-Wing Renovations	250,000	125,000
Data Center Cooling Upgrades, Phase II	191,400	121,500
New Projects		
ISTB V Lab Renovations and Compliance	-	4,300,000
Whitaker Design/Resource Center Phase II	-	1,000,000
Engineering Research Center Upgrades Phase III	-	850,000
Cancelled Projects		
ISTB I CLAS Renovations	1,700,000	-
ISTB I Engineering Renovations	1,200,000	-
Goldwater WINtech Center	460,000	-
Kavazajian Renovations	150,000	-
TOTAL	**$18,438,100**	**$20,000,000**

(Continued)

The new total cost-per-square-foot for Phase II would be approximately $269 (originally $307) and the direct construction cost-per-square-foot would be $202 (originally $190). These estimates represent a direct construction cost-per-square-foot increase of around 6.3% and a total cost-per-square-foot decrease of (14.1)%.

Contracting Method

ASU would contract the Academic Renovations and Deferred Maintenance Phase IIB bond project and the revised Research/Laboratory Renovations Phase II using Construction Manager at Risk (CMAR). In CMAR, the university competitively selects a general contractor according to quality and experience. The general contractor manages a construction project, including the associated architect and other subcontractors, from design to completion. The general contractor chooses a qualified subcontractor for each trade based on qualifications alone or on a combination of qualifications and price. Because the construction projects in Phase IIB vary in size and scope, ASU will most likely need to hire more than 1 general contractor.

Additionally, CMAR defines a guaranteed maximum price, after which the general contractor must absorb almost all cost increases, except those caused by scope changes or unknown site conditions. Occasionally, in the case of substantial materials price inflation, a university will partially cover higher costs to maintain good contractor relations.

RS/LR:ym

ASU
ARIZONA STATE UNIVERSITY

December 21, 2006

DEC 2 1 2006

The Honorable Tom Boone, Chair
Joint Committee on Capital Review
1700 W. Washington
Phoenix, AZ 85007

Dear Representative Boone:

In accordance with ARS 15-1683, the Arizona Board of Regents requests that the following bond financed project for ASU be placed on the next Joint Committee on Capital Review Agenda for review:

Academic Renovations and Deferred Maintenance – Phase IIB

Enclosed is pertinent information relating to this project.

If you have any questions or desire any clarification on the enclosed material, please contact me at (480) 727-9920.

Sincerely,

Carol Campbell

Carol Campbell
Executive Vice President and CFO

Enclosures

C: Lorenzo Martinez, Assistant Director, JCCR
Joel Sideman, Executive Director, Arizona Board of Regents
David Harris, Acting Assist. Exec. Dir. for Capital Resources, Arizona Board of Regents
Kathy Bedard, Assist. Exec. Director for Business and Finance, Arizona Board of Regents
Richard Stanley, Senior Vice President and University Planner
Virgil Renzulli, Vice President for Public Affairs
Scott Cole, Deputy Executive Vice President, University Services
Steve Miller, Deputy Vice President, Public Affairs
Lisa Frace, Associate Vice President for Budget and Planning
James Sliwicki, Director, Budget Planning and Management
Gerald Snyder, Associate Vice President for Finance and Treasurer
Scott Smith, Director, State Relations
Leah Ruggieri, Fiscal Analyst, JCCR

OFFICE OF THE EXECUTIVE VICE PRESIDENT AND CHIEF FINANCIAL OFFICER
Business and Finance

PO BOX 877505, TEMPE, AZ 85287-7505
(480) 727-9920 FAX: (480) 727-9922

EXECUTIVE SUMMARY

PROJECT DESCRIPTION:

Academic Renovations and Deferred Maintenance Phase IIB will focus on renovation projects including:

1. **Nursing Building Backfill Renovation Project** - $5,000,000 estimated project cost. The Nursing program moved to the Downtown campus in fall 2006. This move subsequently created opportunities for the Tempe campus to accommodate new programs and expand existing programs. The scope of this project includes the backfill renovation of the existing 48,800 square foot Nursing Building to accommodate Office of Sustainability Initiatives (OSI) and the Global Institute of Sustainability (GIOS) program needs. Life safety improvements such as adding fire sprinklers, upgrading alarms, and other changes will bring the entire building into compliance with current building and fire codes. Restroom upgrades to bring the building up to current ADA standards are also included. Four new university classrooms will be added as well as upgrades to the ten existing classrooms in the building. General improvements such as patch, paint, and carpet will be completed throughout the Nursing building. The scope includes major renovations at the second floor and minor renovations on floors 1, 3, and 4. IT cabling replacement will also be made in selected areas.

2. **Goldwater Chemistry/Geology Labs** - $850,000 estimated project cost. This project will renovate approximately 6,000 square feet of existing lab space on the sixth floor of the Goldwater Building to accommodate research in chemistry and geological sciences. The renovations will include upgrading the HVAC, ductwork and electrical in the building, and adding fume hoods and supporting systems.

3. **SESE/Chemistry Keck Lab Upgrades** - $120,000 estimated project cost. Upgrades to the existing all-plastic Keck Lab are needed to address shortfalls in the existing lab ductwork and air intake in PS F Wing. This project includes: changing the existing stainless steel ductwork inside the existing acid lab; re-balancing the supply and exhaust system; recalibrating the control system; and certifying the existing hoods and relocation of the existing fresh-air intake.

PROPOSED SCHEDULE:

• Project Implementation Approval	January 2007
• Project Approval (Nursing Backfill Renovation Project)	March 2007
• Construction start	March 2007
• Completion	August 2007

EXECUTIVE SUMMARY

ACTION ITEM: ACADEMIC RENOVATIONS AND DEFERRED MAINTENANCE PHASE IIB, PROJECT IMPLEMENTATION APPROVAL, ARIZONA STATE UNIVERSITY.

ISSUE: ASU requests Project Implementation Approval for Academic Renovations and Deferred Maintenance Phase IIB.

PREVIOUS BOARD ACTION:

- 2005 Capital Development Plan (AR II) June 2004
- 2006 Capital Development Plan (AR IIA & IIB) February 2006

BACKGROUND:

As was noted in the Revised 2006 Capital Development Plan, submitted in February 2006, the $20 million Academic Renovations and Deferred Maintenance Phase II project has been split into two, $10 million projects: Phase IIA and Phase IIB.

ASU is still in the initial phases of a comprehensive plan for Academic Renovations and Deferred Maintenance Phase IIB. At this time, three projects have been identified in this bundle:

Project	**Estimated Project Cost**	
Nursing Building Backfill Renovation Project	$	5,000,000
Goldwater Chemistry/Geology Labs	$	850,000
SESE/Chemistry - Keck Lab Upgrades	$	120,000
Total Estimated Project Costs (as of Jan. 07)	$	5,970,000

ASU will seek ABOR approval for projects to be funded with the remaining $4,030,000 as soon as possible. The total project cost for Academic Renovations/Deferred Maintenance Phase IIB is not to exceed $10,000,000.

CONTACT: Richard H. Stanley, Senior Vice President and University Planner, (480) 727-8307; richard.h.stanley@asu.edu
Carol Campbell, Executive Vice President and Chief Financial Officer, (480) 727-9920; carol.n.campbell@asu.edu

FISCAL IMPACT AND FINANCING PLAN:

This project is included in the ASU 2007 Capital Development Plan, submitted in January 2007, which shows that ASU debt service on all outstanding debt would be 5.0 percent of the University's total projected expenditures (State law basis, max 8 percent) and 6.4 percent of the University's projected unrestricted expenditures (ABOR policy basis, max 10 percent). The debt service for this project is .06 percent ($6/100^{th}$ of 1%) of ASU total projected expenditures (State Law basis) and .07 percent ($7/100^{th}$ of 1%) of ASU total projected unrestricted expenditures (ABOR Policy basis).

PROJECT JUSTIFICATION:

The Academic Renovations and Deferred Maintenance Phase IIB project will directly benefit the academic mission of the university by providing updated and growth space for academic programs that will allow for better student/faculty interaction and learning experiences. With the moves of various departments to the Downtown campus, there is an opportunity to improve the facilities on the Tempe campus to meet the demands of our students and faculty. These projects afford ASU the opportunity to improve the academic experience of our students. In addition, the work will result in substantial renovations in classrooms and improved and updated space acquired for new faculty hires.

These projects will not only enhance the quality of the buildings with improved space for faculty and better classroom experience for students, but will also bring the university in compliance with code requirements for safety, and address ABOR directives to reduce deferred maintenance. Projects essential for life safety/code compliance and university strategic initiatives have been given top priority.

RECOMMENDATION:

That the Board grant Project Implementation Approval to Arizona State University for the Academic Renovations and Deferred Maintenance Phase IIB Project.

EXECUTIVE SUMMARY

Capital Project Information Summary

University: Arizona State University

Project Name: Academic Renovations and Deferred Maintenance Phase IIB

Project Description/Location:

This project will include the renovation of academic spaces and/or address deferred maintenance needs in various spaces.

Project Schedule (Beginning Month/Year):

Planning	September 2005
Design	December 2005
Construction	March 2007
Occupancy	August 2007

Project Budget:

Total Project Cost	$10,000,000
Direct Construction Cost	$ 7,500,000
Total Project Cost per GSF	$ 133
Construction Cost per GSF	$ 100
Change in Annual Oper. /Main. Cost	N/A
Utilities	N/A
Personnel	N/A
All Other Operating	N/A

Funding Sources:

Capital

A. Revenue Bonds	$10,000,000

(Funding source for Debt service: Tuition, Other Local Funds and Indirect Cost Recovery)

Operation/Maintenance

A. Not applicable	$ 0

EXECUTIVE SUMMARY

Capital Project Cost Estimate

University: Arizona State University **Project:** Academic Renovations & Deferred Maintenance Phase IIB

	Capital Development Plan	Project Implementation Approval	Project Approval
Capital Costs			
1. Land Acquisition	-	-	-
2. Construction Cost	-	-	-
A. New Construction	-	-	-
B. Renovation	$ 10,000,000	$ 7,500,000	-
C. Special Fixed Equipment	-	-	-
D. Site Development (excl. 2.E.)	-	-	-
E. Parking and Landscaping	-	-	-
F. Utilities Extensions	-	-	-
G. Other* (Environmental control)	-	-	-
H. Inflation Adjustment	-	-	-
Subtotal Construction Cost	$ 10,000,000	$ 7,500,000	$ -
3. Fees (% of Construction Cost)			
A. Construction Mgr	$ -	$ 150,000	-
B. Architect/Engineer	-	900,000	-
C. Other	-	41,000	-
Subtotal Consultant Fees	$ -	1,091,000	
4. FF&E Movable	-	150,000	
5. Contingency, Design Phase	$ -	$ 375,000	$ -
6. Contingency, Constr. Phase	-	375,000	-
7. Parking Reserve	-	-	-
8. Telecommunications Equipment	-	196,500	-
Subtotal Items 4-8	$ -	1,096,500	$ -
9. Additional University Costs			
A. Surveys and Tests	$ -	$ 5,000	$ -
B. Move-in Costs	-	5,000	-
C. Printing Advertisement	-	2,500	-
D. Keying, signage	-	35,000	-
E. Project Management Cost (2.07%)	-	207,000	-
F. State Risk Mgt. Ins. (.0034 **)	-	58,000	-
Subtotal Addl. Univ. Costs	$ -	312,500	
TOTAL CAPITAL COST	$ 10,000,000	$ 10,000,000	$ -

* Universities shall identify items included in this category

** State Risk Management Insurance factor is calculated on construction costs and consultant fees.

JOINT COMMITTEE ON CAPITAL REVIEW

ARIZONA STATE UNIVERSITY
PROJECT REVIEW
Academic Renovations & Deferred Maintenance Phase IIB
December 2006

ACADEMIC RENOVATIONS AND DEFERRED MAINTENANCE PHASE IIB

Academic Renovations and Deferred Maintenance Phase IIB is a $10 million, bond-financed project designed to directly benefit the academic mission of the university by providing updated and growth space for academic programs that will allow for better student/faculty interaction and learning experiences. With the moves of various departments to the Downtown Campus, there is an opportunity to improve facilities at ASU at the Tempe campus to meet the demands of students and faculty. These projects afford ASU the opportunity to improve the academic experience of our students. In addition, the work will result in substantial renovations in classrooms and improved and updated space acquired for new faculty hires.

These projects will not only enhance the quality of the buildings with improved space for faculty and better classroom experience for students, but will also bring the university in compliance with code requirements for safety, and address needs to reduce deferred maintenance. Projects essential for life safety/code compliance and university strategic initiatives have been given top priority.

If ASU is to continue to improve our space to meet growing enrollment and new technical requirements, there are very few alternatives to this project. The cost of repairing buildings versus demolishing the buildings and constructing new facilities is continually being evaluated on a case-by-case basis. Buildings are being selected for this project only when it is more feasible to repair and remodel than to demolish and replace the facilities.

ASU foresees including the following sub-projects in Academic Renovations and Deferred Maintenance Phase IIB:

1. **Nursing Backfill Renovation Project**

   - The estimated project cost is $5,000,000.
   - The scope of this project includes the backfill renovation of the existing 48,800 square foot Nursing Building to accommodate Office of Sustainability Initiatives (OSI) and the Global Institute of Sustainability (GIOS) program needs.
   - Life safety improvements such as adding fire sprinklers, upgrading alarms, and other changes will bring the entire building into compliance with current building and fire codes. Restroom upgrades to bring the building up to current ADA standards are also included.
   - Four new university classrooms will be added as well as upgrades to the ten existing classrooms in the building. General improvements such as patch, paint, and carpet will be completed throughout the Nursing building.
   - The scope includes major renovations at the second floor and minor renovations on floors 1, 3, and 4. IT cabling replacement will also be made in selected areas.

ARIZONA STATE UNIVERSITY
PROJECT REVIEW
Academic Renovations & Deferred Maintenance Phase IIB
December 2006

Project Cost Estimate

Estimated Total Cost	$	5,000,000
Direct construction cost	$	4,200,000
Total Contingency	$	390,000
FF&E	$	110,000
Parking & Landscaping	$	-
O&M Costs	$	-
Other	$	300,000
Total Cost per square foot	$	102
Direct Construction Cost per Square Foot	$	86

Proposed Schedule
- JCCR Review — December 2006
- Construction start — March 2007
- Completion — August 2007

2. **Goldwater Chemistry/Geology Labs**
   - The estimated project cost is $850,000.
   - This project will renovate approximately 6,000 square feet of existing lab space on the sixth floor of the Goldwater Building to accommodate research in chemistry and geological sciences. The renovations will include upgrading the HVAC, ductwork and electrical in the building, and adding fume hoods and supporting systems.
   - The renovations will include upgrading the HVAC, ductwork and electrical in the building, and adding fume hoods and supporting systems.

Project Cost Estimate

Estimated Total Cost	$	850,000
Direct construction cost	$	695,000
Total Contingency	$	70,000
FF&E	$	
Parking & Landscaping	$	-
O&M Costs	$	-
Other	$	85,000
Total Cost per square foot	$	142
Direct Construction Cost per Square Foot	$	116

Proposed Schedule
- JCCR Review — December 2006
- Construction start — February 2007
- Completion — January 2008

JOINT COMMITTEE ON CAPITAL REVIEW

ARIZONA STATE UNIVERSITY
PROJECT REVIEW
Academic Renovations & Deferred Maintenance Phase IIB
December 2006

3. **SESE/Chemistry - Keck Lab Upgrades**
   - The estimated project cost is $120,000.
   - Upgrades to the existing all-plastic Keck Lab are needed to address shortfalls in the existing lab ductwork and air intake in PS F Wing.
   - This project includes: changing the existing stainless steel ductwork inside the existing acid lab; re-balancing the supply and exhaust system; recalibrating the control system; and certifying the existing hoods and relocation of the existing fresh-air intake.

Project Cost Estimate

Estimated Project Cost	$	120,000
Direct construction cost	$	84,000
Total Contingency	$	27,600
FF&E	$	-
Parking & Landscaping	$	-
O&M Costs	$	-
Other	$	8,400
Total Cost per square foot	$	80
Direct Construction Cost per Square Foot	$	56

Proposed Schedule

- JCCR Review — December 2006
- Construction start — February 2007
- Completion — August 2007

JOINT COMMITTEE ON CAPITAL REVIEW

ARIZONA STATE UNIVERSITY
PROJECT REVIEW
Academic Renovations & Deferred Maintenance Phase IIB
December 2006

ACADEMIC AND OPERATIONS DISRUPTIONS AND MITIGATION PLAN

These projects will cause minimal if any disruption to the building occupants. Typically the space being renovated is unoccupied and any disruption is minimal. In some instances, work is completed either before the start of classes/workday, after hours or on weekends. In addition, building occupants are notified in advance of upcoming construction within the building. The university creates mitigation plans for each individual project and takes into account student, staff, and faulty needs as well as traffic flow to facilitate both education and administration

EXECUTIVE ORDER 2005-5 COMPLIANCE COSTS

JCCR also directed ASU to compare compliance costs of the Governor's Executive Order 2005-05, concerning energy efficiency and operating and other savings generated through those efficiencies. However, Executive Order 2005-05 applies only to new buildings, and the projects identified here focus on renovations to existing buildings, so the order does not apply to this project.

CONTRACTING METHOD

The contracting method for these projects is construction manager at risk or CMAR

ASU
ARIZONA STATE UNIVERSITY

RECEIVED
NOV 21 2006
JOINT BUDGET COMMITTEE

November 21, 2006

The Honorable Tom Boone, Chair
Joint Committee on Capital Review
1700 W. Washington
Phoenix, AZ 85007

Dear Representative Boone:

Enclosed is an update report for a previously reviewed project:

Instructional/Research Laboratory Renovations – Phase II

If you have any questions or desire any clarification on the enclosed material, please contact me at (480) 727-9920

Sincerely,

Carol Campbell

Carol Campbell
Executive Vice President and CFO

Enclosures

c: Lorenzo Martinez, Assistant Director, JCCR
Joel Sideman, Executive Director, Arizona Board of Regents
David Harris, Acting Assist. Executive Director for Capital Resources, Arizona Board of Regents
Richard Stanley, Senior Vice President and University Planner
Virgil Renzulli, Vice President for Public Affairs
Scott Cole, Deputy Executive Vice President, University Services
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Lisa Frace, Associate Vice President for Budget and Planning
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Scott Smith, Director, State Relations
Leah Ruggieri, Fiscal Analyst, JCCR

OFFICE OF THE EXECUTIVE VICE PRESIDENT AND CHIEF FINANCIAL OFFICER
Business and Finance
PO Box 877505, Tempe, AZ 85287-7505
(480) 727-9920 Fax: (480) 727-9922

JOINT COMMITTEE ON CAPITAL REVIEW
ARIZONA STATE UNIVERSITY PROJECT UPDATE
December 2006

INSTRUCTIONAL / RESEARCH LABORATORY RENOVATIONS PHASE II

Instructional / Research Laboratory Renovations Phase II (IR II) was first reviewed by JCCR in December 2003. ASU last updated the JCCR staff on this project in July 2006.

As sub-projects in IR II have been completed, eight of the projects have been completed under budget because of value engineering and other cost savings efforts. One project, Renovate Engineering Center G-Wing, 1st floor, has increased in scope and budget by $59,000: the cost increased from $1,200,000 to $1,259,000 to install fire protection and a new sprinkler riser in the construction area. A schedule on page four shows all changes since July 2006.

ASU has also identified three additional projects that fit the intent of the IR II project: 1) ISTB V (formerly Cancer Research Institute) Renovations and Infrastructure Code Compliance, 2) Whitaker Design / Resource Center Phase II, and 3) Engineering Research Center Upgrades - Phase III. These projects will allow the university to adapt facilities to the research requirements of incoming faculty. The projects will also upgrade research infrastructure, laboratories and building systems to maximize adaptable and flexible technologies. More detail on these projects is given below.

With the addition of these projects, and the changes noted above, the overall project cost of IR II has increased to $20,000,000. The three additional projects will use up the $3,709,960 of previously unallocated funds and increase the total project cost by $1,611,860.

New Sub-Projects

1. **ISTB V Lab Renovations and Compliance**

    - The project will renovate 10,600 gross square feet of research labs and office space on the second floor of the ISTB V Building (formerly Cancer Research Institute). The project will bring labs to current codes and "good lab practices" for conducting chemical research.

    - The renovation work will bring the laboratory space to modern standards and modify the labs to accommodate specific research for two new faculty members. The work will include new floors, ceilings, paint, bench-type fume hoods, a laser room and various other lab spaces, and will provide shell space for a future small clean room. This project will upgrade building mechanical and HVAC, including process cooling water, R/O water, compressed air and vacuum. It will also upgrade IT/datacom and some electrical infrastructure.

    - The estimated project cost is $4,300,000.

    - The proposed completion date for this project is June 2007.

ISTB V Lab Renovations and Compliance		
Total budget	$	4,300,000
Direct construction cost	$	3,180,000
Total Contingency	$	375,240
FF&E	$	116,430
Telecommunications Equipment	$	95,400
Parking & Landscaping	$	-
O&M Costs	$	-
Other fees (CM, A/E, Project Mgmt, State Risk Ins.)	$	532,930
Direct Construction Cost per Square Foot	$	300

2. Whitaker Design / Resource Center Phase II:

- The project will renovate areas on the second floor of SCOB (rooms 286, 287, 288, 289, 290, 291, 291A, 292, 294, and 295) to accommodate various resource labs and to facilitate construction of student projects.
- The project is approximately 6,000 square feet. The project may also include Rooms 264 and 274 and sub-rooms. These rooms would be minimally renovated to accommodate student lab space.
- The estimated project cost is $1,000,000.
- The proposed completion date for this project is August 2007.

Whitaker Design / Resource Center Phase II		
Total budget	$	1,000,000
Direct construction cost	$	710,000
Total Contingency	$	120,700
FF&E	$	28,050
Telecommunications Equipment	$	21,300
Parking & Landscaping	$	-
O&M Costs	$	-
Other fees (CM, A/E, Project Mgmt, State Risk Ins.)	$	119,950
Direct Construction Cost per Square Foot	$	118

3. Engineering Research Center Upgrades - Phase III

- This project is a continuation of ERC Upgrades Phases I and II to make the second and fourth floors fully wet lab compatible. The project will also address extension of building supplies and exhaust ventilation to new labs.
- This project will renovate ERC Labs 216, 220, 224, 466, 470 and 474.
- ERC will require extensive renovation of approximately 3,600 square feet.

- The estimated project cost is $850,000.

- The proposed completion date for this project is October 2007.

Engineering Research Center Upgrades - Phase III		
Total budget	$	850,000
Direct construction cost	$	630,000
Total Contingency	$	75,600
FF&E	$	19,965
Telecommunications Equipment	$	18,900
Parking & Landscaping	$	-
O&M Costs	$	-
Other fees (CM, A/E, Project Mgmt, State Risk Ins.)	$	105,535
Direct Construction Cost per Square Foot	$	175

CHANGES TO IR II SINCE JULY 2006

A schedule on the following page lists budget changes of IR II projects.

JOINT COMMITTEE ON CAPITAL REVIEW
ARIZONA STATE UNIVERSITY PROJECT UPDATE
December 2006

July 2006 Update		Dec 2006 Update		
Project	**Cost**	**Project**	**Status**	**Cost**
ASU Polytechnic Field Lab Facility	$ 988,300	ASU Polytechnic Field Lab Facility	No change	$ 988,300
Bio-Safety/Lab Security Phase II / Electronic Door Security (replace WEES)	250,000	**Bio-Safety/Lab Security Phase II / Electronic Door Security (replace WEES)**	**Budget decrease**	**225,000**
Goldwater Rooms 167,177	800,000	Goldwater Rooms 167,177	No change	800,000
Renovate Engineering Center G-wing, 1st floor	1,200,000	**Renovate Engineering Center G-wing, 1st floor**	**Scope & Budget increase**	**1,259,000**
Engineering Code Upgrades Phase II	2,600,000	Engineering Code Upgrades Phase II	No change	2,600,000
Renovate Life Science A- and C-wing	475,000	**Life Science C-wing Renovations**	**Budget/ scope decrease**	**243,625**
Renovate Physical Science C-wing C54, C58, C150, C154 and C158	1,175,000	**Renovate Physical Science C-wing C54, C58, C150, C154 and C158**	**Budget decrease**	**1,075,000**
Renovate Physical Science D-wing – rooms 324, 326, 328, 332, 334, 336	1,263,000	Renovate Physical Science D-wing – rooms 324, 326, 328, 332, 334, 336	No change	1,263,000
LS E-Wing Mass Spectrometry Labs	300,000	**LS E-Wing Mass Spectrometry Labs**	**Budget decrease**	**225,000**
School of Human Evolution	2,000,000	**School of Human Evolution**	**Budget decrease**	**1,654,235**
Psychology 3rd Floor Renovations	853,000	Psychology 3rd Floor Renovations	No change	853,000
Physical Science B-Wing Renovations	125,000	Physical Science B-Wing Renovations	No change	125,000
SCOB [FSE Geography Trade]**	332,000	SCOB [FSE Geography Trade]**	No change	332,000
SCOB Whitaker Design Center Studio**	865,000	**SCOB Whitaker Design Center Studio****	**Budget decrease**	**805,000**
Engineering A & B-Wing Labs	1,310,400	**Engineering A & B-Wing Labs**	**Budget decrease**	**1,280,400**
Data Center Cooling Upgrades	191,440	**Data Center Cooling Upgrades**	**Budget decrease**	**121,440**
		ISTB V Lab Renovations and Compliance	**New project**	**4,300,000**
		Whitaker Design / Resource Center Phase II	**New project**	**1,000,000**
		Engineering Research Center Upgrades - Phase III	**New project**	**850,000**
Total July 2006 Update	**$ 14,728,140**	**Total December 2006 Update**		**$ 20,000,000**

**Since these projects were adjacent, the work was combined into one project totaling $1,137,000.

JOINT COMMITTEE ON CAPITAL REVIEW
ARIZONA STATE UNIVERSITY PROJECT UPDATE
December 2006

ACADEMIC AND OPERATIONS DISRUPTIONS AND MITIGATION PLAN
These projects will cause minimal if any disruption to the building occupants. Typically the space being renovated is unoccupied and any disruption is minimal. In some instances, work is completed either before the start of classes/workday, after hours or on weekends. In addition, building occupants are notified in advance of upcoming construction within the building. The university creates mitigation plans for each individual project and takes into account student, staff, and faulty needs as well as traffic flow to facilitate both education and administration

EXECUTIVE ORDER 2005-5 COMPLIANCE COSTS
JCCR also directed ASU to compare compliance costs of the Governor's Executive Order 2005-05, concerning energy efficiency and operating and other savings generated through those efficiencies. However, Executive Order 2005-05 applies only to new buildings, and the projects identified here focus on renovations to existing buildings, so the order does not apply to this project.

CONTRACTING METHOD
The contracting method for these projects is construction manager at risk or CMAR

EXECUTIVE SUMMARY

ACTION ITEM:

Arizona State University, Instructional/Research Laboratory Renovations Phase II, Revised Project Approval.

ISSUE:

ASU requests Revised Project Approval and a budget increase for the Instructional/Research Laboratory Renovations Phase II project to allow the addition of three new sub-projects.

PREVIOUS BOARD ACTION:

• 2005 Capital Development Plan	June 2004
• Project Implementation Approval	August 2004
• Revised Project Implementation Approval	January 2005
• Revised Project Implementation Approval	August 2005
• Project Approval	September 2005

BACKGROUND:

Instructional / Research Laboratory Renovations Phase II (IR II) received Project Approval for $18,438,148 in September 2005. Since that time, ASU has continually updated the Board on the status of sub-projects in IR II through the Quarterly Status Report.

As was noted in the June 2006 Quarterly Status Report, there was $14,785,765 allocated with an unallocated amount of $3,652,383. Several projects which are now complete are below budget. The under-budget projects total $935,765.

ASU has now identified three additional projects: 1) ISTB V Renovations and Infrastructure Code Compliance, 2) Whitaker Design / Resource Center Phase II, and 3) Engineering Research Center Upgrades - Phase III. These projects fit the intent of the IR II project by allowing the university to adapt a facility for research requirements for new faculty. It will also upgrade research infrastructure, laboratories and building systems to maximize adaptable and flexible technologies.

CONTACT: Richard H. Stanley, Senior Vice President and University Planner, (480) 727-8307; richard.h.stanley@asu.edu
Carol Campbell, Executive Vice President and Chief Financial Officer, (480) 727-9920; carol.n.campbell@asu.edu

EXECUTIVE SUMMARY

PROJECT DESCRIPTIONS:

It is proposed that the following new projects be added to IR II:

1. **ISTB V Lab Renovation and Compliance:**

   The project will renovate 10,600 gross square feet of research labs and office space on the second floor of the ISTB V Building (formerly Cancer Research). The renovation work will bring the laboratory space to modern standards and modify the labs to accommodate specific research for two new faculty members. The work will include new floors, ceilings, paint, bench-type fume hoods, a laser room and various other lab spaces, and will provide shell space for a future small clean room. This project will upgrade building mechanical and HVAC, including process cooling water, R/O water, compressed air and vacuum. It will also upgrade IT/datacom and some electrical infrastructure. The project will bring labs to current codes and "good lab practices" while conducting chemical research. The estimated project cost is $4,300,000.

2. **Whitaker Design / Resource Center Phase II:**

   The project will renovate areas on the second floor of SCOB (rooms 286, 287, 288, 289, 290, 291, 291A, 292, 294, and 295) to accommodate various resource labs and to facilitate construction of student projects. The project is approximately 6,000 square feet. The project may also include Rooms 264 and 274 and sub-rooms to be renovated with minimal change to accommodate student lab space. The estimated project cost is $1,000,000.

3. **Engineering Research Center Upgrades - Phase III:**

   This project is a continuation of ERC Upgrades Phases I and II to make the second and fourth floors fully wet lab compatible. ERC will require extensive renovation of approximately 3,600 square feet at ERC Labs 216, 220, 224, 466, 470 and 474. The project will also address extension of building supplies and exhaust ventilation to new labs. The estimated project cost is $850,000.

The total cost of the projects in Instructional / Research Laboratory Renovations Phase II will not exceed $20,000,000.

The table on the following page identifies changes since the June 2006 Quarterly Status Report.

EXECUTIVE SUMMARY

Instructional/Research Lab Renovation Phase II	Previous Budget	Budget Reduction	Revised Current Budget/New Projects
ASU at Polytechnic campus Field Lab Facility	$ 988,300		$ 988,300
Bio-Safety/Lab Security Ph II/Electronic Door Security (replace WEES)	250,000	$ 25,000	225,000
Engineering A & B Wing Labs	1,310,400	30,000	1,280,400
Engineering Center G-Wing, 1st floor Renovations	1,259,000		1,259,000
Engineering Research Center Code Upgrades Ph II	2,600,000		2,600,000
Goldwater 167,177 - High Performance Computing Center	800,000		800,000
Goldwater 3rd Floor - WINTECH Center	-		-
Goldwater Data Center Cooling Upgrades	191,440	70,000	121,440
Human Evolution and Social Change	2,000,000	345,765	1,654,235
ISTB I CLAS Renovation	-		-
ISTB I Engineering Renovation	-		-
ISTB II Expansion Lab 145 (Kavazajian)	-		-
Life Science C-Wing Renovations	473,625	230,000	243,625
Life Science E-wing Mass Spectrometry Labs	300,000	75,000	225,000
Physical Sciences Center B-Wing Renovations	125,000		125,000
Physical Sciences Center C-wing Renovations (Yarger)	1,175,000	100,000	1,075,000
Physical Sciences Center D-Wing (Gust)	1,263,000		1,263,000
Psychology 3rd Floor Renovations	853,000		853,000
Whitaker Design Center/GIS Science	1,197,000	60,000	1,137,000
ISTB V Lab Renovations and Compliance			4,300,000
Whitaker Design / Resource Center Phase II			1,000,000
Engineering Research Center Upgrades - Phase III			850,000
Total	$ 14,785,765	$ 935,765	$ 20,000,000

EXECUTIVE SUMMARY

PROPOSED SCHEDULE:

• Project Implementation Approval	August 2004
• Revised Project Implementation Approval	January 2005
• Revised Project Implementation Approval	August 2005
• Project Approval	September 2005
• Construction Start	October 2005
• Revised Project Approval	November 2006
• Completion	August 2007

FISCAL IMPACT AND FINANCING PLAN:

This project was included in the ASU 2006 Capital Development Plan, submitted in June 2005, which shows that the ASU debt service on all outstanding debt would be 6.2 percent of the university's total projected expenditures (State law basis, max 8 percent) and 7.7 percent of the university's projected unrestricted expenditures (ABOR policy basis, max 10 percent). The debt service ($1.6M annual) for this project is .11 percent (11/100th of 1%) of ASU total projected expenditures (State Law basis) and .14 percent (14/100th of 1%) of ASU total projected unrestricted expenditures (ABOR Policy basis).

RECOMMENDATION:

That the Board grant Revised Project Approval to Arizona State University for the Instructional/Research Laboratory Renovations Phase II Project.

EXECUTIVE SUMMARY

Capital Project Information Summary

University: Arizona State University

Project Name: Instructional/Research Laboratory Renovations Phase II

Project Description/Location:

This project will include the renovation of various physical and life sciences labs.

Project Schedule (Beginning Month/Year):

Planning	May 2004
Design	August 2004
Construction	October 2005
Occupancy	August 2007

Project Budget:

Total Project Cost	$20,000,000
Direct Construction Cost	$14,700,000
Total Project Cost per GSF	$ 303
Construction Cost per GSF	$ 222
Change in Annual Oper. /Main. Cost	N/A
Utilities	N/A
Personnel	N/A
All Other Operating	N/A

Funding Sources:

Capital
A. Revenue Bonds $20,000,000
(Funding source for Debt service: Tuition, Indirect Cost Recovery and Other Local Funds)

Operation/Maintenance
A. General Fund $ 0

EXECUTIVE SUMMARY

Capital Project Budget Summary

University: Arizona State University

Project Name: Instructional/Research Laboratory Renovations Phase II

	Revised Project Implementation Approval	Project Approval	Revised Project Approval
Capital Costs			
1. Land Acquisition	-	-	-
2. Construction Cost	-	-	-
A. New Construction	-	-	-
B. Renovation	$ 12,904,000	$ 13,251,600	$ 13,950,000
C. Special Fixed Equipment	668,000	750,000	750,000
D. Site Development (excl. 2.E.)	-	-	-
E. Parking and Landscaping	-	-	-
F. Utilities Extensions	-	-	-
G. Other* (Environmental control)	-	-	-
H. Inflation Adjustment (2%/yr)	811,000	-	
Subtotal Construction Cost	$ 14,383,000	$ 14,001,600	$ 14,700,000
3. Fees (% of Construction Cost)			
A. Construction Mgr	$ 145,000	$ 210,000	$ 320,000
B. Architect/Engineer	1,725,000	1,684,000	1,682,000
C. Other	-	-	-
Subtotal Consultant Fees	$ 1,870,000	$ 1,894,000	$ 2,002,000
4. FF&E Movable	-	-	$ 1,548,000
5. Contingency, Design Phase	$ 719,000	$ 527,000	453,000
6. Contingency, Constr. Phase	859,000	1,403,500	453,000
7. Parking Reserve	-	-	-
8. Telecommunications Equipment	175,000	180,000	200,000
Subtotal Items 4-8	$ 1,753,000	$ 2,110,500	$ 2,654,000
9. Additional University Costs			
A. Surveys and Tests	$ 18,000	$ 18,000	$ 27,000
B. Move-in Costs	51,600	51,500	75,100
C. Printing Advertisement			-
D. Keying, signage	18,160	18,160	27,000
E. Project Management Cost (2.07%)	289,210	289,210	455,000
F. State Risk Mgt. Ins. (.0034) **	55,170	55,170	59,900
Subtotal Addl. Univ. Costs	432,140	432,040	644,000
TOTAL CAPITAL COST	$ 18,438,140	$ 18,438,140	$ 20,000,000

* Universities shall identify items included in this category

** State Risk Management Insurance factor is calculated on construction costs and consultant fees

STATE OF ARIZONA

Joint Committee on Capital Review

1716 WEST ADAMS
PHOENIX, ARIZONA 85007

PHONE (602) 926-5491

FAX (602) 926-5416

http://www.azleg.gov/jlbc.htm

DATE: January 18, 2007

TO: Senator Bob Burns, Chairman
Members, Joint Committee on Capital Review

THRU: Richard Stavneak, Director

FROM: Amy Strauss, Fiscal Analyst

SUBJECT: Maricopa Community College District - Review of General Obligation Bond Issuance

Request

Maricopa Community College District (MCCD) requests the Committee review its proposed $240 million General Obligation (GO) bond issuance. At its June 22, 2004 meeting, the Committee gave a favorable review to the entire $951.4 million bond proposal, with the stipulation that MCCD return for Committee review prior to each issuance. The Board request reflects the second issuance.

Recommendation

The Committee has the following options:

1) A favorable review, with the provision that MCCD report to the Committee on actual project costs of the second bond issuance when the district returns for review of its third issuance.

2) An unfavorable review.

Analysis

<u>Projects</u>

The board was authorized by a November 2, 2004 bond election to issue a total of $951.4 million in bonds. The first issuance of $190.3 million took place in 2005. All issuances will fund capital projects, as well as district wide initiatives. Currently, 2 projects have been completed. The Modular Classroom at Estrella Mountain and the Sun Lakes expansion at Chandler Gilbert. The rest of the projects are moderate to large in scale. Per *Attachment #1*, 15 of the 44 projects will be funded by both issuances. *Attachment #1* provides a summary of the projects MCCD anticipates covering under the $240 million issuance.

Due to inflation, project costs were revised upward from original projections. This resulted in district-wide reductions in project scopes, as well as delays on lower priority projects. Due to higher construction

(Continued)

costs, the bond issuance schedule was also altered, planning for the 4 remaining installments as follows: $240 million; $260 million; $210 million, and $51.1 million.

Of the total $240 million, $152.7 million would be allocated for capital projects, $17.7 million for district wide maintenance and regulatory compliance, $26.7 million for district wide occupation programs, and $42.9 million would be used to purchase and upgrade technology and equipment. Approximately 1,378,000 square feet are associated with these projects, including 337,700 in remodeled projects, and 1,040,300 in new square feet. *Attachment #1* lists the portion of bond funding by project, as well as total project cost. Total project costs were used to estimate a cost per square foot for these projects. The estimated average cost per square foot is $300, including $346 for new space and $160 for renovated space.

To complete its projects, MCCD plans to use a design-bid-build procurement process for some projects and to employ a construction manager at risk for others. The district will determine which method to use on a project by project basis. Further detail on all the MCCD projects is provided in the district's project description and construction method worksheet *(See Attachment #2)*

Attachment #3 provides a summary of the projects MCCD began under the $190.3 million issuance, many of which will be completed under the second issuance of $240 million. Construction projects totaled $85.5 million. The remaining $104.8 million is allocated as follows: $19 million for land acquisition, $20 million for district wide maintenance and regulatory compliance, $19.4 million for district wide occupation programs, and $46.4 million for purchase and upgrade of technology and equipment. Approximately 608,000 square feet is involved in these projects, including 100,000 in remodeled projects, and 508,000 in new square feet. For these projects, the average cost per square foot is $378, including $409 for new space and $219 for renovated space.

<u>Financing</u>

The $240 million issuance would have a 14-year payment term. The first annual payment for the $240 million issuance is $23.8 million. Combined with prior obligations, the district's total debt service in FY 2008 would be $72.2 million.

To make the debt service payments associated with the $951million in bonding authority approved in the 2004 election, the new $240 million issuance, the district estimates increasing the secondary property tax rate by an average of 14¢. This would annually result in approximately $14 in additional taxes for every $100,000 of house value. To determine the level of tax rates necessary to make the debt service payments associated with all issuances, the district has assumed annual Secondary NAV growth of between 3% to 5% over the next five years, and 1.7% in the following years. Since the actual tax rate for each year is calculated based on actual Secondary NAV, the actual tax rates required to fund the debt service payments will depend on future NAV growth. Over the past 10 years secondary NAV in Maricopa has grown by an average of 9%. The district, therefore, is likely underestimating secondary NAV growth, which could result in lower secondary property tax rate increases if Secondary NAV is above the rates used in the estimates. Total outstanding debt for the district at the end of FY 2006 was $392.7 million, including $369.3 million in principal from GO bonds and $23.4 million from revenue bonds. The Constitution limits the amount of outstanding GO debt the district the district may incur to 15% of the district's total Secondary Net Assessed Valuation (NAV). In FY 2006 the district's outstanding GO debt was equal to approximately 1.2% of its Secondary NAV. The FY 2007 planned issuance of $240 million would increase that amount to approximately 1.7%.

Attachment #1

$240 M BOND PROJECTS

Project	Portion Funded from $190.3 M Bond	Portion Funded from $240 M Bond	Total Project Cost [1/]
Chandler-Gilbert			
WEC - General Classroom Building	$7,710,000	$885,300	18,250,000
New IT Complex	--	599,000	8,820,000
New Classroom Complex- General Studies	--	2,578,200	10,843,000
WEC Expand General Studies Building	--	147,400	2,520,000
Estrella Mountain			
New Occupational Programs Facilities	591,900	8,508,900	12,080,000
Expand Central Plant Building	--	2,156,000	2,400,000
Gateway			
New Student Service Building	--	512,700	13,590,000
New Instructional Building	--	2,535,000	19,210,000
Expand Maricopa Skill Center	--	1,551,000	15,000,000
Remodel Maricopa Skill Center*	--	75,500	5,000,000
Downtown Phoenix Education Center	900,000	12,361,900	15,000,000
Glendale			
New Instructional Building	10,162,000	12,233,500	23,780,000
GCC North Expansion	10,546,600	12,662,000	24,641,600
New Classrooms- Applied Technology Programs*	--	466,400	8,830,000
Renovate T-1 Building*	--	233,900	4,470,000
Renovate Business & IT Building Classrooms*	--	105,800	2,110,000
Mesa			
New Math/Science building	16,303,000	3,905,000	20,650,000
New Communications/Humanities Instructional Building	--	582,400	10,290,000
Remodel Physical Science Building*	89,000	2,785,700	3,190,000
Renovate Liberal Arts, English & Foreign Language*	--	79,000	3,150,000
Red Mountain Expansion	--	970,200	20,000,000
Downtown Mesa Education Center	959,000	8,121,800	10,000,000
Paradise Valley			
New classroom building	1,422,600	12,331,700	15,150,000
New Classroom & Life Science Lab Building	--	543,900	10,812,000
Remodel Existing Life Science Area*	--	88,500	1,340,000
Phoenix			
Expand Hannelly Student Center	--	2,932,800	7,990,000
Remodel Hannelly Student Center*	--	1,677,100	5,690,000
Remodel/Upgrade C Science Building*	--	126,800	10,080,000
New Fine Arts Building & Maintenance Complex	1,082,000	9,163,400	11,282,500
Rio Salado			
New Administrative building	5,793,500	16,537,000	24,202,000
Remodel Vacated Administration Space*	--	1,069,100	2,398,000
New Education Center- Avondale	30,400	2,901,300	3,260,000
New Education Center- Northeast	--	3,593,300	4,000,000
New 7th Avenue Facility	--	4,462,900	10,000,000
Scottsdale			
New Physical & Life Sci building*	2,101,800	14,516,200	18,261,000
New Student Center	--	2,608,400	8,850,000
New General Purpose Classroom Building	--	1,627,000	5,500,000
South Mountain			
New Library/Learning Resource Center	--	2,705,700	15,970,000
Expand Central Plant Building	15,700	996,500	1,125,000
Ahwatukee Education Center	3,115,200	794,800	4,000,000
District-Wide			
Major maintenance & security	--	13,775,800	--
Regulatory compliance & energy & water conservation	--	3,846,500	--
Technology	--	42,936,400	--
Occupational programs	--	26,708,300	--
TOTAL	**$60,792,300**	**$240,000,000**	**$413,735,100**
New Space	59,827,550	139,976,783	359,868,350
Remodeled Space	964,750	12,756,217	53,866,750

1/ Funding to complete most projects will come from future bond issuances.
* Indicates remodeled space

Attachment #2

Maricopa Community Colleges
Project Description and Construction Method

College & Project Description	Original 2004 Size & Budget	Revised Size & Budget	Notes
PROJECTS FINISHED			
EMCC Ocotillo Modular Classrooms			This is a classroom building
Size in gross square feet	30,000	32,984	Design-build method; substantial completion 1/06
Total budget in dollars	$2,000,000	$5,927,000	Funded from first issue
CGCC Sun Lakes Expansion			This is primarily classrooms
Size in gsf	6,000	6,300	Construction Management at Risk (CMAR) method
Total budget	$2,000,000	$1,965,611	Substantial completion 10/06
			Funded from first issue
PROJECTS IN CONSTRUCTION			
GCC Student Union Remodel			This is for student services including meeting spaces
Size in gsf	23,000	29,000	CMAR; substantial completion 5/07
Total budget	$3,350,000	$4,261,805	Funded from both first & second issues
RSC Sun Cities Expansion, Remodel			This is primarily classrooms
Size in gsf; new and remodel	9,500 & 4,500	9,531 & 4,959	Design-bid-build; completion new 6/07; remodel 10/07
Total budget	$2.96M & $161K	$2,777,000	Funded from both first and second issues
EMCC Montezuma Sci Labs Remodel			Includes science labs and support spaces
Size in gsf	8,000	20,100	CMAR; substantial completion Phase I 1/07; Phase II 5/07
Total budget	$2,400,000	$6,667,000	Funded from both first and second issues
PROJECTS IN DESIGN			
GCC North Permanent Phase 1			This includes classrooms, labs, student & admin services
Size in gsf	87,000	67,000	CMAR; substantial completion 3/08
Total budget	$23,000,000	$24,641,633	Funded from both first and second issues
CGCC Williams Classrooms, Nursing educ, Central Plant			This is classrooms, labs, & central plant work
Size in gsf	3 ea = 29,400	20,525	CMAR; substantial completion 10/07
Total budget	$13,100,000	$10,843,000	Funded from both first and second issues
GCC Life Sci Bldg			Includes life science labs and support spaces
Size in gsf	73,000	61,887	CMAR; substantial completion 9/08
Total budget	$24,000,000	$23,780,000	Funded from both first and second issues
MCC New S.W. Science Bldg			Includes science classrooms, labs & support spaces
Size in gsf	31,000	56,355	CMAR; substantial completion 9/08
Total budget	$12,430,000	$20,650,000	Funded from both first and second issues
PC Fine Arts Bldg & Maint Complex			Art studios & classrooms; new maintenance complex
Size in gsf	33,000	28,000 & 8,500	CMAR; substantial completion 12/08
Total budget	$9,540,000	$11,282,500	Funded from both first and second issues
			and potentially the third issue
SMCC Guadalupe Ctr Expansion			Includes classrooms and student services
Size in gsf	6,000	5,000	design-bid-build; completion 1/08
Total budget	$1,580,000	$1,864,000	Funded from first and second issue
SCC New Phys & Remodel Life Sci Labs			Includes classrooms, labs and support spaces
Size in gsf, New Phys Science bldg	50,000	35,000	CMAR; completion new work 1/09; remodeling 11/09
remodeled Life Sci space, gsf		22,500	
Total budget	$16,470,000	$18,261,000	Funded from first, second, and third issues

PROJECTS READY FOR PROJECT INITIATION or APPROVAL

RSC Avondale Remote Testing, Srvcs			Includes testing rooms, student services
Size in gsf	7,000	12,000	Design-build; completion 10/07
Total budget	$2,000,000	$3,260,000	Funded from first and second issue
PVCC New Life Science Lab Bldg			Includes classrooms, labs and support spaces
Size in gsf	29,000	34,000	CMAR; completion 3/09
Total budget	$11,700,000	$10,812,000	Funded from second issue

PROJECTS WITH ED SPECS DUE TO START IN NEXT 6 to 12 MONTHS

CGCC Classroom Bldg			This is a classroom building
Size in gsf	51,000	51,000	CMAR likely; completion 8/09
Total budget	$18,250,000	$18,250,000	Funded from second issue & third issue
SCC Gen'l Purpose Classroom Bldg			This is a classroom building
Size in gsf	30,000	21,000	CMAR likely; construction start 2/08
Total budget	$7,720,000	$5,500,000	Funded from second issue & third issue
EMCC Occupational Programs Bldg			Includes classrooms & labs for occupational classes
Size in gsf	21,700	21,700	CMAR likely; construction start 2/08
Total budget	$12,080,000	$12,080,000	Funded from second issue & third issue
MCC Red Mountain Classroom Bldg			This is a classroom building
Size in gsf	55,000	No Change	CMAR likely; construction start 5/08
Total budget	$20,000,000	NC	Funded from second issue & third issue
GWCC Student Services Bldg			Includes spaces for student services
Size in gsf	41,000	NC	CMAR likely; construction start 5/08
Total budget	$13,590,000	NC	Funded from second issue & third issue
Maricopa Skill Center Expansion			Includes classrooms & labs for occupational classes
Size in gsf, new space	42,000	NC	CMAR likely; construction start 7/08
remodeled space in sf	53,000	NC	Funded from second issue & third issue
Total budget	$20,000,000	NC	
GCC Applied Technology Bldg			Classrooms for EMT, fire, & police training, etc
Size in gsf	31,000	NC	CMAR likely; construction start 7/08
Total budget	$8,830,000	NC	Funded from second issue & third issue
MCC Commo/Humanities Bldg			Classroom building
Size in gsf	37,000	NC	CMAR likely; construction start 6/08
Total budget	$10,290,000	NC	Funded from second issue & third issue
RSC N.E. Testing Center			Space primarily for testing and student services
Size in gsf	7000	NC	Method unknown; construction start 5/08
Total budget	$2,000,000	NC	Funded from second issue & third issue
GCC Business Bldg Remodel			Classroom building
Size in gsf	17,000	NC	CMAR likely; construction start 8/08
Total budget	$2,110,000	NC	Funded from second issue & third issue
EMCC Estrella Hall Expansion			Space for classrooms, computer commons, admin support
Size in gsf, New space	90,500	NC	CMAR likely; construction start 8/09
remodeled space in sf	15,000	NC	
Total budget	$37,115,000	NC	Funded from second issue & third issue

Notes
1. Size (gross sq ft) & budget numbers ($) in the second column were those in the 2003 planning documents for the 2004 bond initiative
2. Numbers in the third column, when listed, include current revisions made after the 2004 bond approval
3. Total budget includes the building, sitework & utilities, consultant fees, furnishings, and contingencies
4. CMAR means construction manager at risk

Attachment #3

$190.3 M BOND PROJECTS

Project	Portion Funded from $190.3 M Bond	Total Cost
Chandler-Gilbert		
WEC - General Classroom Building*	$ 7,710,000	18,250,000
Expand Sun Lakes Center	1,965,000	1,965,000
Estrella Mountain		
Modular Classroom Buildings	5,927,000	5,927,000
Remodel Space Montezuma Hall	6,667,000	6,667,000
Remodel Space SWSC	200,000	200,000
New Occupational Programs Facilities*	591,900	12,080,000
Gateway		
Downtown education center*	900,000	15,000,000
Glendale		
New building for Life Sci, Biotech, Nursing, & Psych programs*	10,162,000	23,780,000
Renovate student union	4,261,800	4,261,800
Expand Glendale CC North*	10,546,600	24,641,633
Mesa		
New Math/Science building*	16,303,000	20,650,000
Remodel Physical Science building*	89,000	3,190,000
Downtown Mesa Education Center*	959,000	10,000,000
Paradise Valley		
New classroom building*	1,422,600	15,150,000
Joint Venture/YMCA	1,000,000	1,000,000
Phoenix		
New Fine Arts building*	1,082,000	11,282,500
Rio Salado		
New administrative building*	5,793,500	24,202,000
New education center- Avondale*	30,400	3,260,000
Expand Rio Sun Cities	2,777,000	2,777,000
Scottsdale		
New Physical & Life Sci building*	2,101,800	18,261,000
South Mountain		
Expand central plant offices and receiving*	15,700	1,125,000
Expand Guadalupe Learning Center	1,864,000	1,864,000
Ahwatukee Education Center*	3,115,200	4,000,000
District-Wide		
Major maintenance & security	14,696,900	--
Regulatory compliance & energy & water conservation	5,295,600	--
Technology	46,369,200	--
Occupational programs	19,423,200	--
Land	19,000,000	--
TOTAL	**$ 190,269,400**	**$229,533,933**
Total	85,484,500	
New Space	73,390,950	207,606,383
Remodeled Space	12,093,550	21,927,550

* Indicates projects that are funded with proceeds from both the first $190.3 million, and second $240

MARICOPA
COMMUNITY
COLLEGES

www.maricopa.edu

EXECUTIVE OFFICES

RUFUS GLASPER
CHANCELLOR

2411 West 14th Street
Tempe, AZ
85281-6942

Telephone
480.731.8100

Fax
480.731.8120

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JAN 04 2007
JOINT BUDGET COMMITTEE

December 15, 2006
The Honorable Robert Burns, Chair
Joint Committee on Capital Review
1700 West Washington
Phoenix, Arizona 85007

Re: Request for Placement on Joint Committee on Capital Review Agenda for January or February 2007

Dear Senator Burns:

The Maricopa County Community College District respectfully requests placement on the January or February 2007 agenda of the Joint Committee on Capital Review (JCCR). The District is preparing its second General Obligation bond issuance pursuant to the passage of a voter referendum in November 2004. This bond sale is scheduled to close in early April 2007. To complete the sale in this time frame, JCCR review is requested in January or February.

We are preparing detailed information for review and will be submitting this in the near future.

Thank you for your consideration.

Sincerely,

Rufus Glasper

Rufus Glasper, Ph.D, CPA
Chancellor

Cc: Hon. Russell K. Pearce
Richard Stavneak, JLBC
Jake Corey, JLBC
Amy Strauss, JLBC
James Apperson, OSPB
Kurt Freund, RBC Dain Rauscher
Nicholas Dodd, RBC, Dain Rauscher
Debra Thompson, Maricopa Community Colleges
Matt Ortega, Maricopa Community Colleges
Page Gonzales, Maricopa Community Colleges

MARICOPA COUNTY COMMUNITY COLLEGE DISTRICT
GENERAL OBLIGATION BOND PROGRAM - ELECTION OF 2004

Fiscal Year	Secondary Assessed Value	SAV Growth Factor	Existing GO Bond Debt Service	Projected Tax Rate	2004 General Obligation Bond Election Series 2005 [1]	Series 2007 [2]	Series 2009 [3]	Series 2011 [3]	Series 2013 [3]	Total Debt Service	Projected Tax Rate 2004 Bond Program	Voter Pamphlet Projected Tax Rate	Difference in Projected Tax Rate
2005	$30,609,143,046	-	$35,551,800	$0.1161									
2006	33,197,218,398	-	30,017,413	0.0904	$16,401,590	-	-	-	-	$16,401,590	$0.0494	0.0655	(0.0161)
2007	36,294,693,601	-	30,425,663	0.0838	36,942,375	-	-	-	-	36,942,375	0.1018	0.1188	(0.0170)
2008	37,746,481,345	4.000%	29,380,975	0.0778	19,042,375	$23,750,000	-	-	-	42,792,375	0.1134	0.1142	(0.0008)
2009	39,256,340,599	4.000%	30,289,825	0.0772	16,127,375	46,948,750	-	-	-	63,076,125	0.1607	0.1620	(0.0013)
2010	40,473,287,157	3.100%	31,720,081	0.0784	16,023,375	21,738,750	$25,510,000	-	-	63,272,125	0.1563	0.1571	(0.0008)
2011	41,150,809,984	1.674%	33,964,650	0.0825	15,931,775	21,395,000	46,380,075	-	-	83,706,850	0.2034	0.2043	(0.0008)
2012	41,839,674,544	1.674%	33,469,700	0.0800	15,856,575	19,039,375	25,512,575	$22,915,000	-	83,323,525	0.1991	0.2009	(0.0017)
2013	42,540,070,695	1.674%	14,743,325	0.0347	15,801,575	22,016,875	25,509,475	22,910,100	-	86,238,025	0.2027	0.2457	(0.0430)
2014	43,252,191,479	1.674%	10,555,025	0.0244	15,755,375	22,018,125	25,510,950	22,910,700	$5,576,750	91,771,900	0.2122	0.2417	(0.0295)
2015	43,976,233,164	1.674%	11,243,925	0.0256	15,716,975	22,016,600	25,509,525	22,912,600	5,575,700	91,731,400	0.2086	0.2377	(0.0291)
2016	44,712,395,307	1.674%			15,695,375	22,015,875	25,513,000	22,913,400	5,573,800	91,711,450	0.2051	0.2338	(0.0287)
2017	45,460,880,805	1.674%			15,662,575	22,019,288	25,508,625	22,910,700	5,572,600	91,673,788	0.2017	0.2299	(0.0283)
2018	46,221,895,950	1.674%			15,626,288	22,014,938	25,509,200	22,912,100	5,576,500	91,639,025	0.1983	0.2261	(0.0279)
2019	46,995,650,488	1.674%			15,596,625	22,016,400	25,511,700	22,914,600	5,574,600	91,613,925	0.1949	0.2224	(0.0275)
2020	47,782,357,677	1.674%			-	22,016,538	25,513,100	22,915,200	5,571,600	76,016,438	0.1591	0.1714	(0.0123)
2021	48,582,234,344	1.674%			-	22,018,450	25,510,375	22,910,900	5,571,900	76,011,625	0.1565	0.1686	(0.0121)
2022	49,395,500,947	1.674%			-	-	25,510,500	22,913,700	5,574,600	53,998,800	0.1093	0.1243	(0.0150)
2023	50,222,381,633	1.674%			-	-	25,509,900	22,914,700	5,573,800	53,998,400	0.1075	0.1223	(0.0148)
2024	51,063,104,302	1.674%			-	-	-	22,910,300	5,573,900	28,484,200	0.0558	0.0802	(0.0244)
2025	51,917,900,668	1.674%			-	-	-	22,911,900	5,574,000	28,485,900	0.0549	0.0789	(0.0240)
2026	52,787,006,325	1.674%			-	-	-	-	5,573,200	5,573,200	0.0106	0.0388	(0.0282)
2027	53,670,660,811	1.674%			-	-	-	-	5,575,600	5,575,600	0.0104	0.0381	(0.0278)
Total			**$291,362,381**		**$246,180,228**	**$331,024,963**	**$378,019,000**	**$320,775,900**	**$78,038,550**	**$1,354,038,640**			
										Average Tax Rate	**$0.1396**	**$0.1583**	

(1) Interest for the Series A (2005) Bonds is actual. For FY 2006, the interest shown is net of accrued interest ($643,766.67) and Net Interest Premium of ($3,214,674.20).

(2) Interest for the Series 2007 Bond is assumed at an annual rate of 4.75%.

(3) Interest for the Series 2009 is assumed at an annual rate of 5.50% and for the Series 2011 and 2013 Bonds is assumed at an annual rate of 6.00%.

MARICOPA COUNTY COMMUNITY COLLEGE DISTRICT
GENERAL OBLIGATION BOND PROGRAM - ELECTION OF 2004

Fiscal	2/1/2005 Series 2005		4/1/2007 Series 2007		4/1/2009 Series 2009		4/1/2011 Series 2011		4/1/2013 Series 2013		Total		
Year	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Debt Service
2005													
2006	$10,000,000	$6,401,590									$10,000,000	$6,401,590	$16,401,590
2007	30,000,000	6,942,375									30,000,000	6,942,375	36,942,375
2008	13,000,000	6,042,375	$9,500,000	$14,250,000							22,500,000	20,292,375	42,792,375
2009	10,475,000	5,652,375	36,000,000	10,948,750							46,475,000	16,601,125	63,076,125
2010	10,790,000	5,233,375	12,500,000	9,238,750	$7,635,000	$17,875,000					30,925,000	32,347,125	63,272,125
2011	11,130,000	4,801,775	12,750,000	8,645,000	32,500,000	13,880,075					56,380,000	27,326,850	83,706,850
2012	11,500,000	4,356,575	11,000,000	8,039,375	13,420,000	12,092,575	$7,165,000	$15,750,000			43,085,000	40,238,525	83,323,525
2013	11,905,000	3,896,575	14,500,000	7,516,875	14,155,000	11,354,475	10,740,000	12,170,100			51,300,000	34,938,025	86,238,025
2014	12,335,000	3,420,375	15,190,000	6,828,125	14,935,000	10,575,950	11,385,000	11,525,700	$1,745,000	$3,831,750	55,590,000	36,181,900	91,771,900
2015	12,790,000	2,926,975	15,910,000	6,106,600	15,755,000	9,754,525	12,070,000	10,842,600	2,615,000	2,960,700	59,140,000	32,591,400	91,731,400
2016	13,280,000	2,415,375	16,665,000	5,350,875	16,625,000	8,888,000	12,795,000	10,118,400	2,770,000	2,803,800	62,135,000	29,576,450	91,711,450
2017	13,795,000	1,867,575	17,460,000	4,559,288	17,535,000	7,973,625	13,560,000	9,350,700	2,935,000	2,637,600	65,285,000	26,388,788	91,673,788
2018	14,345,000	1,281,288	18,285,000	3,729,938	18,500,000	7,009,200	14,375,000	8,537,100	3,115,000	2,461,500	68,620,000	23,019,025	91,639,025
2019	14,925,000	671,625	19,155,000	2,861,400	19,520,000	5,991,700	15,240,000	7,674,600	3,300,000	2,274,600	72,140,000	19,473,925	91,613,925
2020			20,065,000	1,951,538	20,595,000	4,918,100	16,155,000	6,760,200	3,495,000	2,076,600	60,310,000	15,706,438	76,016,438
2021			21,020,000	998,450	21,725,000	3,785,375	17,120,000	5,790,900	3,705,000	1,866,900	63,570,000	12,441,625	76,011,625
2022					22,920,000	2,590,500	18,150,000	4,763,700	3,930,000	1,644,600	45,000,000	8,998,800	53,998,800
2023					24,180,000	1,329,900	19,240,000	3,674,700	4,165,000	1,408,800	47,585,000	6,413,400	53,998,400
2024							20,390,000	2,520,300	4,415,000	1,158,900	24,805,000	3,679,200	28,484,200
2025							21,615,000	1,296,900	4,680,000	894,000	26,295,000	2,190,900	28,485,900
2026									4,960,000	613,200	4,960,000	613,200	5,573,200
2027									5,260,000	315,600	5,260,000	315,600	5,575,600
Total	**$190,270,000**	**$55,910,228**	**$240,000,000**	**$91,024,963**	**$260,000,000**	**$118,019,000**	**$210,000,000**	**$110,775,900**	**$51,090,000**	**$26,948,550**	**$951,360,000**	**$402,678,640**	**$1,354,038,640**

STATE OF ARIZONA

Joint Committee on Capital Review

1716 WEST ADAMS
PHOENIX, ARIZONA 85007

PHONE (602) 926-5491

FAX (602) 926-5416

http://www.azleg.gov/jlbc.htm

DATE: January 18, 2007

TO: Senator Bob Burns, Chairman
Members, Joint Committee on Capital Review

THRU: Richard Stavneak, Director

FROM: Eric Jorgensen, Fiscal Analyst

SUBJECT: Department of Economic Security – Review of Prescott Property Conveyance

Request

The Department of Economic Security (DES) requests Committee review of the planned property conveyance with the City of Prescott, as required by Laws 2005, Chapter 298 (as amended by Laws 2006, Chapter 345).

Recommendation

The JLBC Staff recommends that the Committee give a favorable review of the request with the provision that prior to expenditure, DES report on the use of the proceeds of the sale of the current building. The plan appears to comply with the Legislative intent in Laws 2005, Chapter 298, as amended by Laws 2006, Chapter 345.

Analysis

Laws 2005, Chapter 298 appropriated $150,000 to DES to conduct a property exchange with the City of Prescott. Laws 2006, Chapter 345 amended Laws 2005, Chapter 298 to allow DES to convey the property to the City of Prescott at the appraised value instead of exchanging the property.

The approximately 4,500 square foot property, located as 234 Grove Ave. in Prescott, is adjacent to the Prescott College campus. Prescott College, a private institution, wishes to acquire the property for expansion. The City of Prescott has agreed to become involved through an Economic Development Agreement. This agreement will allow DES to convey the property to the City of Prescott outside the competitive bidding process for the appraised value of $530,000. The City of Prescott will then provide the property to the college.

(Continued)

DES will move the offices currently located at the property, which provide services through the Division's Department of Developmental Disabilities, to a consolidated multi-service center. This new building will be a leased property and is currently being renovated. The $150,000 appropriation will pay for the moving and office preparation costs associated with the transition. The proceeds from the sale, $530,000, will be used for various, yet to be determined capital projects around the state, as allowed by Laws 2006, Chapter 345.

RS/EJ:ts

ARIZONA DEPARTMENT OF ECONOMIC SECURITY
1717 W. Jefferson - P.O. Box 6123 - Phoenix, AZ 85005

Janet Napolitano
Governor

Tracy L. Wareing
Director

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NOV 22 2006
JOINT BUDGET COMMITTEE

NOV 22 2006

The Honorable Tom Boone
Chairman, Joint Committee on Capital Review
Arizona State House of Representatives
1700 West Washington
Phoenix, Arizona 85007

Dear Representative Boone:

As required by Laws 2006, Chapter 345, the Department of Economic Security (DES) requests to be placed on the December 2006 agenda of the Joint Committee on Capital Review for review of the property conveyance of the Grove property to the City of Prescott. Attached is the summary of the proposed property conveyance and legislation.

If you have any questions, please contact Tom Colombo, Facilities Management Administrator, Division of Business and Finance at (602) 542-3410 or me at (602) 542-5757.

Sincerely,

Tracy L. Wareing

Tracy L. Wareing
Director

Attachment

cc: Senator Robert L. Burns, Arizona State Senate
Richard Stavneak, Director, Joint Legislative Budget Committee
Eric Jorgensen, Joint Legislative Budget Committee
Gary Yaquinto, Director, Office of Strategic Planning and Budgeting
Chris Hall, Office of Strategic Planning and Budgeting

Arizona Department of Economic Security
Property Conveyance
City of Prescott

Prescott College wishes to acquire the DES owned facility at 234 Grove Ave. (Grove Office). In recent years, the Prescott College campus has encroached upon the DES Grove Office. The proposal to convey now stands as a direct sale of the Grove property to the City of Prescott (City). It is our understanding that the City will convey the Grove property to Prescott College.

Laws 2006, Chapter 345 appropriated $150,000 to DES to facilitate the conveyance of the Grove property to the City of Prescott. As Prescott College is a private entity, the City has agreed to become involved through an Economic Development Agreement (EDA) with DES. The City participation through an EDA satisfies the noncompetitive sale and public interest requirement.

The $530,000 appraised value of the Grove property (September 2006) will be used by DES for moving costs and to acquire real property for the purpose of providing office space at such places as the DES Director deems necessary and suitable pursuant to ARS § 41-1958.