

STATE OF ARIZONA

Joint Committee on Capital Review

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1716 WEST ADAMS
PHOENIX, ARIZONA 85007

PHONE (602) 926-5491

FAX (602) 926-5416

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JOINT COMMITTEE ON CAPITAL REVIEW

Tuesday, April 8, 2014

8:30 A.M.

House Hearing Room 4

MEETING NOTICE

- Call to Order
- [Approval of Minutes of October 29, 2013.](#)
- DIRECTOR'S REPORT (if necessary).
- 1. [UNIVERSITY OF ARIZONA - Review of Phase 1 of McKale Memorial Center Improvements.](#)
- 2. [NORTHERN ARIZONA UNIVERSITY - Review of Aquatics and Tennis Project and Code and Safety Renovations.](#)
- 3. [ARIZONA STATE UNIVERSITY - Review of Center for Law and Society Project and Psychology Building Renovations.](#)
- 4. [ARIZONA DEPARTMENT OF TRANSPORTATION - Review of De-Icer Buildings Project.](#)
- 5. [ARIZONA STATE LOTTERY COMMISSION - Review of FY 2014 Building Renewal Allocation Plan.](#)
- 6. [ARIZONA DEPARTMENT OF ADMINISTRATION - Consider Recommending FY 2014 Partial Rent Exemption.](#)

The Chairman reserves the right to set the order of the agenda.

4/2/14

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People with disabilities may request accommodations such as interpreters, alternative formats, or assistance with physical accessibility. Requests for accommodations must be made with 72 hours prior notice. If you require accommodations, please contact the JLBC Office at (602) 926-5491.



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MINUTES OF THE MEETING

JOINT COMMITTEE ON CAPITAL REVIEW

October 29, 2013

The Chairman called the meeting to order at 2:58 p.m., Tuesday, October 29, 2013 in House Hearing Room 4. The following were present:

Members:	Senator Shooter, Chairman	Representative Kavanagh, Vice-Chairman
	Senator McComish	Representative Alston
	Senator Melvin	Representative Campbell
	Senator Pancrazi	Representative Sherwood
	Senator Tovar	

Absent:	Senator Griffin	Representative Forese
	Senator Landrum Taylor	Representative Gowan
		Representative Gray

APPROVAL OF MINUTES

Representative Kavanagh moved that the Committee adopt the minutes from August 20, 2013. The motion carried.

SCHOOL FACILITIES BOARD - Review of Lease-Purchase Refinancing.

Mr. Ben Henderson, JLBC Staff, presented the School Facilities Board's (SFB) request for review of the terms of its refinancing agreement that reduces the board's lease-purchase payments in FY 2014 and FY 2015 by a combined total of at least \$4.0 million, but will not increase or decrease the total amount of lease-purchase payments in any other fiscal year by more than \$100,000.

The JLBC Staff presented options to the Committee.

Representative Kavanagh moved that the Committee give a favorable review to the terms of SFB's refinancing agreement with the provision that SFB submit a final debt service schedule associated with the refinancing agreement. The motion carried.

(Continued)

ARIZONA DEPARTMENT OF TRANSPORTATION - Review of FY 2014 Building Renewal Allocation Plan.

Mr. Ben Beutler, JLBC Staff, stated that this item is a review of the Department of Transportation's (ADOT's) FY 2014 Building Renewal Allocation Plan. Laws 2013, 1st Special Session, Chapter 8 appropriated \$3,188,200 for building renewal in FY 2014, including \$3,000,000 from the State Highway Fund and \$188,200 from the State Aviation Fund.

The JLBC Staff presented options to the Committee.

Representative Kavanagh moved that the Committee give a favorable review to ADOT's FY 2014 \$3,188,200 building renewal allocation plan with the provision that ADOT report any project reallocations above \$100,000. The motion carried.

ARIZONA DEPARTMENT OF ADMINISTRATION - Consider Recommending FY 2014 Partial Rent Exemption.

Mr. Steve Grunig, JLBC Staff, presented the Arizona Department of Administration's (ADOA's) request that the Committee recommend a partial rent exemption of \$3,700 in FY 2014 for the State Board of Psychologist Examiners. The agency recently relocated to a larger office suite and the adjustment was not reflected in the agency's FY 2014 appropriation. The partial rent exemption would provide the board relief until the appropriation can be adjusted for FY 2015.

Representative Kavanagh moved that the Committee recommend the partial rent exemption for FY 2014 of \$3,700 for the State Board of Psychologist Examiners. The motion carried.

Without objection, the meeting adjourned at 3:05 p.m.

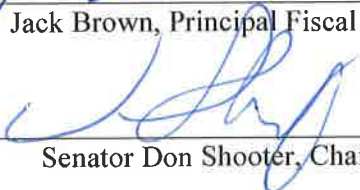
Respectfully submitted:



Tera Scherer, Secretary



Jack Brown, Principal Fiscal Analyst



Senator Don Shooter, Chairman



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Joint Committee on Capital Review

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DATE: April 1, 2014

TO: Representative John Kavanagh, Chairman
Members, Joint Committee on Capital Review

THRU: Richard Stavneak, Director *RS*

FROM: Art Smith, Principal Fiscal Analyst *AS*

SUBJECT: University of Arizona - Review of Phase 1 of McKale Memorial Center Improvements

Request

A.R.S. § 15-1683 requires Committee review of any university projects financed with revenue bonds. The University of Arizona (UA) requests Committee review of a \$12.5 million bond issuance to fund Phase 1 of McKale Memorial Center Improvements.

Recommendation

The Committee has at least the following 2 options:

1. A favorable review of the project.
2. An unfavorable review of the project.

Under either option, the JLBC Staff recommends the following standard university financing provisions:

Standard University Financing Provisions

- A favorable review by the Committee does not constitute endorsement of General Fund appropriations to offset any revenues that may be required for debt service, or any operations and maintenance costs when the project is complete.
- UA shall provide the final debt service schedules for the projects as soon as they are available.

(Continued)

Analysis

UA intends to renovate 125,258 gross square feet of the 41-year-old McKale Memorial Center. While the total project cost is \$25.0 million, UA plans to fund construction with a \$12.5 million system revenue bond and \$12.5 million will be paid in cash. The system revenue bond will have an estimated additional issuance cost of \$290,000. The project is expected to begin construction in April 2014 and be completed by November 2014. The direct construction cost of this project is \$17.7 million with a cost of \$141 per gross square foot.

The McKale Memorial Center was constructed in 1973 and houses the UA's basketball, volleyball and gymnastics teams. McKale also serves as a venue for larger non-athletic events and provides seating for approximately 14,550 attendees. UA states that the arena is currently operating with insufficient restrooms, concessions and spectator amenities.

UA plans to construct expanded concourses in order to improve access throughout the McKale Center and to provide improved and safe access to new wheelchair seating in the arena. Additional restrooms would also be constructed to resolve code deficiencies and new concession areas will be developed to reduce congestion during events. UA further states that new LED lighting will be included in order to aid networks in broadcasting events from the arena in high definition.

Financing

UA plans on issuing a revenue bond in June 2014. The bond rating is expected to be Aa2 (Moody's) /AA (S&P) at an interest rate of 3.84%. The debt service would average \$1.1 million annually over a term of 15 years. The debt service would cover the \$12.5 million bond for construction in addition to \$4.1 million in interest payments. Debt service payments for this project will be made from gift revenues raised by the athletic department.

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% of each institution's total projected annual expenditures. This calculation is known as the debt ratio. The \$12.5 million revenue bond issuance would increase the UA debt ratio by 0.5%, from 4.2% to 4.7%.

RS/AS:ts



Office of the Senior Vice President
for Business Affairs

Administration, Room 605
P.O. Box 210066
Tucson, AZ 85721-0066
Tel: 520-621-5977
Fax: 520-621-7714
www.arizona.edu

March 12, 2014



The Honorable John Kavanagh, Chairman
Joint Committee on Capital Review
House of Representatives
1716 West Adams
Phoenix, Arizona 85007

Dear Representative Kavanagh,

In accordance with ARS 15-1683, the Arizona Board of Regents (ABOR) requests that the following partially bond-financed item for the University of Arizona be placed on the next Joint Committee on Capital Review agenda for review.

The University of Arizona McKale Memorial Center Improvements-Phase I

The project goal is to renovate 125,258 gross square feet of the 41 year old McKale Memorial Center. The improvements seek to keep the facility functional and competitive by updating major components of the arena, addressing Title IX gender equity issues/NCAA requirements/ADA access, improving athlete safety, and enhancing the fan experience. The scope includes expansion of the concourse, a new vertical circulation tower, additional restrooms and concession spaces, improved access to new arena seating, a new energy efficient LED lighting system to meet NCAA high definition broadcast requirements, renovation of locker rooms and associated facilities for gender equity compliance and additional dispersed ADA seating platforms, railings and access.

Bond Summary

The budget for The University of Arizona McKale Memorial Center Improvements-Phase I project is \$25 million. The University will utilize \$12.5 million in gift funds for the project and issue \$12.5 million in System Revenue Bonds to finance the remaining project budget.

Enclosed is the ABOR Project Approval submittal, System Revenue Bonds Amortization Schedule and Summary of Financing Information.

If you have any questions or desire any clarification on the enclosed material, please contact me at (520) 621-5977.

Sincerely,

James A. Hyatt
Interim Senior Vice President for Business Affairs and Chief Financial Officer

The Honorable John Kavanagh, Chairman
Joint Committee on Capital Review
March 12, 2014
Page Two

Attachments: (A) ABOR Project Approval Submittal, (B) System Revenue Bonds Amortization Schedule and (C) Summary of Financing Information

xc: Tim Bee, Senior Associate Vice President, Legislative and Community Relations, UA
Dr. Ann Weaver Hart, President, UA
Eileen I. Klein, President, Arizona Board of Regents
Mark McGurk, Associate Vice President/Comptroller, UA; Art Smith, JLBC Analyst
Lorenzo Martinez, Associate Vice President for Finance and Administration, ABOR
Robert Smith, Vice President for Business Affairs, UA
Richard Stavneak, Director, JLBC

EXECUTIVE SUMMARY**ITEM NAME: McKale Memorial Center Improvements-Phase I
Project Approval (UA)**

☒ Action Item ☐ Discussion Item ☐ Information Item

Issue: The University of Arizona requests Project Approval of the McKale Memorial Center Improvements-Phase I project. The 125,258 gross square feet, \$25 million project will be funded by gifts of which, \$12.5 million has been collected to date, and \$12.5 million will be funded by System Revenue Bonds. The annual debt service will be paid over 15 years from gift revenues.

Previous Board Actions:

- Revised FY 2013 Capital Development Plan December 2012
- Capital Improvement Plan FY 2014-2016 September 2012

Statutory/Policy Requirements:

- Board Policy 7-109C: Projects may be granted Project Approval by the Business & Finance Committee based upon the budget, schedule, scope, and other considerations as warranted. At the Committee's discretion, any project approval request may be presented to the Board as circumstances warrant. The Committee shall report to the Board on project approval actions.

Project Justification/Strategic Implications/Project Compliance with Mission, Strategic Plan, Master Plan and Community Input Process:

- Built in 1973, the McKale Memorial Center arena is home to the University of Arizona men's and women's basketball teams, UA Volleyball team and women's gymnastics. While it is primarily a sports venue, it also hosts other large-scale events due to its capacity to accommodate large crowds. It is the largest in-door public assembly building on campus that provides seating for approximately 14,550 spectators. This arena is operating with insufficient restrooms, concessions and points of sale, and spectator amenities.
- The critical needs of this project are detailed in the previously submitted 2009 Intercollegiate Athletics Facilities Analysis (Master Plan). It identifies the renovation of McKale Memorial Center arena crucial in meeting the University of Arizona Department of Intercollegiate Athletics (ICA) long-term development objectives and follows the University of Arizona's overall institutional mission to strive for excellence. The McKale Memorial Center Improvements-Phase I project goals are to provide:
 - A positive fan experience comparable to PAC-12 peer institutions;
 - The caliber of facility that can compete in the recruitment and training of elite

Contact Information:

James A. Hyatt, Interim Senior Vice President for Business Affairs and Chief Financial Officer
(520) 621-5977, jahyatt10@email.arizona.edu

EXECUTIVE SUMMARY

- student athletes;
- Improved seating access and associated amenities including new restrooms and concession areas to maintain the necessary revenue base and donor support of Arizona Athletics programs.
 - Dedicated team locker suites with an equal allocation of space and amenities to meet Title IX requirements.
 - Energy efficient LED sports lighting that meets all major networks high definition broadcast standards. This would allow the University to host NCAA Division I first round, second round and regional basketball games.
 - Additional ADA platforms to accommodate disabled fans and their companions for improved horizontal and vertical dispersion and access.
- The following institutional priorities and critical capital development related elements of the ***Arizona Higher Education Enterprise Plan Goals*** supported by this project are:
 - **Student Support Requirements:** The University of Arizona, Department of Intercollegiate Athletics, believes the student-athlete to be a representative of the general student body, with like academic qualifications and the same probability of success. This commitment to excellence in athletics implies that ICA will provide exemplary leadership and appropriate facilities and support services to allow its student-athletes to compete at the highest level and to reach their academic goals.
 - **Campus Operations & Infrastructure Priorities:** This project scope will include lighting improvements along with modernization work that is necessary as electrical services in some areas are beginning to, or have exceeded their life cycle and need to be replaced. These improvements will promote the maintainability and energy efficiency of this aging arena. This renovation project will utilize the UA's Design & Specifications Standards intended to minimize operational costs and provide quality and long term serviceability.
 - **Life Safety & Code Compliance:** Life safety and code compliance issues will be addressed in areas of renovation. The Phase 1 improvements include added plumbing fixtures for men and women on game day, added wheelchair and companion platforms to improve horizontal and vertical dispersion through the arena and compliance with ADA codes.
 - **Community Service Opportunities:** The renovation of this facility offers many opportunities to provide special events that bring together a wide variety of people from the surrounding community for social and spectator sports activities.

EXECUTIVE SUMMARY

- **Community Engagement & Workforce Impact:** This project will help facilitate the continued success of the UA athletic programs, which will promote a positive UA/community engagement. The renovation will also provide new construction jobs that will bring needed employment opportunities to the state's depressed building industry.
- **Construction Market Conditions:** The current construction market remains favorable with good competition and low labor and material prices. Prices of fuel, metals and some other building materials are increasing, making it advisable to expedite the design and construction process to the extent reasonably possible to lock in prices and minimize cost impacts.
- **Funding Sources & Financial Options:** The McKale Memorial Center Improvements-Phase I project will be funded through gift revenues of \$12.5 million and \$12.5 million by System Revenue Bonds (SRBs). The debt service for the SRBs will be paid from gift revenues.

Project Description/Scope/Compliance with Space Standards:

- The McKale Memorial Center Improvements-Phase I renovation project will provide expanded concourses to offer improved access to all arena seating areas, and provide direct and safe access to a new wheelchair seating area as well. Additional restrooms will resolve code deficiencies and added concession areas will reduce congestion and waiting times which will improve the fan experience. New LED arena lighting will meet all major networks high definition broadcast standards.
- With the re-location of the football program to Arizona Stadium's new Lowell Stevens facility, and with new concourse areas being provided at McKale Center, both new and released space will facilitate a reconfiguration and expansion to meet multiple athletic program needs within McKale.
- This project is designed in conformance with adopted space standards. The actual programmed areas for each space category have been developed as part of the building design process.
- The proposed renovations are designed in accordance with the UA Design & Specification Standards to minimize operations and maintenance costs, and to maximize the University's long-term investment. New elements will be constructed of high quality, durable, maintainable materials and building systems to maximize energy efficiency and minimize operational, repair and replacement costs.

Project Delivery Method and Process:

- This project is being delivered through the Construction Manager (CMR) at Risk method. This approach was selected for this project because it can save time

EXECUTIVE SUMMARY

through fast-track project scheduling, it provides contractor design input and coordination throughout the project, it improves potentially adversarial project environments, and it allows for the selection of the most qualified contractor team for each project. With the use of two independent estimates at each phase, and low bid subcontractor work for the actual construction, this method also provides a high level of cost and quality control.

- The CMR was selected through the capital project selection committee process prescribed by the ABOR Procurement Code. Five (5) responses to the project RFQ were received and three (3) of the responding teams were short-listed for interview. A licensed contractor from the community was included on the selection committee as required by Board Policy. The Design team was selected through a similar ABOR process, and four (4) teams were interviewed out of the eight (8) RFQ responses received.

Project Costs:

- The total project budget for Phase I is \$25 million with a construction cost of \$17.6 million.

Fiscal Impact and Financing Plan:

- The project budget for the McKale Memorial Center Improvements-Phase I project is \$25 million. The University will utilize \$12.5 million in gift revenues for the project and issue \$12.5 million in SRBs to finance the remaining project budget. The annual debt service on the SRBs is estimated to be \$1.1 million based on an anticipated 3.8 percent interest rate for a 15 year maturity. The University will use gift revenues to fund the annual debt payment on the SRBs. When the SRB is issued for the project, the University estimates that the outstanding debt at the end of the fiscal year will be \$1.2 billion. At the same time, the University would have retired \$47.1 million in debt principal. There are no operations and maintenance (O&M) costs for this facility due to the project being a renovation.

Debt Ratio Impact: The estimated annual debt service of \$1.1 million on the McKale Memorial Center Improvements-Phase I project SRBs would increase the UA debt ratio by .05 percent. The projected highest debt ratio is 4.66 percent, excluding SPEED revenue bonds, and 5.50 percent if including SPEED revenue bonds. This remains well below the 8 percent debt ratio limit established by ABOR policy and state statute.

Occupancy Plan:

- The McKale Memorial Center Improvements-Phase I project will allow all staff and student athletes presently housed in McKale to remain there during construction with the exception of UA Men's Swimming, which will be temporarily housed in an on-site trailer.

EXECUTIVE SUMMARY

Recommendation to the Board:

It is recommended that the Business and Finance Committee approve this Project Approval submittal for the McKale Memorial Center Improvements-Phase I project, as presented in this Executive Summary.

EXECUTIVE SUMMARY

Capital Project Information Summary

University: The University of Arizona **Project Name:** McKale Memorial Center Improvements-Phase I

Project Location/Description:

The McKale Memorial Center arena is located in the southeast quadrant of the University of Arizona campus.

Phase 1 of these project improvements consists of renovating 125,258 gross square feet (GSF) of the McKale Memorial Center which will expand concourse areas and provide a vertical circulation tower (two elevators and a stairway). This project will also improve access to all seating in the arena, improve ADA seating and access, add handrails, and provide additional restrooms and concession spaces to improve the fan experience. The replacement of the sports arena lighting along with renovation of some locker room spaces will improve the student athlete experience while meeting regulatory requirements.

Project Schedule-Phase 1 (Beginning Month/Year):

Planning	June 2013
Design	December 2013
Construction	April 2014
Occupancy	November 2014

Project Budget:

Total Project Cost	\$25,000,000
Total Project Cost per GSF	\$200
Direct Construction Cost – Renovation	\$17,666,000
Construction Cost per GSF - Renovation	\$141
Change in Annual Oper./Maintenance Cost	
Utilities	N/A
Personnel	N/A
Other	N/A

Funding Sources:

Capital:	
• Gifts	\$12,500,000
• SRBs (Debt service paid by gifts)	\$12,500,000
Operation/Maintenance:	
• Renovation-Not applicable	\$0

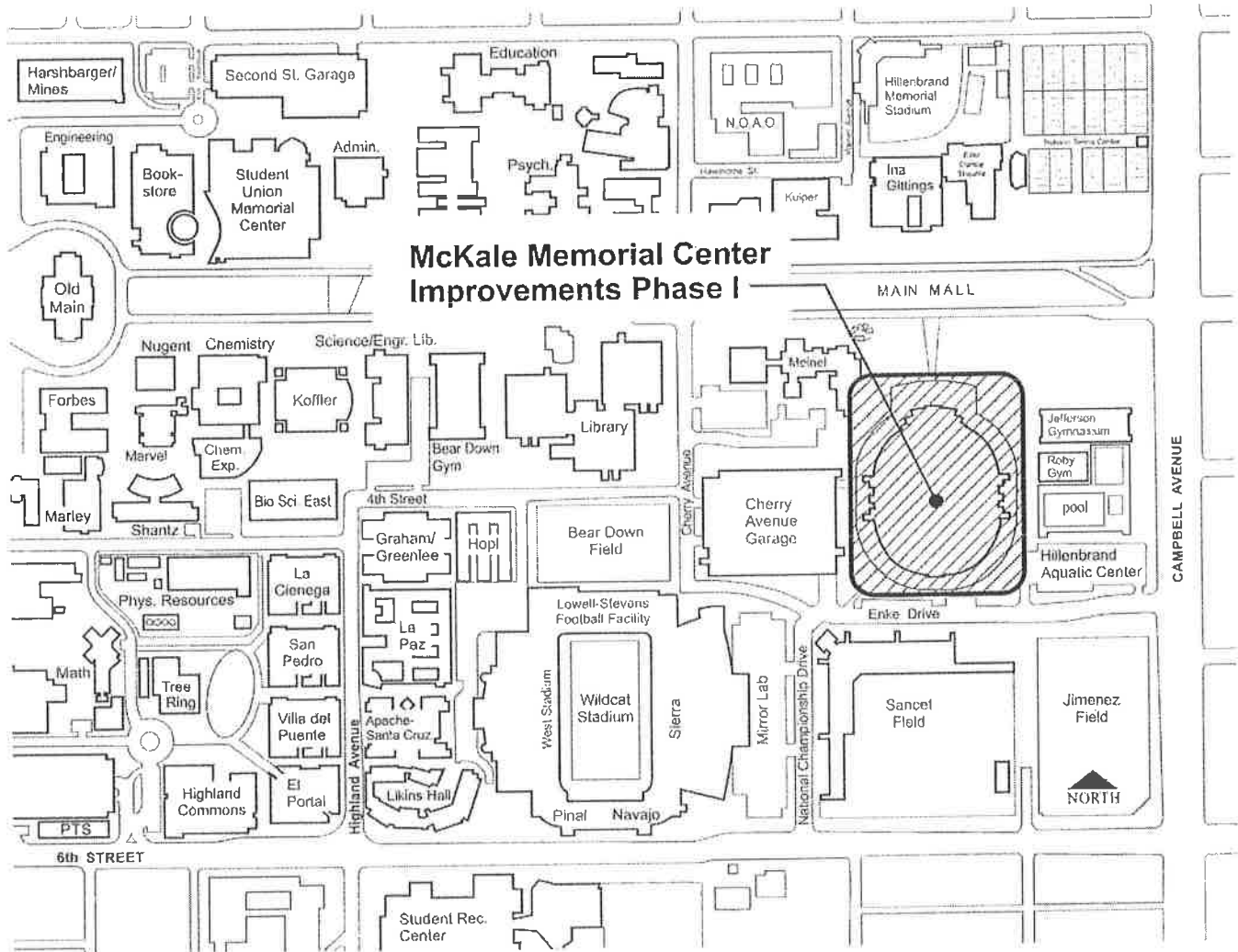
EXECUTIVE SUMMARY**Capital Project Budget Summary****University:** The University of Arizona**Project Name:** McKale Memorial Center Improvements-Phase I**Project Approval-Phase I****Date of Budget Estimate**

March 2014

1. Land Acquisition	\$	0
2. Construction		
Cost		0
A. New Construction		17,526,000
B. Renovation		0
C. Fixed Equipment		0
D. Site Development (exclude 2.E.)		0
E. Parking & Landscaping		0
F. Utilities Extensions		0
G. Other		140,000
Subtotal Construction Cost	\$	17,666,000
3. Consultant Fees		
A. Construction Manager		380,000
B. Architect/Engineering Fees		2,184,000
C. Other (Programming, Special Consult. & Master Planning Studies)		200,000
Subtotal Consultant Fees	\$	2,764,000
4. Furniture Fixtures and Equipment		2,200,000
5. Contingency, Design Phase		300,000
6. Contingency, Construction Phase		900,000
7. Parking Reserve		0
8. Telecommunications Equipment		175,000
Subtotal Items 4-8	\$	3,575,000
9. Additional University Costs		
A. Surveys and Tests		205,000
B. Move-in Costs		45,000
C. Public Art		0
D. Printing/Advertisement		17,000
E. Univ. Facilities & Project Management		600,000
F. State Risk Mgt. Ins		128,000
Subtotal Additional University Costs	\$	995,000
TOTAL CAPITAL COST	\$	25,000,000

EXECUTIVE SUMMARY

Project Site Location Map



JCCR Attachment (B)

**Joint Committee on Capital Review
April 2014 JCCR Meeting
University of Arizona Projects Submission**

**ICA McKale Renovation Project Phase I
System Revenue Bonds
Amortization Schedule**

Period Ending	Annual Principal	Annual Interest	Annual Debt Service
6/1/2015	550,000	395,424	945,424
6/1/2016	680,000	454,104	1,134,104
6/1/2017	710,000	428,876	1,138,876
6/1/2018	735,000	402,535	1,137,535
6/1/2019	760,000	375,267	1,135,267
6/1/2020	790,000	347,071	1,137,071
6/1/2021	820,000	317,762	1,137,762
6/1/2022	850,000	287,339	1,137,339
6/1/2023	880,000	255,805	1,135,805
6/1/2024	915,000	223,157	1,138,157
6/1/2025	945,000	189,210	1,134,210
6/1/2026	985,000	154,151	1,139,151
6/1/2027	1,020,000	117,607	1,137,607
6/1/2028	1,055,000	79,765	1,134,765
6/1/2029	1,095,000	40,625	1,135,625
	<u>12,790,000</u>	<u>4,068,695</u>	<u>16,858,695</u>

**Joint Committee on Capital Review
April 2014 JCCR Meeting
University of Arizona Project Submission**

Summary of Financing Information:

McKale Memorial Center Improvements-Phase I System Revenue Bonds

Issuance amount (anticipated)	\$12,790,000
Bond Premium (anticipated)	\$ 0
Estimated Cost of Issuance	\$ 290,000
Assumed interest rate	3.84%
Payment term:	Approximately 15 years

Fund Source for debt payment	Gift Revenues	100%
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Annual debt service (by fund source):

Principal and Interest FY2015	Gift Revenues	\$ 945,424
Principal and interest FY2016-FY2029 (Average)	Gift Revenues	\$ 1,137,000
Total debt service (by fund source)	Gift Revenues	\$16,858,695

Anticipated date of issuance	June 2014
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Expected bond rating	AA (S & P) and Aa2 (Moody's)
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Debt Ratio Information:

Current projected debt ratio	4.61%
Increment debt ratio	0.05%
Projected highest debt ratio	4.66%



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DATE: March 25, 2014

TO: Representative John Kavanagh, Chairman
Members, Joint Committee on Capital Review

THRU: Richard Stavneak, Director *RS*

FROM: Art Smith, Principal Fiscal Analyst *AS*

SUBJECT: Northern Arizona University - Review Aquatics and Tennis Project and Code and Safety Renovations

Request

A.R.S. § 15-1683 requires Committee review of any university projects financed with revenue bonds. Northern Arizona University (NAU) requests Committee review of a \$57.0 million bond to fund construction of a new Aquatics and Tennis Center and for code and safety renovations.

Recommendation

The Committee has at least the following 2 options:

1. A favorable review of the 2 projects.
2. An unfavorable review of the 2 projects.

Under either option, the JLBC Staff recommends the following standard university financing provisions:

Standard University Financing Provisions

- A favorable review by the Committee does not constitute endorsement of General Fund appropriations to offset any revenues that may be required for debt service, or any operations and maintenance costs when the project is complete.
- NAU shall provide the final debt service schedules for the projects as soon as they are available.

(Continued)

Analysis

NAU plans on building a new Center for Aquatics and Tennis and making upgrades to meet current fire code standards at its Flagstaff campus. The projects are expected to begin construction in March 2014 to be completed by August 2016.

Center for Aquatics and Tennis

This \$44.5 million revenue bond project would provide 120,000 square feet of indoor space for aquatics and tennis. An additional \$3.0 million will be paid in cash for a total project cost of \$47.5 million. Additionally, 90,000 square feet of outdoor tennis courts, a recreational field and various improvements would be made throughout the 6.2 acre site of the current Aquatics Center.

NAU states that the current aquatic facility is at maximum capacity and cannot fulfill all utilization requests, even while maintaining 16-hour operations. NAU also requires an Olympic-sized swimming pool in order to make the university eligible to host regional and national events. Additionally, NAU currently has competitive tennis teams; however, the teams must practice in Sedona due to a lack of tennis courts on its Flagstaff campus.

An outside consultant has determined that it is not cost effective to repair the existing 50,000 square foot Aquatics Center. The consultant states that while it would cost approximately \$30.0 million to extend the life of the existing facility for 10 years, a new facility at a cost of \$47.5 million would last between 40 years and 50 years. As a result, the cost of demolishing the existing Aquatics Center is included in the project and the new project will be constructed on the same site. The current charges to use the facility are between \$150 and \$300 per year for faculty, staff and alumni. The public may also purchase a day pass to use the facility.

Code and Safety Renovations

This \$12.5 million revenue bond project includes code and compliance upgrades for 254,000 square feet of existing residential units at NAU's Flagstaff campus. An additional \$7.3 million will be paid in cash for a total project cost of \$19.8 million. According to NAU, these facilities were in compliance with safety standards when originally built, but the buildings require upgrades in order to be within current safety codes. The project would impact 24 buildings and includes sprinklers, new smoke detectors and strobe compliance for alarms as required by the Americans with Disabilities Act.

Financing

NAU plans on issuing a revenue bond in April 2014. The bond rating is expected to be A1 (Moody's) /AA- (S&P) at maximum interest rate of 6%. NAU states that based on current municipal bond market conditions, NAU's financial advisor estimates the bonds would sell at an effective interest rate of 4.72%; however, the university will proceed with the project if the effective interest rate is no more than 6%. The Aquatics and Tennis Center debt service would be between \$2.9 million annually at a 4.72% interest rate and \$3.3 million annually at a 6% interest rate over a term of 30 years. The code and safety renovations debt service would be between \$1.0 million at a 4.72% interest rate and \$1.1 million at 6% interest rate over a term of 20 years.

The debt service for the Center for Aquatics and Tennis will be funded 50% from tuition and 50% from an existing \$500 per student health and recreation fee. The debt service for the code and safety renovations will be funded through residential fees paid for on-campus housing.

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% of each institution's total projected annual expenditures. This calculation is known as the debt ratio. The \$57.0 million of revenue bond issuances would increase the NAU debt ratio by 0.62%, from 5.34% to 5.96%.



NORTHERN
ARIZONA
UNIVERSITY

**Office of the Vice President for Finance
and Administration**

Northern Arizona University
PO Box 4088
Flagstaff, AZ 86011-4088

928-523-2708
928-523-4230 fax
nau.edu/vpadmin

January 15, 2014

The Honorable John Kavanagh, Chairman
Joint Committee on Capital Review
Arizona House of Representatives
1700 W. Washington
Phoenix, Arizona 85007-2890



RE: Northern Arizona University (NAU) Capital Projects for Review

Dear Representative Kavanagh:

In accordance with ARS 15-1682.02, the Arizona Board of Regents requests that the following Capital Projects for Northern Arizona University be placed on the next Joint Committee on Capital Review agenda for review:

- New Center for Aquatics and Tennis
- Code and Safety Renovation

The review is contingent upon the approval of the project by the ABOR Business and Finance Committee scheduled for February 5, 2014.

Enclosed is the pertinent information relating to these items. If you have any questions or need additional clarifications regarding the enclosed information, please contact me at (928) 523-8871.

Sincerely,

Jennus L. Burton
Vice President for Finance and Administration

Enclosures

cc: Richard Stavneak, Director, JLBC
Art Smith, Analyst, JLBC
Eileen Klein, President, ABOR
Lorenzo Martinez, Associate Vice President, ABOR
John Haeger, President
Christy Farley, Vice President, Government Affairs

EXECUTIVE SUMMARY

ITEM NAME: Issuance of System Revenue Bonds (SRBs) for the Financing of FY 2014 Previously Approved Capital Projects (NAU)

☒ Action Item ☐ Discussion Item ☐ Information Item

Issue: Northern Arizona University requests authorization: (a) to sell one or more series of System Revenue Bonds (SRBs) to produce sufficient proceeds to finance (1) not-to-exceed \$57,000,000 for the cost of acquiring, constructing and equipping the previously approved FY 2014 projects; (2) not to exceed \$550,000 for costs of issuance, including bond underwriting fees; (3) payments to a bond insurer or other credit enhancer, provided such payments provide a benefit that exceeds the amount of such payments; (b) to sell such bonds at a price at, above, or below par and at fixed or variable rates of interest; (c) to take related actions; and (d) to enter into necessary agreements and to execute all necessary documents including those related to bond insurance or other credit enhancement agreements.

Previous (Pending) Board Actions

	<u>CDP</u> <u>Approval</u>	<u>PA</u> <u>Approval</u>
Aquatic Tennis Center Project	9/13	2/14
Code and Safety Renovation Project	2/14	2/14

Statutory/Policy Requirements

- Board Policy 7-102D requires Business and Finance Committee review and Board approval of all bond and certificates of participation (COPs) financings.

Projects to be Financed

The proceeds of the bond issuance will be used to finance the Aquatic Tennis Center and Code and Safety Renovation projects on the Northern Arizona University main campus. The project has received the required Board approvals and is expected to be reviewed at the next JCCR meeting. The project will not be financed until JCCR review has been completed.

Proceeds of the bond sale will also be used to pay the costs of issuing the bonds.

Background/Strategic Implications

- The Construction of the \$47.5 million Aquatic Tennis Center project will be funded with \$3 million of internal funds and bond financing for \$44.5 million for the balance. The approximate debt service for the \$44.5 million issue for 30 years at a maximum of 6% interest will be approximately \$3,295,000 per year. The \$19.8 million Code and Safety Renovation project will be funded with \$7.3 million of internal auxiliary funds provided over three years and bond financing for \$12.5 million for the balance. The approximate debt service for the \$12.5 million issue for 20 years at a maximum of 6% interest will be

Contact Information: Jennus Burton, Vice President For Finance and Administration; (928) 523-8871, jennus.Burton@nau.edu

EXECUTIVE SUMMARY

approximately \$1,110,000 per year. Based on an estimated 4.76 percent true interest rate as of January 8, 2014, the average annual debt service requirement in each Fiscal Year is estimated to be approximately \$2,850,000 for the Aquatic Tennis Center project and approximately \$995,000 for the Code and Safety Renovation project. Bond financing for both projects is anticipated to be provided through a single bond issuance to reduce issuance costs

- The initial payment of debt service for the Aquatic Tennis Center will be funded 50% from central sources or locally retained tuition and fees, and 50% from student activity fees used for recreation purposes. The debt service for the Code and Safety Renovation project will be funded from local auxiliary funds from Residence Life. The debt service revenue sources will be regularly monitored and adjusted as necessary between funding source.
- Existing debt service as a percentage of NAU total expenditures is 5.34% percent. The debt service for these projects at the maximum (not to exceed) interest rate of 6.00% will increase this ratio by an estimated .62 percent, to 5.96 percent overall.
- The projects will be financed on a level debt service basis beginning in fiscal year 2015. The Aquatic Tennis Center project will be financed over an approximately 30-year period, with a final maturity of June 1, 2044. The Code and Safety Renovation project will be financed over an approximately 20-year period, with a final maturity of June 1, 2034.

Financing Approach and Structure

- Depending on market conditions at the time of sale, NAU may issue the entire amount, or a portion of the financing, through fixed rate or variable rate SRBs. Given current market conditions, including low long-term interest rates and the shortage of credit facilities in the short-term variable rate markets, NAU anticipates selling fixed rate bonds.
- The University will evaluate bond insurance from the one higher-rated bond insurer currently in the market. The final decision as to whether insurance will be used for the bond issue will be a function of market conditions and the bond insurer's ratings at the time of pricing the bonds. Bond insurance will only be used if the insurance provides a demonstrated economic benefit to NAU, as required to be certified to by the underwriter pursuant to federal tax law.
- Based on current municipal bond market conditions as of January 8, 2014, and the proposed amortization structure for the bonds (which reflects a combined average maturity life of 17.6 years), NAU's financial advisor estimates the bonds would sell at an overall true interest cost of approximately 4.76 percent. NAU will proceed with the project if the overall true interest cost of the issue is no more than 6.0 percent.
- The following financing parameters would apply to the sale of the bonds and be set forth in the Bond Resolution:
 - The maximum interest rate at which the bonds are authorized to be sold is a true interest cost of 6.00 percent.
 - The financing period for the SRBs is through June 1, 2044 (approximately 30 years from their date of issuance).

EXECUTIVE SUMMARY

- The University will utilize its current financial advisor, RBC Capital Markets, its current bond counsel, Ballard Spahr LLP, and a bond trustee previously approved by the Board. The bonds will be marketed and sold on a negotiated basis to one or more investment banking firms selected by NAU through a competitive proposal process and previously approved by the Board.
- The University may enter into various agreements in connection with the SRBs, such as bond insurance or other credit enhancement agreements, to lower the net borrowing costs, and a reserve fund surety agreement, if needed to market the SRBs.

		<u>Comments</u>
Not-to-Exceed Project Costs	\$57,000,000	Plus \$10.3 million of internal University funds
Issuance Costs (not-to-exceed)	\$550,000	
Credit Enhancement/Insurance Cost	TBD	Only executed if economically beneficial
Interest Rate (current market as of January 8, 2014/not-to-exceed)	4.76%/6.00%	Not-to-exceed based on maximum University is willing to pay.
Maturity Range:		
Aquatic Tennis Center Project	2015-2044	
Code and Safety Renovation Project	2015-2034	
Average Instrument Life	17.6 years	
Estimated Annual Debt Service for FY 2015 – 2044, based on 6.00% not to exceed rate:		
Aquatic Tennis Center Project	\$3,295,000	Funded from Auxiliary revenues
Code and Safety Renovation Project	\$1,110,000	Funded from Residential Life revenues

Recommendation:

Resolved: That Northern Arizona University be, and hereby is, authorized to sell one or more series of System Revenue Bonds to produce sufficient proceeds to finance

- (1) not to exceed \$57,000,000 for paying costs associated with the Aquatic Tennis Center and Code and Safety Renovations projects;
- (2) not to exceed \$550,000 to pay costs of issuance; and
- (3) payments to a bond insurer or other credit enhancer provided that such payments provide a benefit that exceeds the amount of such payments.

EXECUTIVE SUMMARY

NAU would also be further authorized to issue such Bonds at a price at, above or below par and at fixed or variable rates of interest; to take related actions; and to enter into necessary agreements and to execute all necessary documents, including those related to bond insurance or other credit enhancement and liquidity facility agreements, all as more fully provided in a supplemental Bond Resolution reviewed by Board Counsel.

EXECUTIVE SUMMARY

Item Name: **Amended FY 2014 Capital Development Plan and Waiver of Board Policy 7-109 (NAU)**

☒

Action Item

☐

Discussion Item

☐

Information Item

ISSUE: Northern Arizona University requests combined approval of the Amended FY 2014 Capital Development Plan (CDP) and Project Approval for the Code and Safety Renovation project. NAU seeks a waiver of Board Policy 7 – 109 requiring a Guaranteed Maximum Price (GMP) at Project Approval. The CDP totals \$67.3 million, including a new Bond Issuance of \$12.5 million.

Previous Board Action: Amended FY 2014 Capital Development Plan September 2013
 FY 2014 Capital Development Plan May 2013

Statutory/Policy Requirements:

- Pursuant to Arizona Board of Regents Policy Chapter 7-107, each university shall submit an annual Capital Development Plan for the upcoming fiscal year in accordance with the calendar approved by the President of the Board. The CDP may also be considered for revisions and include the addition of new projects, project budget adjustments, and deletion of projects.
- Capital Development Plans are reviewed by the Business and Finance Committee and approved by the Board.
- Approval of the CDP allows universities to complete design and planning in preparation for submitting individual projects for final approval by the Business and Finance Committee, with a final report to the full Board.
- Pursuant to Arizona Board of Regents Policy Chapter 7-102, all capital projects with an estimated total project cost of \$5 million or more for renovation or infrastructure projects, or \$10 million or more for new construction or information technology projects shall be brought to the Business and Finance Committee for approval regardless of funding source or financing.

Overview and Alignment with Enterprise and University Goals and Objectives:

- Northern Arizona University's Amended FY 2014 CDP includes one new project, a Code and Safety Renovation project with a total project budget not-to-exceed \$19.8 million and the Amended CDP totals \$67.3 million.

Contact Information:

Jennus Burton, Vice President, (928) 523-8871, jennus.burton@nau.edu

EXECUTIVE SUMMARY

- NAU continues to align capital projects with the approved university campus master plan and the system enterprise and university strategic goals and objectives. In addition, the following primary institutional priorities for capital projects at NAU include:

Student Support Requirements, Academic & Research Needs: This new project will enhance the quality and safety of student residential facilities and demonstrate a commitment to safety for all students, faculty and staff. Nearly 50% of students who attend NAU live in campus residential facilities. While campus facilities meet code for the time in which they were constructed, upgrades to current code standards enhance safety through new intelligent technology and equipment. This project is additional to the work the university has completed through the use of SPEED and other funds to improve the physical condition and safety of academic facilities over the past several years.

Life Safety & Code Compliance: Campus safety items must take highest priority to assure the safety of students, faculty, staff and visitors. While the campus facilities identified for upgrades meet codes for the original construction time period, new inspections of campus facilities in late September 2013 identified five facilities and complexes totaling 24 individual buildings for upgrade to current fire code standards. Renovation will ensure an optimal environment for students, staff and visitors.

Campus Operations & Infrastructure Priorities: Facilities must be kept in a safe, operational and maintainable condition. Expeditionary renovations are responsive and responsible. Renovation in the identified facilities will ensure operational efficiencies and enhance safe campus conditions.

Funding Sources & Financing Options: The current construction market remains very favorable although increases have been identified in certain construction commodities such as sheet rock, metal and other materials. These pending increases and the project scope make it advisable to expedite the design and construction process.

Capital Development Plan Projects:

- The following lists the project proposed for CDP and PA approval:
 - Code and Safety Renovation
- Additional detail on project costs, financing and scope can be found in the tables in Exhibits 1 and 2 and the individual Project Justification Report attached at the end.

EXECUTIVE SUMMARY

Fiscal Impact and Management:

- Northern Arizona University intends to finance \$12.5 million for the Code and Safety Renovation project, issuing one or more series of System Revenue Bonds. Based on an anticipated interest rate of 6.0%, the debt service payments are estimated at \$1.1 million per year for 20 years off full principal and interest payments. The remaining \$7.3 million will be funded with Auxiliary revenues.
- New Operations and Maintenance costs associated with this project are \$35,000 a year. Properly maintained fire systems have a life expectancy of 20 years or more.
- Comparable cost data for the new project's two phases will be provided in updates to the Committee. Relevant comparable projects identified at that time will also be included in each update.
- The University will bring an update back to the Committee at GMP.
- The NAU CDP, if fully implemented, will cost a total of \$67.3 million, excluding the third-party project.

Debt Ratio Impact:

- The debt service associated with the project in the CDP will increase the estimated debt ratio by 0.62% to a total projected ratio without SPEED of 5.96% and a total with SPEED of 7.19%. This is well below the statutory limit of 8%.
- The tables in Exhibits 1 and 2 provide detailed project financing, funding sources and debt ratio impact.

Recommendation:

Northern Arizona University requests that the Business and Finance Committee review and recommend Board approval of its Amended FY 2014 Capital Development Plan and grant Project Approval for the Code and Safety Renovation project with a not-to-exceed budget of \$19.8 million.

EXECUTIVE SUMMARY

EXHIBIT 1



NORTHERN ARIZONA UNIVERSITY

Amended FY 2014 Capital Development Plan

Project	Board Approval Status	Gross Square Footage	Project Cost	Amount Financed	Funding Method	Annual Debt Service ¹	Debt Ratio
Academic/Support Projects							
Previously Approved							
Center for Aquatics and Tennis	CDP 9/2013	120,000	\$47,500,000	\$44,500,000	System Revenue Bonds/Local Funds	\$ 3,295,000	0.40%
New Academic/Support Projects Total		120,000	\$ 47,500,000	\$ 44,500,000		\$ 3,295,000	0.40%
New Auxiliary Projects							
Code and Safety Renovation	CDP/PA Requested	254,000	\$19,800,000	\$12,500,000	System Revenue Bonds/Auxiliary	\$ 1,110,000	0.12%
New Auxiliary Total		254,000	\$ 19,800,000	\$ 12,500,000		\$ 1,110,000	0.12%
Third-Party Projects							
Previously Approved							
Student and Academic Services	CDP 9/2013	82,250	N/A	N/A	Third-Party	N/A	N/A
Third-Party Total							
Resubmitted Projects							
NA							
Resubmitted Total							
TOTAL		374,000	\$ 67,300,000	\$ 57,000,000		\$ 4,405,000	0.40%

Note¹: Debt Service: Estimated annual payment including principal and interest, \$3,295,000 for 30 years at the 6.00% not to exceed rate for the Aquatic Tennis Center, and \$1,110,000 annually for 20 years at 6.00% not to exceed rate for the Code and Safety Renovation project.

EXECUTIVE SUMMARY

EXHIBIT 2



NORTHERN ARIZONA UNIVERSITY

CAPITAL DEVELOPMENT PLAN - ANNUAL DEBT SERVICE BY FUNDING SOURCE											
Project	Amount Financed	301	TUI *	AUX *	ICR	OLF	SLP	FGT	DFG	OTH	TOTAL ANNUAL DEBT SERVICE
New Academic/Support Projects											
Previously Approved											
Center for Aquatics and Tennis	\$ 44,500,000		\$ 2,702,000	\$ 593,000							\$ 3,295,000
Academic/Support Projects Total	\$ 44,500,000		\$ 2,702,000	\$ 593,000							\$ 3,295,000
Auxiliary Projects											
New Projects											
Code and Safety Renovation	\$ 12,500,000			1,110,000							\$ 1,110,000
Auxiliary Projects Total	N/A	\$ -	-	1,110,000	-		\$ -				\$ 1,110,000
New Third Party Projects											
Previously Approved											
Student and Academic Services Building	N/A										
Third Party Projects Total	N/A	\$ -	-	-	-		\$ -				\$ -
Resubmitted											
N/A											
Resubmitted Total	\$ -	\$ -	-	-	-		\$ -				\$ -
Total	\$ 44,500,000	\$ -	\$ 2,702,000	\$ 593,000	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 4,405,000

* Note: The debt service funding source is subject to change dependent on enrollment growth.

CAPITAL DEVELOPMENT PLAN - OPERATION AND MAINTENANCE BY FUNDING SOURCE											
Project	TOTAL ANNUAL O&M	301	TUI	AUX	ICR	OLF	GFA	FGT	DFG	OTH	
Academic/Support Projects											
Previously Approved											
Center for Aquatics & Tennis	\$ 430,000		\$ 215,000	\$ 215,000							
Academic/Support Projects Total	\$ 430,000		\$ 215,000	\$ 215,000							
New Auxiliary Projects											
Code and Safety Renovation	\$ 35,000			\$ 35,000							
Auxiliary Projects Total	\$ 35,000			\$ 35,000							
Third Party Projects											
Previously Approved											
Student and Academic Services Building	\$ 100,000		\$ 26,000			\$ 74,000					
Third Party Projects Total	\$ 100,000		\$ 26,000			\$ 74,000					
Resubmitted											
N/A											
Resubmitted Total	\$ -										
Total	\$ 565,000	\$ -	\$ 241,000	\$ 250,000	\$ -	\$ 74,000	\$ -	\$ -	\$ -	\$ -	

Debt Service Funding Source

Codes:

(301) 301 Fund/Other

(TUI) Tuition

(AUX) Auxiliary

(ICR) Indirect Cost Recovery

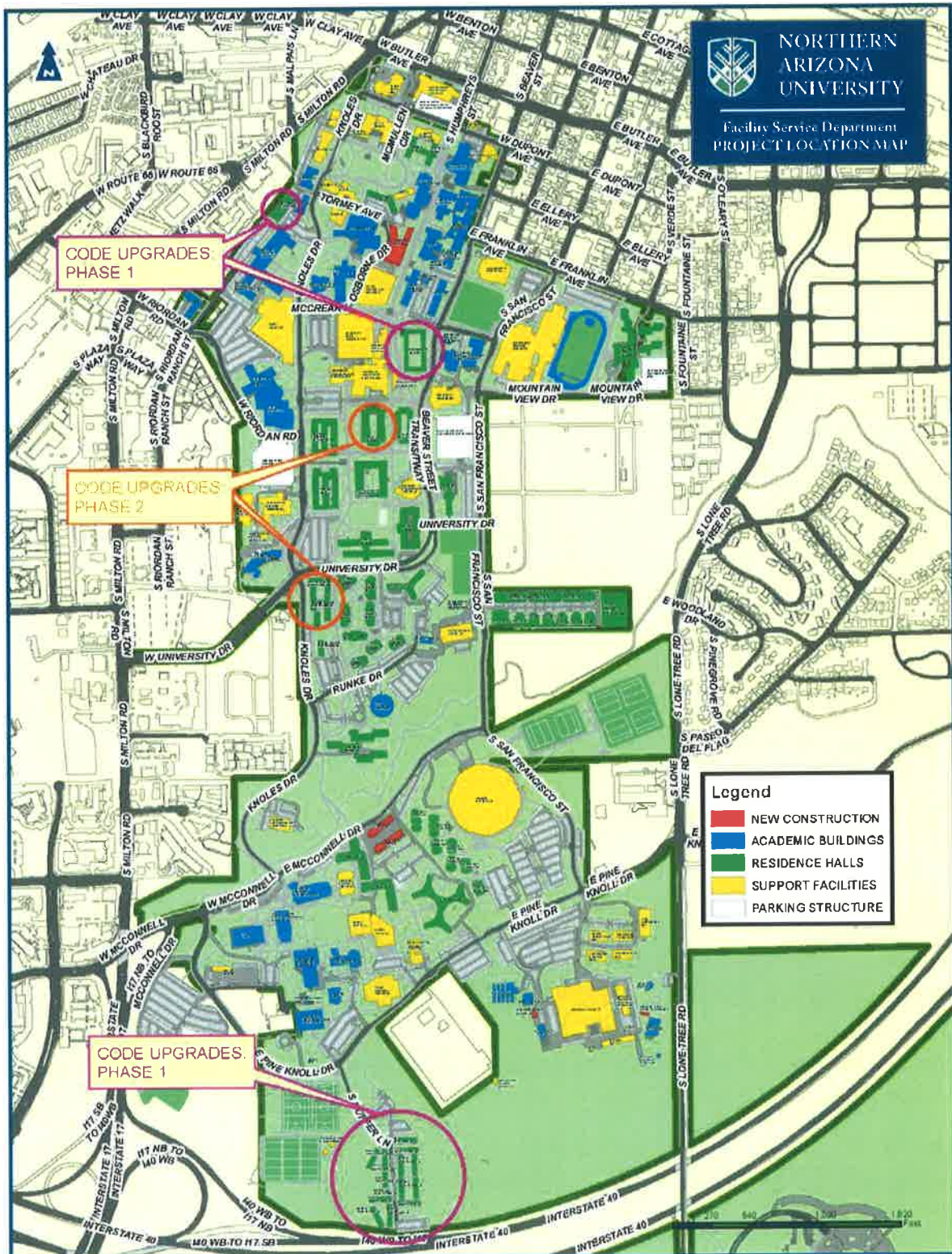
(OLF) Other Local Funds

(SLP) State Lottery Allocation Proceeds

(GFA) General Fund (OTH) Other

(FGT) Federal Grant

(DFG) Debt Financed by Gifts



EXECUTIVE SUMMARY

**Arizona Board of Regents
Northern Arizona University
Capital Development Plan Project Justification Report
Code and Safety Renovation
(NAU Project Number: #09.004.143)**

1. Previous Board Action: NA

2. Statutory / Policy Requirements:

- Pursuant to Arizona Board of Regents Policy Chapter 7-102, all capital projects with an estimated total project cost of \$5 million or more for renovation or infrastructure projects, or \$10 million or more for new construction or information technology projects shall be brought to the Business and Finance Committee for approval regardless of funding source or financing.

3 Project Justification/Strategic Implications/Project Compliance with Mission, Strategic Plan, Master Plan and Community Input Process:

- Expedient resolution of safety and code compliance matters in university buildings takes precedence for the University. The recent inspections in September 2013 by new staff from the State Fire Marshal's office have identified buildings and complexes for upgrades to meet today's fire code standards. With nearly 50% of the Mountain Campus student body residing on campus, the identified upgrades will ensure continued safety of university facilities occupied by students, staff and visitors.
- Record enrollments at NAU maximize student housing which begins each fall with zero vacancy. Safe conditions of campus facilities are a fundamental component of continuing enrollment growth and quality student living and learning environments.
- Student retention and recruitment are inherently linked with the quality and safety of all facilities, including academic, residential and recreational. The University strategic plan identifies student recruitment and retention as a critical strategy for ongoing development at NAU. This project is consistent with the Enterprise Plan and University goals and strategies which promote quality and safe learning environments that facilitate student access, retention, and integration into the social community of campus.

EXECUTIVE SUMMARY

- A key goal of the Arizona Higher Education Enterprise Plan and a guiding principle of the University's approved Master Plan are to attract and retain students through improved quality and functionality of campus facilities that support the highest quality of teaching, research, athletics and student life. This project promotes safety, functionality and quality in university facilities and demonstrates responsiveness and commitment to student safety.

4. Project Description/Scope/Compliance with Space Standards:

- This project will include renovation of approximately 254,000 gross square feet of existing residential units to meet today's current fire codes. The project encompasses a total of 24 individual buildings and includes sprinklers, new smoke detectors, audible Notifier technology and ADA strobe compliance. The project will be completed in two phases due to the complexity of the renovations and freeze conditions.
- Infrastructure will be improved in some areas including installation of new water supply piping through rock, roads and existing landscaping. Flagstaff's volcanic history requires rock cutting and drilling in all but one of the campus locations. Another project component included in the work is an estimated \$3 million in abatement to create hazard free environments rather than abating at each of the hundreds of penetration sites.
- The planned project schedule expedites the repairs while minimizing disruptions to students residing in the facilities. Some of these facilities utilize 12-month leases and have not been vacant in their lifetimes. Affected residents in Phase I have been notified of the impending work and of their need to find alternate housing for the summer of 2014. NAU is assisting with this transition as needed.
- The project will be designed in accordance with university design standards and current fire codes, the 2009 International Fire Codes and the 2010 National Fire Protection Agency codes.
- No new space is being created that will be required to comply with the ABOR space guidelines.

5. Project Delivery Method and Process:

- Selection of the Design Professional and Construction Manager at Risk (CMAR) is complete. The CMAR was selected through the capital project selection committee process prescribed by the ABOR Procurement Code. A licensed contractor from the community was included on the selection committee as required by ABOR policy.

EXECUTIVE SUMMARY

- This approach was selected because it can save time through fast-track project scheduling, it provides contractor design input and coordination throughout the project, it improves potentially adversarial project environments and it allows for the selection of the most qualified contractor team for each individual project. With the use of two independent estimates, qualification selection and low bid subcontractor work for the actual construction, this method also provides a high level of cost and quality control.

6. Project Status and Schedule:

- This project is in schematic design. Following was the schedule for selection of design and construction services:

DP and CMAR Selections

October 2013

- NAU received 7 submittals from Design Professionals and 4 submittals from Construction Manager at Risk firms in response to the Request for Qualifications.
- The GMP will be brought to the Committee in an Information Item, along with comparable estimates and project costs. The Construction Manager is at risk to provide the completed project within the agreed upon GMP.
- Construction completion is planned for fall 2015.

7. Fiscal Impact and Financing Plan:

- The project will be funded with System Revenue Bonds and Auxiliary revenues. Funds identified for the University portion of the debt service are Auxiliary revenues.
- Maintenance costs for the new fire systems are anticipated to be \$35,000 a year.
- Debt Ratio Impact: The incremental debt ratio for this project will be .12%.

8. Backfill / Use Plan:

- There is no backfill associated with this project.

9. Alternatives:

- The only alternative to the renovations would be to tear down the buildings and replace with new.

EXECUTIVE SUMMARY

10. Description of Other Related Projects including Infrastructure Improvements:

- Infrastructure will be improved in some areas including installation of new water supply piping through rock, roads and existing landscaping.

EXECUTIVE SUMMARY

Item Name: Center for Aquatics and Tennis, Project Approval (NAU)

☒ Action Item ☐ Discussion Item ☐ Information Item

Issue: Northern Arizona University requests Project Approval for the Center for Aquatics and Tennis project. The project is consistent with the university master planning update and strategic goals. The project costs are \$47.5 million and the university plans to use \$3 million in internal funds and issue \$44.5 in System Revenue Bonds to fund the project. The debt service will be equally split between locally retained tuition and student activity fees.

Previous Board Actions: Amended FY 2014 Capital Development Plan September 2013
 Capital Improvement Plan September 2012

Statutory / Policy Requirements:

- Pursuant to Arizona Board of Regents Policy Chapter 7-102, all capital projects with an estimated total project cost of \$5 million or more for renovation or infrastructure projects, or \$10 million or more for new construction or information technology projects shall be brought to the Business and Finance Committee for approval regardless of funding source or financing.

Project Justification/Strategic Implications/Project Compliance with Mission, Strategic Plan, Master Plan and Community Input Process:

- Resolving safety and code compliance matters in university buildings takes precedence for the University. The existing Aquatic facility has been designated a *red* building based upon a facility assessment performed by an outside consultant in early 2013. The current facility is not ADA accessible and the assessment identified the building as heavily code deficient and in need of significant architectural, structural, mechanical and electrical repairs to extend its useful life. As a result, the existing facility will be demolished and the entire 6.2 acre site reconfigured to better serve students and NAU growth.
- Northern Arizona University is in need of athletic facilities, including dedicated coaching offices, locker rooms and training facilities to comply with Title IX requirements identified in a previous audit. By constructing a complex with necessary additional space, the university will make significant progress towards Title IX compliance, as well planning for enrollment growth projections.

Contact Information

Jennus Burton, Vice President, (928) 523-8871, jennus.burton@nau.edu

EXECUTIVE SUMMARY

- The current aquatic facility is at maximum capacity and cannot fulfill all utilization requests even while maintaining daily 16-hour operations. The new Center for Aquatics and Tennis will add more useable space to accommodate increased demand for classes, training, and student intramural activities. NAU will be able to host NCAA events and participate more fully by having tennis space to play in inclement weather.
- The site is located adjacent to the Health and Learning Center, making north campus a hub for student recreation and athletic activities. Architecturally, the facility will enhance the north access to campus and define campus edges. Parking is readily available in the San Francisco Parking Garage south of the project.
- A key goal of the Arizona Higher Education Enterprise Plan and a guiding principle of the approved Master Plan are to attract and retain students through improved quality and functionality of campus facilities that support the highest quality of teaching, research, athletics and student life.
- Student retention and recruitment are inherently linked with the quality of all facilities, including academic, athletic and recreational. The University strategic plan identifies student recruitment and retention as a critical strategy for ongoing development at NAU. This project is consistent with the Enterprise Plan and University goals and strategies which promote quality learning environments that facilitate student access, retention, and integration into the social community of campus.
- This project promotes safety, functionality and quality in university facilities. The project replaces an existing facility with known system failures, severe recurrent maintenance issues and code deficiencies. A new Center for Aquatics and Tennis addresses all existing issues, while providing an enhanced facility for athletic events and student activities.

Project Description/Scope/Compliance with Space Standards:

- This project will include construction of approximately 120,000 gross square feet of indoor space for the aquatic and tennis center. Additional project components include 90,000 gross square feet of outdoor tennis courts, a recreational field and miscellaneous site improvements. This new building will create a collaborative athletics and recreation complex due to its proximity to the Health and Learning Center.
- The planned demolition of the existing Aquatic Center will be included in this project. Upon demolition, the site and its adjacent parking lot will become the outdoor tennis courts and recreational field, which also provides green space for student gatherings and activities.

EXECUTIVE SUMMARY

- The project will be designed in accordance with university design standards and will be constructed of high quality, maintainable materials and building systems to maximize energy efficiency and minimize operational, repair and replacement costs.
- In an effort to demonstrate the University's commitment to responsible, sustainable design, this new construction project will incorporate sustainable materials and practices wherever possible and is intended to receive a United States Green Building Council (USGBC) Leadership in Energy and Environmental Design (LEED) Silver Certification.
- All applicable spaces within the Center for Aquatics and Tennis will comply with the ABOR space guidelines.

Additional Project Considerations:

- The University conducted a traffic study to determine the potential for and impact of increased traffic along South San Francisco, as well as any effect on the adjacent neighborhood. As a result, a new traffic light with a regulated pedestrian crossing will be added on campus at the southeast corner of the new Center for Aquatics and Tennis. The traffic signal and crossing will be at McCreary Street and South San Francisco. The existing designated pedestrian crossing at the Health and Learning Center will be eliminated and pedestrian traffic from that facility will be directed to the new crossing.
- Other project considerations included projected enrollment growth and potential additions of athletic programs to ensure the new facility is programmed and constructed with the future in mind.

Project Delivery Method and Process:

- Selection of the Design Professional and Construction Manager at Risk (CMAR) is complete. The CMAR was selected through the capital project selection committee process prescribed by the ABOR Procurement Code. A licensed contractor from the community was included on the selection committee as required by ABOR policy.
- This approach was selected because it can save time through fast-track project scheduling, it provides contractor design input and coordination throughout the project, it improves potentially adversarial project environments and it allows for the selection of the most qualified contractor team for each individual project. With the use of two independent estimates, qualification selection and low bid subcontractor work for the actual construction, this method also provides a high level of cost and quality control.

EXECUTIVE SUMMARY

Project Status and Schedule:

- Project construction is anticipated to start after JCCR review, pending weather conditions.
- The building will open to students spring 2016 with all exterior improvements in place for fall semester 2016.
- A GMP has been successfully negotiated with the CMAR, Haydon Building, based upon the most current construction documents. After review and discussion among NAU's third-party estimator, Abacus, the design professional Sink Comb's estimator, Rider Levett Bucknall, and Haydon Building, all three parties are within 4% of each other on the cost of construction for the project.

Project Costs:

- The Center for Aquatics and Tennis project has a total budget of \$47.5 million. Funding for the construction includes \$44.5 million in System Revenue Bonds and \$3 million in general university funds.

Fiscal Impact and Financing Plan:

- The project funding will be System Revenue Bonds and \$3 million in general university funds. The debt service will be funded by locally retained tuition and student activity fees used for recreation purposes.
- This project consists of an estimated 120,000 gross square feet of new space, but directly replaces 49,776 gross square feet (the existing Wall Aquatic Center). Operations and Maintenance costs are estimated at an additional \$430,000 annually. Northern Arizona University will request a General Fund Appropriation for operations and maintenance support through the standard legislative request process.
- Debt Ratio Impact: The incremental debt ratio for this project will be 0.40%

Recommendation:

That the Business and Finance Committee provide Project Approval for the Northern Arizona University Center for Aquatics and Tennis project as presented in this Executive Summary.

EXECUTIVE SUMMARY

Capital Project Information Summary

University: Northern Arizona University **Project Name:** Center for Aquatics and Tennis

Project Description and Location:

The project is new construction of a 120,000 gross square feet of indoor space for the replacement aquatic and tennis center. The construction site is 6.2 acres.

Project Schedule:

Planning	February 2012
Design Start	May 2013
Construction Start	March 2014 (tentative)
Occupancy	January 2016 (pool and interior tennis)
	August 2016 – All site improvements

Project Budget:

Facility Useful Life	50+ years (approximately)
Total Project Cost	\$ 47,500,000
Total Project Cost per sq ft	\$ 396
Direct Construction Cost	\$ 36,500,000
Construction Cost per sq ft	\$ 304

Change in Annual

Operating/Maintenance Costs:

Utilities – New Square Footage	\$ 150,000
Personnel	\$ 180,000
All Other Operating	\$ 100,000
Subtotal	\$ 430,000

Funding Sources:

Capital:

• Gifts	\$	
• System Revenue Bonds	\$	44,500,000
• Local Funds	\$	3,000,000
Subtotal	\$	47,500,000

Operation/Maintenance:

A. Funding Source: General University Funds

EXECUTIVE SUMMARY

Capital Project Cost Estimate

University: Northern Arizona University

Project: Center for Aquatics and Tennis

	<u>Capital Development Plan</u>	<u>Project Approval</u>
Capital Costs		
1. Land Acquisition	\$ -	\$ -
2. Construction Cost		
A. New Construction	31,800,000	31,100,000
B. Renovation		-
C. Fixed Equipment (Owner Furnished)	-	-
D. Site Development (excl. 2.E.)	4,300,000	5,400,000
E. Parking and Landscaping	250,000	-
F. Utilities Extensions	450,000	-
G. Other (Solar Panels)	-	
G. Inflation and Market Adjustment (<u><1%</u>)	350,000	-
Subtotal Construction Cost	<u>\$ 37,150,000</u>	<u>\$ 36,500,000</u>
3. Fees		
A. Construction Mgr (<u><1%</u>)	\$ -	
B. Architect/Engineer (<u>12%</u>)	3,408,000	4,420,000
C. Other (<u><1%</u>)	200,000	117,000
Subtotal Consultant Fees	<u>\$ 3,608,000</u>	<u>\$ 4,537,000</u>
4. FF&E Movable	\$ 1,200,000	\$ 1,200,000
5. Contingency, Design Phase (<u>3%</u>)	270,000	133,000
6. Contingency, Construction Phase (<u>7.3%</u>)	2,900,000	2,650,000
7. Parking Reserve	10,000	30,000
8. Telecommunications/Security Equip	120,000	165,000
Subtotal Items 4-8	<u>\$ 4,500,000</u>	<u>\$ 4,178,000</u>
9. Additional University Costs		
A. Surveys, Tests, Inspections, etc.	\$ 596,000	\$ 605,000
B. Move-in Costs	25,000	25,000
C. Printing Advertisement	20,000	20,000
D. 3rd Party Estimate, Audit	85,000	85,000
E. Project Management Cost (<u>3%</u>)	1,379,000	1,400,000
F. State Risk Mgmt Insurance (<u>.0034%</u>)	137,000	150,000
Subtotal Additional University Costs	<u>\$ 2,242,000</u>	<u>\$ 2,285,000</u>
TOTAL CAPITAL COST	<u>\$ 47,500,000</u>	<u>\$ 47,500,000</u>

NORTHERN ARIZONA UNIVERSITY
Facility Service Department
PROJECT LOCATION MAP

PENDING AQUATIC PROJECT AREA

Legend

- NEW CONSTRUCTION
- ACADEMIC BUILDINGS
- RESIDENCE HALLS
- SUPPORT FACILITIES
- PARKING STRUCTURE

0 65 130 260 300 Feet



STATE OF ARIZONA

Joint Committee on Capital Review

STATE
SENATE

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CHAIRMAN 2013
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GAIL GRIFFIN
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PHOENIX, ARIZONA 85007

PHONE (602) 926-5491

FAX (602) 926-5416

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

HOUSE OF
REPRESENTATIVES

JOHN KAVANAGH
CHAIRMAN 2014
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DAVID GOWAN, SR.
RICK GRAY
ANDREW C. SHERWOOD

DATE: April 3, 2014

TO: Representative John Kavanagh, Chairman
Members, Joint Committee on Capital Review

THRU: Richard Stavneak, Director *RS*

FROM: Art Smith, Principal Fiscal Analyst *AS*

SUBJECT: Arizona State University - Review of Center for Law and Society Project and Psychology Building Renovations

Request

A.R.S. § 15-1683 requires Committee review of any university projects financed with revenue bonds. Arizona State University (ASU) requests Committee review of \$136.7 million in system revenue bonds to fund construction of a new Center for Law and Society at its Downtown Phoenix Campus and renovations to the Psychology building at its Tempe Campus.

Recommendation

The Committee has at least the following 2 options:

1. A favorable review of the 2 projects.
2. An unfavorable review of the 2 projects.

Under either option, the JLBC Staff recommends the following provisions:

Standard University Financing Provisions

- A favorable review by the Committee does not constitute endorsement of General Fund appropriations to offset any revenues that may be required for debt service, or any operations and maintenance costs when the project is complete.
- ASU shall provide the final debt service schedules for the projects as soon as they are available.

(Continued)

Additional Provision

- ASU shall provide a report to JCCR by December 31, 2014 on the projected fund sources for the law school debt service for each fiscal year through FY 2020. The report shall separately delineate the following sources: 1) City of Phoenix funds, 2) revenues from increased enrollment, 3) revenues from increased per-student tuition, and 4) all other.

Analysis

ASU plans on building a new law school at its Downtown Phoenix Campus with construction set to begin in June 2014 to be completed by July 2016. ASU also plans to renovate the Psychology Building at its Tempe Campus, which would begin construction in August 2014 to be completed by August 2015.

Center for Law and Society

ASU's law school currently occupies 167,000 gross square feet on the Tempe campus. ASU is planning to construct a 280,000 gross square foot facility for the Center for Law and Society at the ASU Downtown Phoenix campus for a cost of \$129.0 million. Of this amount \$114.0 million will be funded with system revenue bonds and \$15 million will be paid in gift proceeds.

The average annual debt service payment of \$6.9 million will be paid from revenues generated by the College of Law through increased enrollment and law school tuition increases. Current tuition revenue for the law school is \$16.7 million annually. Additionally, the City of Phoenix has agreed to provide a \$12 million grant in support of the project from its Downtown Economic Development Fund as funding for the project's initial debt service.

ASU states that the ongoing operating costs for the new facility will total \$2.2 million annually, for which ASU will request a General Fund appropriation in the future.

The project will be located on a parcel of land at the Downtown Phoenix Campus that is owned by the City of Phoenix. Construction of the new center will be added to the existing master lease for the overall Downtown Phoenix Campus. The city will lease the three-quarters of a block needed for the project to ASU. The site is bounded by Taylor Street, First Street, Polk Street and Second Street. The lease cost is estimated to be \$125,000 annually starting in 2025. In approximately 2035, the land would be transferred to ASU ownership.

ASU states that while its College of Law has the opportunity to expand its program offerings, the Law Program is also limited by the space provided by its current facilities on its Tempe campus. In order to expand the College of Law's space and to address future planning needs, ASU has determined that the best way to achieve these objectives is to construct a new law school on the Downtown Phoenix Campus. ASU plans to repurpose 167,000 gross square feet of existing buildings to be used for expansion and enrollment within the College of Liberal Arts and Sciences. This bond issuance would not fund the cost of repurposing the College of Liberal Arts.

The ASU Juris Doctor program currently enrolls 580 students; however, ASU intends to expand enrollment to 685 students by fall 2018. The ASU College of Law experienced peak student enrollment of 650 in 2005. ASU also intends to expand the number of graduate law programs offered with the increased student capacity that would be provided by the new construction. While current enrollment in non-Juris Doctor graduate law programs is approximately 130, the College of Law intends to expand enrollment to over 175 students within the next 5 years. Additionally, ASU intends to utilize the additional space at the Downtown Phoenix Campus to create a legal program that will also provide Continuing Legal Education (CLE) services, executive education and non-degree skill programs in addition to a traditional Juris Doctor degree.

(Continued)

Table 1 below compares direct construction costs for the Center for Law and Society with recent similar construction projects in other states:

Project	Project Size	Year Completed	Cost/GSF
University of Denver College of Law	210,000	2003	\$302
Marquette University College of Law	200,000	2011	\$300
University of Maryland College of Law	189,700	2012	\$367
University of Utah College of Law	155,000	2014	\$293
Average Cost per Comparable Project			\$316
ASU Center for Law and Society	280,000	2016	\$316*
*Excludes parking structure			

The direct construction cost per square foot of this project is \$316, excluding a 180-space 98,000 square foot parking structure. The \$129 million overall cost includes \$9.1 million for the parking structure.

Psychology Building Renovation

This \$22.7 million revenue bond project includes renovations for 81,900 square feet of existing laboratory space, classrooms, research space and academic affairs offices for the Psychology Building on the ASU Tempe Campus. While the building was constructed in 1972, ASU states that few repairs have been made to the building other than ongoing maintenance. The university states the upgrades will sustain current research levels and support future research growth. The project would provide upgrades to building components such as HVAC, plumbing, electrical and fire prevention equipment. Asbestos removal from prior construction would also be included in this project.

Table 2 below summarizes recent renovation projects for ASU that were reviewed by the Committee:

Project	Total Cost ^{2/}	Direct Cost	Sq. Ft.	Direct Cost/ Sq. Ft.
Research Laboratory Renovations – All Campuses	\$10,000,000	\$ 6,787,000	28,570	\$238
Classroom Renovations – All Campuses	8,265,000	5,175,000	41,325	125
Psychology Building Renovation	22,700,000	16,400,000	81,900	200

^{1/} These projects were reviewed by the JCCR at its August 2013 meeting.
^{2/} These amounts do not include issuance costs.

Financing

ASU plans on issuing a revenue bond in April 2014. The bond rating is expected to be Aa3 (Moody's) /AA (S&P) at an interest rate of 4.19%. The Center for Law and Society debt service would average \$6.9 million annually over a term of 30 years. The debt service would cover the \$114.0 million bond for construction in addition to \$94.3 million in interest payments. The Psychology Building Renovation debt service would average \$1.6 million over a term of 20 years, which would cover \$22.7 million in principal plus \$10.1 million in interest.

(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% of each institution's total projected annual expenditures. This calculation is known as the debt ratio. The \$136.7 million of revenue bond issuances would increase the ASU debt ratio by 0.5%, from 5.5% to 6.0%.

RS/AS:lm

ASU
ARIZONA STATE UNIVERSITY

March 11, 2014



The Honorable John Kavanagh, Chairman
Joint Committee on Capital Review
Arizona House of Representatives
Capital Complex
1700 West Washington
Room 114
Phoenix, AZ 85007-2890

Dear Representative Kavanagh:

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

- Center for Law and Society
- Psychology Building Renovation

Enclosed is pertinent information relating to these items.

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

Sincerely,

Morgan R. Olsen
Executive Vice President, Treasurer and CFO

Enclosures

c: **Richard Stavneak, Director, JLBC**
Eileen Klein, President, Arizona Board of Regents, ABOR
Lorenzo Martinez, Associate Vice President for Finance & Administration, ABOR
Steve Miller, Deputy Vice President, Public Affairs, ASU
Lisa Frace, Associate Vice President, Planning & Budget, and Chief Budget Officer, ASU
Bruce Jensen, Interim Associate Vice President, Facilities Development & Management, ASU
Joanne Wamsley, Vice President for Finance and Deputy Treasurer, ASU
Art Smith, Senior Fiscal Analyst, JLBC

**Joint Committee on Capital Review
Arizona State University
April 2014 JCCR Meeting**

RE: On behalf of the Arizona Board of Regents, ASU requests JCCR review the following items as required by ABOR policy and ARS § 15-1683:

- Center for Law and Society
- Psychology Building Renovation

BACKGROUND

ASU plans to undertake bond-financed projects to construct the Center for Law and Society facility at the Downtown Phoenix campus and to renovate a teaching and research building at the Tempe campus. Information regarding the bond-financed projects is shown on the following pages.

**Joint Committee on Capital Review
Arizona State University
April 2014 JCCR Meeting**

1. CENTER FOR LAW AND SOCIETY

Project Description

This project will construct a Center for Law and Society facility of approximately 280,000 gross square feet at the Downtown Phoenix campus. The Sandra Day O'Connor College of Law has become one of the top law schools in the United States and is currently the 26th ranked law school and the 8th ranked public law school, according to U.S. News & World Report's most recent annual survey. The College of Law's current tuition is the lowest of any law school ranked in the top 26 and it is the only top 50 law school in the country to be ranked among the best in Legal Research and Methods.

The College has the opportunity to expand its program offerings and societal reach, but has become hampered by its current facilities on the Tempe campus. In considering how to address the need to expand the College's space, ASU determined it can improve overall prospects and also address a longer-term planning need at the Tempe campus by constructing a new facility at the Downtown Phoenix campus. This strategy also will allow the re-purposing of existing buildings used by the College to address space needs of academic units within the College of Liberal Arts and Sciences, thereby avoiding the expense of further new construction.

Project funding includes system revenue bonds and gifts. The debt financed portion totals \$114,000,000 with the balance of \$15,000,000 funded by gifts.

Debt service will be funded with tuition.

An Arizona Board of Regents executive summary is attached for this project, which outlines the project description and other relevant information. This project was granted Capital Development Plan approval by ABOR at its June 13, 2013 meeting.

Project Costs

Total Project Cost	\$129,000,000
Total Project Construction Cost	\$ 98,000,000
Total Project Cost per GSF*	\$ 341
Construction Cost per GSF*	\$ 259

*This cost per square foot includes a 98,000 GSF parking garage. The cost per GSF for the building only is described in the attached ABOR Capital Development Plan.

Operations and maintenance costs are expected to be \$2,226,000 for this project.

Project Delivery Method

This project will be delivered by the Construction Manager at Risk (CMAR) method.

**Joint Committee on Capital Review
Arizona State University
April 2014 JCCR Meeting**

2. PSYCHOLOGY BUILDING RENOVATION

Project Description

The Psychology Building Renovation project will renovate the 81,900 gross square foot Psychology Building at the Tempe campus. The project will affect wet and dry laboratory spaces, as well as classrooms, research space, and academic offices.

Building components such as HVAC, plumbing, electrical systems, flooring, ceilings, interior and exterior paint, roofs, audio/visual systems, windows, doors, internal walls and partitions, elevators, and fire prevention equipment will be upgraded in this project as part of the renovation.

System revenue bonds will fund the \$22,700,000 project costs.

Debt service will be funded with tuition.

An Arizona Board of Regents executive summary is attached for this project, which outlines the project description and other relevant information. This project was granted Capital Development Plan approval by ABOR at its February 6, 2014 meeting.

Project Costs

Total Project Cost	\$ 22,700,000
Total Project Construction Cost	\$ 16,400,000
Total Project Cost per GSF	\$ 277
Construction Cost per GSF	\$ 200

Operations and maintenance costs are not expected to change when this project is complete.

Project Delivery Method

This project will be delivered by the Construction Manager at Risk (CMAR) project delivery method.

**Joint Committee on Capital Review
Arizona State University
April 2014 JCCR Meeting**

PROJECT SUMMARY –Revenue Bonds

<u>New Construction:</u>	<u>Funding Sources:</u>	<u>Financed Amount:</u>
Center for Law and Society	Gifts/Tuition	\$114,000,000
<u>Renovations and Improvements:</u>		
Psychology Building Renovation	Tuition	\$ 22,700,000
		<u>\$136,700,000</u>

FINANCING INFORMATION

Revenue Bonds:

Project Costs	\$136,700,000
Estimated Costs of Issuance	\$ 1,085,000
Anticipated Bond Rating	Aa3 (Moody's) and AA (S&P)
Assumed Interest Rate	4.19%
Term	20 to 30 years

Debt Service Information:

Estimated Debt Service 2015 (interest only)	\$ 1,458,884
Estimated Debt Service 2016	\$ 6,566,409
Estimated Annual Debt Service 2017 to 2035	\$ 8,636,181
Estimated Annual Debt Service 2036 to 2045	\$ 6,998,673
Total Estimated Debt Service Costs	\$242,099,462

DEBT RATIO

Debt Ratio on Existing Debt	5.5%
Incremental Debt Ratio	.5%
Projected Debt Ratio	6.0%

**Joint Committee on Capital Review
Arizona State University
April 2014 JCCR Meeting**

System Revenue Bonds

Psychology Building Renovation

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2015		\$212,835	\$212,835
2016	\$795,000	841,984	1,636,984
2017	825,000	812,728	1,637,728
2018	855,000	782,368	1,637,368
2019	885,000	750,904	1,635,904
2020	920,000	718,336	1,638,336
2021	950,000	684,480	1,634,480
2022	985,000	649,520	1,634,520
2023	1,025,000	613,272	1,638,272
2024	1,060,000	575,552	1,635,552
2025	1,100,000	536,544	1,636,544
2026	1,140,000	496,064	1,636,064
2027	1,180,000	454,112	1,634,112
2028	1,225,000	410,688	1,635,688
2029	1,270,000	365,608	1,635,608
2030	1,315,000	318,872	1,633,872
2031	1,365,000	270,480	1,635,480
2032	1,415,000	220,248	1,635,248
2033	1,470,000	168,176	1,638,176
2034	1,520,000	114,080	1,634,080
2035	1,580,000	58,142	1,638,142
	<u>\$22,880,000</u>	<u>\$10,054,993</u>	<u>\$32,934,993</u>

**Joint Committee on Capital Review
Arizona State University
April 2014 JCCR Meeting**

System Revenue Bonds

Center for Law and Society

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2015		\$ 1,246,049	\$ 1,246,049
2016		4,929,425	4,929,425
2017	\$2,070,000	4,929,425	6,999,425
2018	2,250,000	4,840,621	7,000,621
2019	2,350,000	4,747,957	6,997,957
2020	2,450,000	4,651,432	7,001,432
2021	2,555,000	4,550,618	7,000,618
2022	2,665,000	4,445,512	7,000,512
2023	2,780,000	4,335,903	7,000,903
2024	2,900,000	4,221,574	7,001,574
2025	3,020,000	4,102,313	7,002,313
2026	3,150,000	3,977,902	6,997,902
2027	3,285,000	3,848,345	6,998,345
2028	3,425,000	3,713,209	6,998,209
2029	3,575,000	3,572,283	6,997,283
2030	3,730,000	3,425,351	7,000,351
2031	3,890,000	3,271,983	7,001,983
2032	4,055,000	3,111,966	7,001,966
2033	4,230,000	2,945,085	7,000,085
2034	4,410,000	2,771,125	7,001,125
2035	4,600,000	2,589,659	6,999,659
2036	4,795,000	2,400,469	7,000,469
2037	5,000,000	2,203,130	6,998,130
2038	5,215,000	1,997,424	6,997,424
2039	5,440,000	1,782,924	6,997,924
2040	5,675,000	1,559,200	6,999,200
2041	5,440,000	1,325,825	7,000,825
2042	5,915,000	1,082,367	6,997,367
2043	6,170,000	828,613	6,998,613
2044	6,435,000	563,921	6,998,921
2045	6,710,000	287,859	6,997,859
	<u>\$114,905,000</u>	<u>\$94,259,469</u>	<u>\$209,164,469</u>

EXECUTIVE SUMMARY

**Arizona Board of Regents
Arizona State University
Capital Development Plan Project Justification Report
Center for Law and Society Facility**

Previous Board Action:

- FY 2014-2016 Capital Improvement Plan September 2012

Statutory/Policy Requirements

- Pursuant to ABOR Policy 7-102, all new construction of \$10 million or more shall be brought to the Business and Finance Committee for approval, regardless of funding source or financing.

Project Justification/Strategic Implications/Project Compliance with Mission, Strategic Plan, Master Plan and Community Input Process

- The Sandra Day O'Connor College of Law has become one of the top law schools in the United States while continuing to provide legal education at a lower tuition rate than many of its competitors. The College of Law is currently the 26th ranked law school and the 8th ranked public law school, according to *U.S. News & World Report's* most recent annual survey. The College of Law's current tuition is the lowest of any law school ranked in the top 26 and it is the only top 50 law school in the country to be ranked among the best in Legal Research and Methods, at number eight.
- The College has the opportunity to expand its program offerings and societal reach, but has become hampered by its current facilities on the Tempe Campus. In considering how to address the need to expand the College's space, ASU has determined that it can improve the College's overall prospects and also address a longer-term planning need at the Tempe Campus by constructing a new facility at the Downtown Phoenix Campus. This strategy also will allow the re-purposing of existing buildings used by the College to address space needs of academic units within the College of Liberal Arts and Sciences, thereby avoiding the expense of further new construction.
- ABOR's *2020 Vision* plan calls for increases in degree production, expanded engagement with business and the community, and educational excellence. ASU's strategic planning includes among its goals **establishing national standing in academic quality and the impact of colleges and schools in every field, enhancing local impact and social embeddedness, and**

EXECUTIVE SUMMARY

moving selected programs towards self-sufficiency. With these proposed facilities, the College of Law will be able to expand its enrollment and community reach and support the ABOR 2020 *Vision* goals in the following ways.

- The J.D. program enrollment (all three years combined) has, historically, been between 550-700 students, with a peak enrollment period in 2005 of over 650 students. The program is currently enrolling about 580 students, and the intent is to expand to about 685 students over the next five years. While increasing overall program enrollment, entering J.D. class sizes are not expected to grow beyond 200 students. This level of enrollment can be achieved without impacting the quality of the incoming first-year class, due to the College of Law's high ranking, its ability to attract highly credentialed first-year students, and its popularity as a destination for high-performing transfer students from other law schools. Finally, the College continues to have a legal placement rate for graduates that is well above the national average (placing in the top 30 of all law schools for long-term, full-time bar passage-required positions and in the top 10 among law schools for all legal employment), and sees this modest expansion as a positive means of supporting the longer-term growth of Phoenix and Arizona.
- Substantial increases in the breadth of graduate law programs (LL.M. and M.L.S.) offered and in the number of students enrolled will be possible with new facilities. The M.L.S. program is a one-year master's degree geared primarily toward working professionals whose careers require a more formal understanding of the law. The LL.M. program allows current lawyers to immerse themselves in a rigorous, one-year graduate degree program tailored to their practice interest. The College also will be offering online programs beginning spring 2013 to meet the demands of other working professionals looking for certificate and other legal courses to advance their current careers. Combined enrollment in these programs will make graduates more valuable in their current positions or allow them to further their careers in other directions. Current enrollment in these programs is small (below 50) due mainly to space constraints and resource prioritization. In the new facility, the College will substantially expand its activities in these areas and increase enrollment to more than 140 within five years.
- In addition to these degree programs, the College of Law is embarking on a mission to become the nation's leading urban, comprehensive law school. Structural changes in the legal profession now require legal education institutions to provide continuing training and education to legal and non-legal professionals on multiple levels. Whether taking the form of Continuing Legal Education (CLE) programs, executive education

EXECUTIVE SUMMARY

opportunities, or non-degree skill-enhancement initiatives, the College of Law will become a national leader in post-graduate legal education of lawyers and non-lawyers alike. Current initiatives in CLEs and executive education are hampered by the College of Law's distance from the majority of the legal community and, as a result, are quite small. Relocating to downtown Phoenix, the center of the legal and business community in Arizona, will greatly enhance the College's ability to expand these programs and deliver a much-needed educational opportunity.

- As noted above, enrollment in the J.D. program is not expected to grow significantly beyond historic levels unless the market for new lawyers expands to pre-2008 levels. Even with its excellent placement record, the College of Law is committed to admitting only those high-quality J.D. candidates who have a strong likelihood of finding legal placement. However, overall enrollment in all programs, in-person and online, is expected to grow by 40 percent in the next seven years, with the substantial portion of the growth coming in non-J.D. enrollment.
- While providing space for program expansion is one driver of the desire for a new facility, another significant motivation is the opportunity to create a Center for Law and Society that will position the College of Law as a new model for ways in which the training and consideration of the law and legal issues can contribute to the larger social and policy issues we all face. The College of Law is already a national leader in providing innovative curricula—offering more practical training opportunities per capita than almost any other law school in the country (and more than any of the top law schools), while maintaining and enhancing its reputation as one of the best research faculties in the country. A new Downtown Phoenix Campus facility will greatly enhance these innovative programs. It will allow an increased ability to provide legal services to underserved populations, promote the already high-level of *pro bono* activities College of Law students can undertake (already an average of over 100,000 hours of free legal services to the community—an economic benefit to the state of over \$10,000,000 annually), and allow the College to undertake new initiatives to improve the legal education of our students and the level of professionalism within the legal profession as a whole. Among the most innovative of these ideas is the founding of a stand-alone, non-profit, teaching law firm. This firm will be staffed by recent graduates and will provide real-world experience for alumni, replace lost training opportunities that the private sector previously gave to new lawyers, and greatly integrate the College of Law into statewide bar and training initiatives. In addition, the already high level of economic benefit that the College of Law provides to the community will be greatly increased through this firm's low-cost legal representation.

EXECUTIVE SUMMARY

- Further, the Downtown Phoenix Campus location makes excellent sense for a law school with a strong sense of public purpose and dedicated to meaningful student opportunities outside the classroom. Located in the heart of the Arizona legal community, and near the court system and many centers of government and public policy, the downtown location provides easier access and new opportunities for students to learn and experience. In addition, the ability of the faculty and students in the College of Law to work with their counterparts in the College of Public Programs and the Cronkite School of Journalism, as well as new initiatives in Health Outcomes and the collaboration between ASU and the Mayo Clinic, will yield richer public debates and public policy solutions such that Downtown Phoenix will become the center for public outreach and discussion for both ASU students and the general public.

Key ABOR enterprise metrics:

- **Achieve a 50 percent increase in degree production.** Construction of the Center for Law and Society Facility will bring ASU closer to the ABOR goal of a 50 percent increase in degrees granted. The Sandra Day O'Connor College of Law plans to increase its enrollment and degrees awarded. The School's current facilities cannot meet the needs of this growth. This project will provide the space and physical resources necessary to accommodate current and incoming students, faculty and staff.
- **Expand community engagement and economic impact.** The new facility makes possible expanded clinical activities, public outreach and education, and new training opportunities. It also contributes in a major way to the continued invigoration of Downtown Phoenix, which in turn is spurring new businesses and becoming a hub for innovative enterprises.

Project Description/Scope/Project Compliance with Space Standards:

- ASU engaged an architectural planning firm with deep experience in law school facilities to study the concept of a new facility for the College of Law in Downtown Phoenix. The facility identified in the conceptual study is 280,000 gross square feet and requires three-quarters of the block bounded by Taylor Street, First Street, Polk Street and Second Street at the Downtown Phoenix campus. The Center for Law and Society Facility will include space for faculty, teaching and the library. It also will include space for the growing clinical program, simulation courtrooms, a large joint teaching and a simulation appellate courtroom, conference and continuing education facilities, and the

EXECUTIVE SUMMARY

unique teaching law firm described above. The law school will be supported by a 180-space parking structure and retail space.

- The project and program will allow the Sandra Day O'Connor College of Law to relocate from the ASU Tempe Campus to the ASU Downtown Phoenix Campus and expand its enrollment, moving the University towards key ABOR enterprise metrics.
- The facility is planned to house and host an increasing number of continuing education programs, and to become a forum that brings together leaders of the legal system in Arizona and the world with public policy thinkers and leaders to collaborate on issues of justice, public discourse, social policy and personal freedom.

Project Delivery Method and Process:

- This project will be delivered through the Construction Manager at Risk (CMAR) method. This approach was selected for the project to save time through fast-track project scheduling, provide contractor design input and coordination throughout the project, improve potentially adversarial project environments, and allow for the selection of the most qualified contractor team. With the use of two independent cost estimates at each phase, and low-bid subcontractor work for the actual construction, CMAR also provides a high level of cost and quality control.
- ASU has identified a CMAR and design professionals for this project, and contracts will be signed when negotiations are complete.

Project Costs:

- The preliminary budget for this 280,000 gross square foot project is \$119,900,000, plus \$9,100,000 for 180 underground parking spaces.
- The non-parking project budget represents an estimated construction cost of \$316 per gross square foot. The estimated total project cost is \$428 per gross square foot.

EXECUTIVE SUMMARY

Comparable Project	Location	Project Size	Year Completed	Escalated Const. Cost / SF
University of Denver College of Law	Denver, CO	210,000	2003	\$302
Marquette University Law School	Milwaukee, WI	200,000	2011	\$300
University of Maryland Law School	Baltimore, MD	189,700	2012	\$367
University of Utah Law School	Salt Lake City, UT	155,000	2014	\$293
Average Comparable Project		181,567		\$316

- Considering these relevant comparable construction costs, the Center for Law and Society Facility budget of \$316 per square foot is considered acceptable.
- For this Capital Development Plan phase, a preliminary external cost estimate was provided by a third-party consultant. DP and CMAR teams have now been identified for this project, and contracts with those teams are pending. Independent cost estimates also will be provided by the DP and CMAR after contracts are signed.
- The CMAR will be at risk to provide the completed projects within the agreed upon Guaranteed Maximum Price (GMP). A final report on project control procedures such as change orders and contingency use will be provided at project completion.

Project Status and Schedule:

- This project is in the conceptual phase. The proposed facility in Downtown Phoenix has been scoped through a feasibility study completed in 2010 by Shepley Bulfinch Architects that examined the needs of the College of Law and how they might be met on a specific parcel at the Downtown Phoenix campus. The study also included a cost estimate for this conceptual design. This study has become the basis for developing a financing plan for the project.
- Design Professionals (DPs) have now been identified and the contract will be signed when negotiations are complete. Design will be complete approximately nine months after the DP contract is awarded.
- General construction is scheduled to begin when all approvals are in place. Construction will be completed approximately 24 months after CMAR construction contracts are awarded.

EXECUTIVE SUMMARY

Fiscal Impact and Financing Plan:

- The project will be funded with system revenue bonds and gifts. The debt-financed portion is currently anticipated to total \$114,000,000 and the remaining \$15,000,000 will be funded by gifts. Debt service will be paid from incremental revenues generated by the College of Law through increased and expanded enrollment as described in the Project Justification and from modest tuition rate increases. Additionally, the City of Phoenix has agreed to provide \$12 million in support for the project, which will be used as bridge funding for debt service while the College of Law leverages its new Center for Law and Society facility to expand programs and enrollment.
- The University intends to raise \$15 million in capital gifts to support the project. The campaign for this will commence upon CDP approval.
- The plans call for only modest tuition increases over the next seven years. Given the level of quality and national ranking that ASU has achieved with its current lower rates, these tuition rate assumptions should leave the College of Law in a competitive position through this planning period.
- Combined base and differential tuition in the J.D. programs is \$25,570 for Arizona residents and \$40,298 for non-residents. The resident rate in FY 2012 was the lowest of the top 25 public and private law schools in the U.S. News and World Report rankings. It also was among the lowest of the top 25 public law schools. ASU, at number 8 in the rankings, had a tuition that was 24.8 percent lower than the median of the top ten public schools and 6.5 percent lower than the median of the top 25 publics. Non-resident tuition is 15.8 percent below the median of the top ten publics and 6 percent below the median of the top 25. Starting from this relatively low base point, the plan calls for resident rate increases of 0-2 percent for the next two years and an average of 4 percent to 2020. Non-resident tuition rate increase assumptions average 0-2 percent for the next two years and 4.5 percent to 2020.
- The project is to be constructed on a parcel of land at the Downtown Phoenix Campus owned by the City of Phoenix. The terms proposed are that site will be added to the existing master lease for the overall campus. The City will lease the land needed for the project (3/4th of the block) at no cost for the first ten years and then \$125,000 annually for the following ten years. At the end of 20 years, the land would transfer to University ownership. The remaining quarter block will be held for campus use at least until 2019, and after that is subject to discussions about non-campus uses if not planned for University use by that time.

EXECUTIVE SUMMARY

- Operations and maintenance costs for this project are estimated at \$2,226,000 annually. The University will request a general fund appropriation for operations and maintenance support through the standard legislative request process.
- Debt ratio impact: The incremental debt ratio impact for this project would be 0.39 percent.

Backfill Plan:

- Approximately 165,000 gross square feet in two buildings will be vacated on the Tempe Campus and will provide space for the expansion of enrollment in the College of Liberal Arts and Sciences while avoiding substantial capital costs for new construction. The space provides offices and classrooms, including the opportunity to add large lecture halls needed to support new types of teaching space that are already showing potential to improve student outcomes and limit cost growth.

Alternatives:

- The Downtown Phoenix Campus location is the only location considered for Law School expansion because of the advantages of proximity to government, courts, and the legal community. Programmatic expansion and service to the legal community and the public is less likely to succeed in the current location.

Description of Other Related Projects Including Infrastructure Improvements:

- All infrastructure costs have been included in the project budget.

EXECUTIVE SUMMARY

Capital Project Information Summary

University: Arizona State University

Project Name: Center for Law and
Society Facility

Project Description and Location:

This project will construct a Center for Law and Society Facility of approximately 280,000 gross square feet at the Downtown Phoenix Campus. The facility will be designed and constructed to last 100 years.

Project Schedule:

Planning	December	2011
Design	May	2013
Construction	June	2014
Occupancy	July	2016

Project Budget:

Total Project Cost of Law Facility	\$	119,900,000*
Total Project Construction Cost	\$	88,494,000*
Total Project Cost per GSF	\$	428*
Construction Cost per GSF	\$	316*

**does not include parking structure*

Total Project Cost of Parking Structure \$ 9,100,000

Total Cost with Parking Structure \$ 129,000,000

Change in Annual O & M Cost:

Utilities	\$	1,400,000
Personnel		83,000
All Other Operating		1,217,000
Subtotal	\$	2,226,000

Funding Sources:

Capital

A. System Revenue Bonds	\$	114,000,000
B. Gifts	\$	15,000,000

Funding Source for Debt Service: College of Law Incremental Revenue

Operation/Maintenance \$ 2,226,000
Funding Sources: General Fund Appropriation

EXECUTIVE SUMMARY

Capital Project Budget Summary

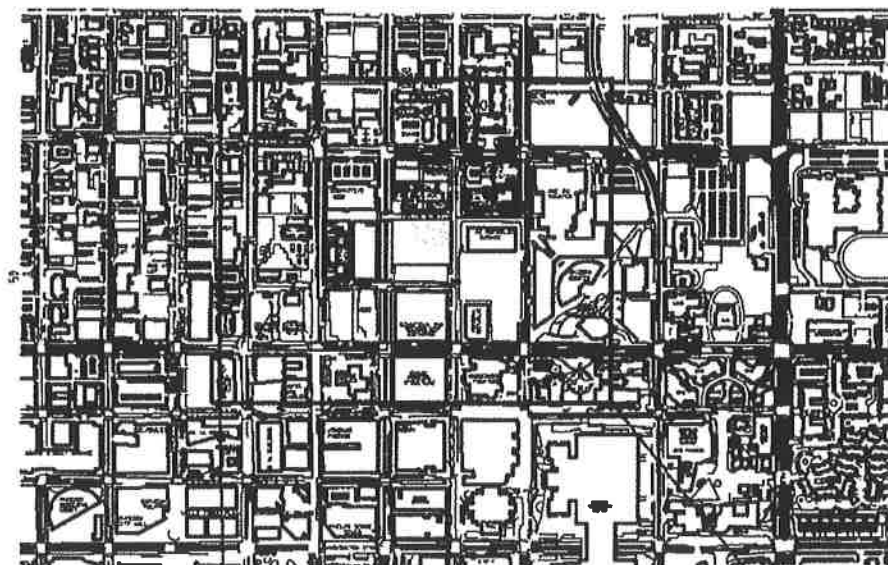
University: ASU at the Downtown Phoenix campus

Project: Center for Law and Society Facility (with parking structure)

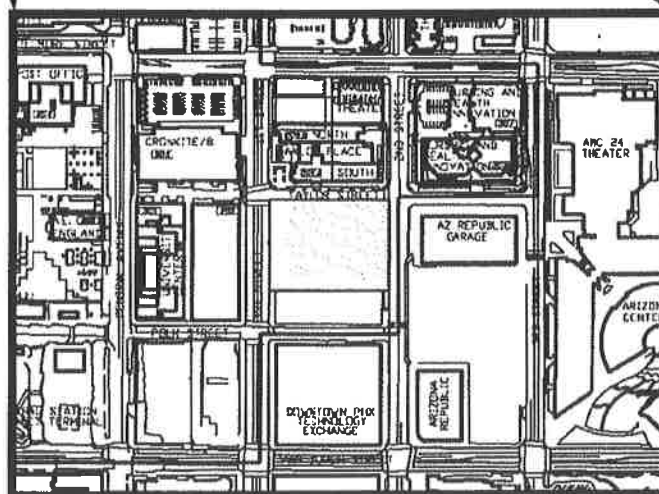
	Capital Development Plan	Project Approval
Capital Costs		
1. Land Acquisition	\$ -	\$ -
2. Construction Cost	-	-
A. New Construction	88,494,000	
B. Renovation		
C. Special Fixed Equipment		-
D. Site Development (excl. 2.E.)		
E. Parking and Landscaping	9,100,000	
F. Utilities Extensions	406,000	
G. Other* (Demolition)		
Subtotal Construction Cost	<u>\$ 98,000,000</u>	<u>\$ -</u>
3. Fees		
A. Construction Mgr	\$ 4,560,000	
B. Architect/Engineer	14,120,000	
C. Other	250,000	-
Subtotal Consultant Fees	<u>\$ 18,930,000</u>	<u>\$ -</u>
4. FF&E Movable	\$ 3,320,376	
5. Contingency, Design Phase	1,650,000	
6. Contingency, Constr. Phase	3,500,000	
7. Parking Reserve		-
8. Telecommunications Equipment	485,000	
Subtotal Items 4-8	<u>\$ 8,955,376</u>	<u>\$ -</u>
9. Additional University Costs		
A. Surveys, Tests, Haz. Mat. Abatement	\$ 20,000	
B. Move-in Costs	50,000	
C. Printing Advertisement		
D. Keying, signage, facilities support	34,796	
E. Project Management Cost (2%)	2,580,000	
F. State Risk Mgt. Ins. (.0034 **)	429,828	
Subtotal Addl. Univ. Costs	<u>\$ 3,114,624</u>	<u>\$ -</u>
Total Capital Cost	<u><u>\$ 129,000,000</u></u>	<u><u>\$ -</u></u>

* Universities shall identify items included in this category

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



CENTER FOR LAW AND SOCIETY FACILITY



AREA IN DETAIL

EXECUTIVE SUMMARY

**Arizona Board of Regents
Arizona State University
Capital Development Plan Project Justification Report
Psychology Building Renovation**

Previous Board Action:

- FY 2015-2017 Capital Improvement Plan September 2013

Statutory/Policy Requirements

- Pursuant to Arizona Board of Regents Policy Chapter 7-102, all renovation and infrastructure capital projects with an estimated total project cost of \$5 million or more shall be brought to the Business and Finance Committee for approval, regardless of funding source or financing.

Project Justification/Strategic Implications/Project Compliance with Mission, Strategic Plan, Master Plan and Community Input Process

- The Psychology Building Renovation project will advance the goals and priorities of the University outlined in the ASU Enterprise Business Framework. The project will support the safe and uninterrupted use of vital classroom, academic and research space by faculty, students and staff.
- The Psychology Department in the College of Liberal Arts and Sciences consists of five areas of study: Behavioral Neuroscience, Clinical Psychology, Cognitive Science, Developmental Psychology, Quantitative Psychology and Social Psychology. Growth in these areas continues, generating about \$11 million per year in federal and foundation research funding. In recent national polls, ASU consistently ranks as one of the top 30 psychology programs in the country.
- This project is necessary to maintain accreditation for these successful programs and to adapt to changes in research requirements. In its current configuration, the Psychology Building will not sustain current research levels or support future research growth, essential to the University's mission of research and academic excellence. The primary institutional priorities supported by this project include:
 - **Life Safety and Code Compliance** Life safety and code compliance matters take highest priority in this building infrastructure project. This

EXECUTIVE SUMMARY

project will address safety and code compliance issues, ensuring a safe environment for students, faculty, staff and visitors. The project also will address maintenance that has been deferred due to the absence of state building renewal funding.

- **Campus Operations Priorities** The Psychology Building Renovation project responds to core building function needs by providing space appropriate for teaching, learning and research. The project will protect University investment in facilities, and provide facility enhancements essential in moving the University toward its goals.
- **Research and Development** The Psychology Building Renovation project will facilitate continued increases in research and development grants. University research expenditures are used in part to purchase local goods and services, help create new companies and jobs, support the development of next-generation scientists and innovators, and attract top research talent to the faculty. Research and development expenditures also support the state's competitive advantage in science, technology and medicine.
- **Doctoral Degrees Awarded** The Psychology Building Renovation project will assist the University in increasing the number of doctoral degrees awarded. The project will promote growth in the level of research and discovery at the University, resulting in more highly-specialized individuals in diverse fields. Increasing doctoral degrees drives growth in expenditures and jobs and supports a vital economy for the state.
- **Workforce and Community: Degrees Awarded in High Impact Fields** The Psychology Building Renovation project focuses on disciplines projected to impact local and global communities. Increasing the number of degrees awarded in high demand fields such as psychology is critical to ensure the University helps fulfill Arizona's workforce demands now and in the future.
- **Establishing national standing in academic quality and impact of colleges and schools in every field** The Psychology Building Renovation project will enhance the quality of University facilities with improved space for faculty and better classroom and research/teaching lab experiences for students. This project will bring the University in compliance with code requirements for safety and reduce deferred maintenance. Project components essential for life safety/code compliance and University strategic initiatives have been given top priority.

EXECUTIVE SUMMARY

- **Key ABOR enterprise metric: Achieve a 50 percent increase in degree production** Resources needed to increase degree production include continued investment in faculty as well as space renovations to support teaching innovations. The Psychology Building Renovation project will provide renovated space for a growing academic program, allowing better student/faculty interaction and learning experiences.

Project Description/Scope/Project Compliance with Space Standards:

- The 81,900 gross square foot Psychology Building was constructed in 1972. The three-story building requires upgrades to all building infrastructure systems to meet program requirements and current building and life safety codes.
- The scope of work includes demolition of original flooring, walls, and ceilings as well as removal of asbestos-containing materials.
- The original mechanical/HVAC systems will be replaced with energy-efficient systems that meet recommended air changes for laboratory functions. Work also includes installation of new walls, ceilings, stair handrails and guard rails, fire sprinkler, fire alarm, data, security, audio-visual, building management, electrical, and plumbing systems, as required to comply with research and teaching needs, as well as current building, accessibility and life safety codes. Exterior building surfaces will be repaired to provide a weather-tight enclosure. This renovation project is targeting the LEED Silver accreditation standard.
- Existing original restrooms will be upgraded to comply with ADA accessibility requirements, and dedicated janitor closets will be added.
- The lower level equipment room will be renovated to provide separate electrical and mechanical equipment rooms in compliance with current codes. The original electrical switchgear and distribution panels in the building will be replaced. A new electrical distribution system will be installed to support continued research growth. Renovations will create a central utility core with a vertical chase for data communication systems. The project will enhance the emergency generator system by increasing backup power to support behavior neuroscience facilities, as recommended by Association for Assessment and Accreditation of Laboratory Animal Care International.
- Current building occupants will be relocated temporarily to other campus locations. Two relocations, one temporary and one permanent (The Clinical Psychology Center), will be managed and funded as separate projects to ensure continuous accreditation and uninterrupted teaching and research for these programs.

EXECUTIVE SUMMARY

Project Delivery Method and Process:

- This project will be delivered through the construction manager at risk, or CMAR, method.

Project Costs:

- The budget for this 81,900 gross square foot project is \$22,700,000.
- The project budget represents an estimated construction cost of \$200 per gross square foot. The estimated total project cost is \$277 per gross square foot. The following table lists projects comparable in scope to the Psychology Building Renovation project:

Comparable Project	Location	Project Size	Year Completed	Escalated Const. Cost / SF
Murchie Science Building Renovation - Univ. of Mich.	Flint, MI	85,000	2015	\$183
Johnston Health and Env. Research Bldg - Tulane Univ.	New Orleans, LA	37,400	2013	\$252
Tate Science and Teaching Renovation - Univ. of Minn	Minneapolis, MN	200,000	2012	\$298
Average Comparable Project		107,467		\$244

- Considering these relevant comparable construction costs, the Psychology Building Renovation budget of \$200 per square foot is considered acceptable.
- For this Capital Development Plan phase, DP (design professional) and CMAR teams have been identified for this project, and a preliminary cost estimate was provided by the CMAR. As design continues, independent cost estimates also will be provided by the DP and again by the CMAR.
- The CMAR will be at risk to provide the completed projects within the agreed-upon guaranteed maximum price. A final report on project control procedures, such as change orders and contingency use, will be provided at project completion.

Project Status and Schedule:

EXECUTIVE SUMMARY

- The DP team has been selected, and design will be complete in July 2014.
- General construction is scheduled to begin when design is complete and after all approvals are in place. Construction on all project components will be completed by August 2015.

Fiscal Impact and Financing Plan:

- The projects will be funded with system revenue bonds. Debt service will be paid from tuition.
- There are no expected increases in operation and maintenance costs for this project.
- Debt Ratio Impact: 0.09 percent.

Occupancy Plan:

- This project will reconfigure and renew spaces for research, classroom and academic areas. Programs will be displaced as spaces are renovated. The Clinical Psychology Center will be relocated to a more appropriate location.

Backfill Plan:

- There is no backfill associated with these projects.

Alternatives:

- There are few alternatives available that will fully accomplish the goals and objectives of this project. Given the unique infrastructure needs for the research performed by these programs, the only options were to completely renovate the existing building or to build a new facility. Renovating existing space was determined to be the most economic and desirable option.

EXECUTIVE SUMMARY

Capital Project Information Summary

University: Arizona State University

Project Name: Psychology Building
Renovation

Project Description and Location:

This project will renovate the 81,900 gross square foot Psychology Building at the Tempe campus. The project will affect wet and dry laboratory spaces, as well as classrooms, teaching laboratories, and academic offices. Building infrastructure, such as HVAC, electrical, plumbing, audio-visual, and telecommunications will be renewed.

Project Schedule:

Planning	January	2008
Design	October	2013
Construction	August	2014
Occupancy	August	2015

Project Budget:

Total Project Cost	\$	22,700,000
Total Project Construction Cost	\$	16,400,000
Total Project Cost per GSF	\$	277
Construction Cost per GSF	\$	200

Change in Annual Operations and Maintenance Cost:

Utilities	\$	0
Personnel		0
All Other Operating		0
Subtotal	\$	0

Funding Sources:

Capital		
A. System Revenue Bonds	\$	22,700,000
Funding Source for Debt Service:		Tuition

Operation/Maintenance	\$	0
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Funding Sources: Not applicable

EXECUTIVE SUMMARY

Capital Project Budget Summary

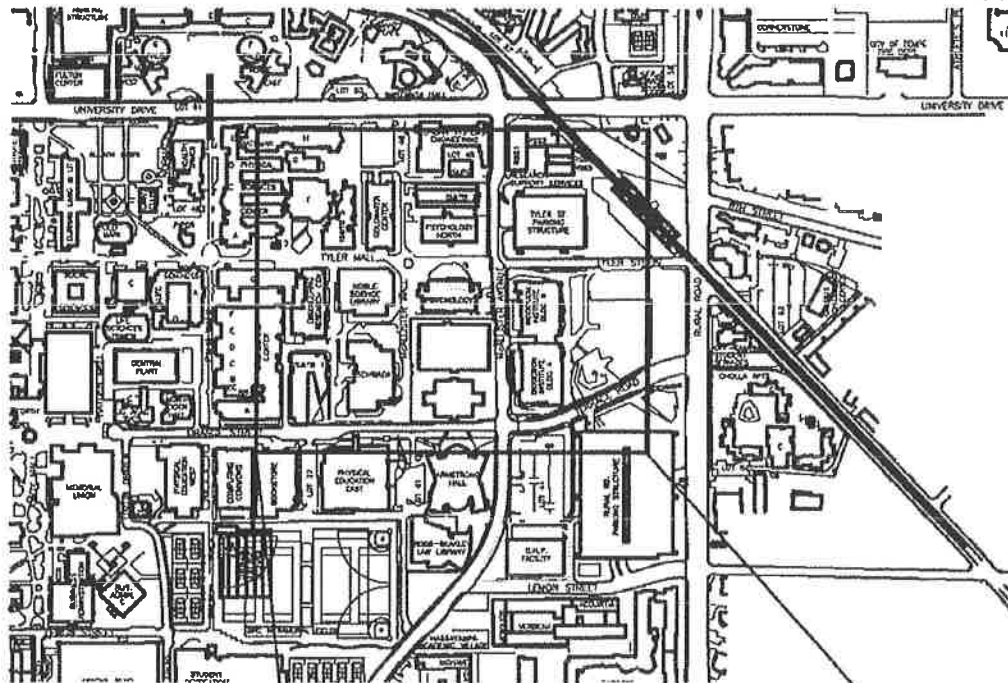
University: ASU at the Tempe campus

Project: Psychology Building
Renovation

	Capital Development Plan	Project Approval
Capital Costs		
1. Land Acquisition	\$ -	\$ -
2. Construction Cost	-	-
A. New Construction		
B. Renovation	14,250,000	
C. Special Fixed Equipment	500,000	-
D. Site Development (excl. 2.E.)	-	
E. Parking and Landscaping	50,000	
F. Utilities Extensions	-	
G. Other*(Demolition & Abatement)	1,600,000	
Subtotal Construction Cost	<u>\$ 16,400,000</u>	<u>\$ -</u>
3. Fees		
A. Construction Mgr	\$ 200,000	
B. Architect/Engineer	1,300,000	
C. Other	100,000	-
Subtotal Consultant Fees	<u>\$ 1,600,000</u>	<u>\$ -</u>
4. FF&E Movable	<u>\$ 1,250,000</u>	
5. Contingency, Design Phase	750,000	
6. Contingency, Constr. Phase	750,000	
7. Parking Reserve		-
8. Telecommunications Equipment	1,000,000	
Subtotal Items 4-8	<u>\$ 3,750,000</u>	<u>\$ -</u>
9. Additional University Costs		
A. Surveys, Tests	\$ 10,000	
B. Move-in Costs	184,500	
C. Printing Advertisement	1,120	
D. Keying, signage, facilities support	87,000	
E. Project Mgmt. Cost (2%) + fees (.66%)	591,744	
F. State Risk Mgt. Ins. (.0034 **)	75,636	
Subtotal Addl. Univ. Costs	<u>\$ 950,000</u>	<u>\$ -</u>
Total Capital Cost	<u><u>\$ 22,700,000</u></u>	<u><u>\$ -</u></u>

* Universities shall identify items included in this category

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



The site plan illustrates the layout of the University of Illinois at Chicago campus. Key features include:

- Buildings:** Goldwater Center, Noble Science Library, Psychology North, Psychology, Biondesign Institute Bldg 8, Biondesign Institute Bldg A, Tyler St. Parking Structure, Research Support Services, and various smaller buildings like JS&TB 1, 2, 3, 4, 5, 6, 7, 8, 9, 10, 11, 12, 13, 14, 15, 16, 17, 18, 19, 20, 21, 22, 23, 24, 25, 26, 27, 28, 29, 30, 31, 32, 33, 34, 35, 36, 37, 38, 39, 40, 41, 42, 43, 44, 45, 46, 47, 48, 49, 50, 51, 52, 53, 54, 55, 56, 57, 58, 59, 60, 61, 62, 63, 64, 65, 66, 67, 68, 69, 70, 71, 72, 73, 74, 75, 76, 77, 78, 79, 80, 81, 82, 83, 84, 85, 86, 87, 88, 89, 90, 91, 92, 93, 94, 95, 96, 97, 98, 99, 100.
- Streets:** Mollister Avenue, Terrace Road, and Tyler St.
- Parking:** Tyler St. Parking Structure.
- Other:** Research Support Services, Biondesign Institute, and various smaller buildings.

AREA IN DETAIL



STATE OF ARIZONA

Joint Committee on Capital Review

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ANNA TOVAR

1716 WEST ADAMS
PHOENIX, ARIZONA 85007

PHONE (602) 926-5491

FAX (602) 926-5416

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

HOUSE OF
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RICK GRAY
ANDREW C. SHERWOOD

DATE: March 25, 2014

TO: Representative John Kavanagh, Chairman
Members, Joint Committee on Capital Review

THRU: Richard Stavneak, Director *RS*

FROM: Ben Beutler, Fiscal Analyst *BB*

SUBJECT: Arizona Department of Transportation - Review of De-Icer Buildings Project

Request

A.R.S. § 41-1252 requires Committee review of expenditure plans for capital projects with costs greater than \$250,000. The Arizona Department of Transportation (ADOT) is requesting Committee review of \$2,280,000 for 5 de-icer buildings. The FY 2014 Capital Outlay Bill appropriated this amount for 6 buildings.

Recommendation

The Committee has at least the following 2 options:

1. A favorable review.
2. An unfavorable review.

The cost projections are consistent with the low bid and are within the proposed budget for the project.

Under either option, the JLBC Staff recommends the provision that ADOT report any project reallocations above \$100,000.

Analysis

The FY 2014 Capital Outlay Bill appropriated \$2,280,000 from the State Highway Fund in FY 2014 to the department to construct 6 new buildings to house de-icer chemicals, bulk sand, and cinders used during winter months to de-ice highways. ADOT, however, is using the funds to build only 5 de-icer buildings instead of 6.

(Continued)

ADOT estimates a total cost of \$2,280,000 to construct new de-icer buildings at 5 locations (Alpine, Fort Rock, Oak Creek, Payson, and Safford), as shown in the following table:

ADOT's Estimated Cost for 5 De-Icer Buildings	
	<u>Estimated Cost</u>
5 De-Icer Buildings	\$ 2,106,500 ^{1/}
Engineering Services/Contingency	<u>173,500</u>
Total	\$2,280,000
<hr/>	
^{1/} Low bid	

ADOT's estimated cost for the 5 proposed locations averages \$456,000 per location. This is higher than the \$369,500 per location favorably reviewed by the Committee on June 19, 2007, the last time the Committee reviewed these types of projects. The increased cost is generally in line with inflation, likely due to increases in material costs, such as steel and concrete. The \$456,000 per location is consistent with the low bid and is within the proposed budget for the project.

The new de-icer buildings would replace existing outside storage, and would help ADOT comply with an environmental agreement with the Arizona Department of Environmental Quality regarding storm water/waste water.

RS/BB:kp

February 25, 2014



The Honorable John Kavanagh
Chairman
Joint Committee on Capital Review
1716 West Adams St.
Phoenix, AZ 85007

Dear Representative Kavanagh:

We respectfully request to be placed on the next meeting of the JCCR for review and approval of projects related to ADOT's FY2014 capital outlay appropriation.

ADOT was appropriated \$2,280,000 for the construction of de-icer material storage buildings as part of a comprehensive containment program designed to keep chemicals and materials from entering and contaminating the state's water system. Funds will be used to build five (5) 60 ft. x 80 ft. membrane-covered steel-frame de-icer structures at the following maintenance yards: Alpine, Fort Rock, Oak Creek, Payson, and Safford.

The current bid amount is \$2,106,497 with the remaining \$173,503 to be used for engineering services and contingency.

We appreciate your consideration and approval of this request. If you have any questions or need additional information, please contact Melissa Wynn, ADOT Budget Director, at 602.712.8981.

Sincerely,

A handwritten signature in black ink, appearing to read 'John S. Halikowski', with a small 'for.' written below it.

John S. Halikowski

c: Richard Stavneak, JLBC Director
Ben Beutler, JLBC Analyst
Illye Riske, OSPB Analyst
John Hetzel, ADOT

[illegible]



STATE OF ARIZONA

Joint Committee on Capital Review

STATE
SENATE

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RICK GRAY
ANDREW C. SHERWOOD

DATE: April 2, 2014

TO: Representative John Kavanagh, Chairman
Members, Joint Committee on Capital Review

THRU: Richard Stavneak, Director *RS*

FROM: Jon Stall, Senior Fiscal Analyst *JS*

SUBJECT: Arizona State Lottery Commission - Review of FY 2014 Building Renewal Allocation Plan

Request

A.R.S. § 41-1252 requires Committee review of expenditure plans for building renewal monies. The Arizona State Lottery Commission requests Committee review of its FY 2014 Building Renewal Allocation Plan. The FY 2014 Capital Outlay Bill (Laws 2013, Special Session, Chapter 8) appropriated \$90,300 from the State Lottery Fund to the State Lottery Commission to fund 100% of the building renewal formula in FY 2014.

Recommendation

The JLBC Staff recommends that the Committee give a favorable review of the commissions' FY 2014 Building Renewal Allocation Plan with the provision that the agency subsequently provide its specific expenditure plan to the JLBC Staff.

Analysis

The commission operates out of 2 facilities; a 38,600 square foot state-owned building in Phoenix, and a 3,080 square foot leased building in Tucson. The Phoenix facility includes administrative offices, ticket sales, and redemption centers. This request pertains only to the Phoenix facility.

The Lottery Commission is requesting review of their \$90,300 allocation plan which consists of a project to repair existing rain water leaks and potential water damage at the Phoenix facility. The commission, a third party vendor, and the Arizona Department of Administration (ADOA) have identified sections of windows and second story patio flooring as the source of the leaks into the building interior. The State Lottery's project does not include a specific cost for repairing patio floor leaks or water damage on the facility's second story patio. The extent of flooring repairs and water damage will be unknown until patio tile is removed and any damage assessed. A representative of ADOA has acknowledged that total costs for the entire project could potentially exceed the agency's \$90,300 building renewal appropriation for

(Continued)

FY 2014. Project costs exceeding the \$90,300 appropriation, if any, would be funded through the Lottery Commission's FY 2014 operating budget appropriation. The agency expects the project will reduce the risk of future computer and electrical problems, mold, and other water damage to the facility.

RS/JS:kp

Janice K. Brewer
Governor



Jeff Hatch-Miller
Executive Director

March 04, 2014

The Honorable John Kavanagh, Chairman
Joint Committee on Capital Review
Arizona House of Representatives
1700 West Washington St.
Phoenix, AZ 85007



Re: JCCR Agenda Request

Dear Representative Kavanagh:

The Arizona Lottery respectfully requests placement on the JCCR meeting agenda for April 2014 to review the Lottery's FY14 Building Renewal allocation plan. A.R.S. § 41-1252 requires Committee review of expenditure plans for building renewal monies.

Information for this item is attached.

Sincerely,

Jeff Hatch-Miller.
Executive Director

Attachment

cc: Senator Don Shooter, Vice-Chairman, JCCR
Richard Stavneak, Director, JLBC
Jon Stall, Lottery Analyst, JLBC
John Arnold, Director, OSPB

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**The Arizona Lottery Building Renewal Funds
Fiscal Year 2014 Allocations Plan**

Background

The Arizona Lottery operates out of two facilities, A 38,600 sq. ft. building, constructed in 1987, owned by the State of Arizona in Phoenix, and a 3,080 sq. ft. leased building in Tucson. The Phoenix facility includes the administrative offices, as well as a ticket sales and redemption section. The Tucson office provides space for the district sales manager and ticket sales and redemption. Maintenance of the Tucson facility is included as part of the lease agreement. This report provides information on proposed maintenance expenses for the Phoenix facility.

As part of the FY2014 Approved Budget, the Arizona Lottery received a Capital Outlay Appropriation of \$90,300 from the State Lottery Fund, to the Arizona Lottery Commission for building renewal.

Total FY2014 Capital Expenditure Budget Allocation:	\$ 90,300
Proposed FY2014 Expenditures – Roof Leakage Repair:	<u>\$ 90,300</u>
Remaining	\$ 0

FY2014 Allocation Plan

The Arizona Lottery proposes the following capital expenditures in FY2014. The cost estimates were obtained from Contractors brought in to inspect the leaks. The leakage was determined to be due to issues with the windows and the second floor patios. They are both probable causes for the interior leakage.

Description

In 2013 during rain storms the Lottery was experiencing leaks in several offices. The caulking around the windows and the grout on the tile patios were cracked and peeling allowing rain water to pass down into the offices below. A contractor was brought in to examine the patios.

Some of the deficiencies were identified as caulking used to seal the windows should not have been used. It needs to be removed and the casings covering the windows need internal water diverters to allow the rain water to flow outside and limit the amount that comes into the offices. The patios were examined and show signs of potential subflooring damage. The tile will have to be removed and the patios repaired.

This scenario is not acceptable. If the rain water is allowed to continue to enter the building it will cause several issues, including wood rot, wall damage, electrical failure, computer damage and mold.

Proposed Solution

The Lottery would propose moving forward working with repairing in stages the windows and the patio to reduce or eliminate the leakage into the building. The attention to this matter is necessary as the amount of water that is leaking seems to be increasing with each new rain.

Principal Benefits

Reduce the chances of damage caused by the rain water and avoid system malfunction due to electrical or computer failures.

Cost Estimate

The estimates provided by the contractor are limited as they are unwilling to commit to a price until the damage can be surveyed by removing the outside patio tiles. However, preliminary discussions with ADOA indicate the cost to completely repair will exceed the FY14 allocation of \$90,300. This year's allocation will allow for the most critical repairs.



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Joint Committee on Capital Review

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PHONE (602) 926-5491

FAX (602) 926-5416

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

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DATE: March 25, 2014

TO: Representative John Kavanagh, Chairman
Members, Joint Committee on Capital Review

THRU: Richard Stavneak, Director *RS*

FROM: Steve Grunig, Senior Fiscal Analyst *SG*

SUBJECT: Arizona Department of Administration - Consider Recommending FY 2014 Partial Rent Exemption

Request

A.R.S. § 41-792.01D authorizes the Director of the Arizona Department of Administration (ADOA), on recommendation from the Joint Committee on Capital Review, to grant a full or partial exemption from the payment of state-owned rental fees if the agency has vacated its space or if an agency does not have the financial resources to make the payment. ADOA requests the Committee recommend a partial rent exemption totaling \$10,000 in FY 2014 for the State Real Estate Department.

Recommendation

The JLBC Staff recommends that the Committee recommend a partial exemption of \$10,000 for the State Real Estate Department.

Analysis

ADOA is reallocating approximately 1,820 rentable square feet of office space at 400 West Congress Avenue in Tucson, from the State Real Estate Department to the Department of Economic Security (DES) effective February 1, 2014. ADOA requests JCCR's favorable review of a 5-month pro rata FY 2014 COSF rent exemption of \$10,000 for the State Real Estate Department. ADOA will invoice DES \$10,000 for 5-months pro rata occupancy and include the annualized value of the space in DES future fiscal year COSF rent invoices.

RS/SG:kp

Janice K. Brewer
Governor



Brian C. McNeil
Director

ARIZONA DEPARTMENT OF ADMINISTRATION

OFFICE OF THE DIRECTOR

100 NORTH FIFTEENTH AVENUE • SUITE 401
PHOENIX, ARIZONA 85007
(602) 542-1500

December 17, 2013



The Honorable Don Shooter, Chairman
The Joint Committee on Capital Review
1700 West Washington Street
Phoenix, Arizona 85007

Dear Senator Shooter:

A.R.S. § 41-792.01.D. provides that the Arizona Department of Administration (ADOA) Director, on recommendation of the Joint Committee on Capital Review (JCCR), may authorize a whole or partial exemption from payment of Capital Outlay Stabilization Fund (COSF) rent if an agency does not occupy or vacates state-owned space after the beginning of the fiscal year.

ADOA is reallocating approximately 1,820 Rentable Square Feet (RSF) office space at 400 West Congress Avenue, Tucson, Arizona, from the Arizona Department of Real Estate (ADRE) to the Arizona Department of Economic Security (ADES) effective February 1, 2014.

ADOA requests JCCR's favorable review of a five-months pro rata FY 2014 COSF rent exemption for the ADRE of \$10,000. ADOA will invoice ADES \$10,000 for five-months pro rata occupancy and include the annualized value of the space in ADES future fiscal year's COSF rent invoices.

If you have any questions regarding the proposed ADRE FY 2014 COSF rent exemption, please contact William Hernandez at 602-364-2872 or william.hernandez@azdoa.gov.

Sincerely,

A handwritten signature in blue ink, appearing to read "Brian C. McNeil".

Brian C. McNeil
Director

The Honorable Don Shooter
ADRE FY 2014 Rent Exemption
December 17, 2013
Page 2 of 2

cc: The Honorable John Kavanagh, Vice-Chairman, JCCR
✓ Richard Stavneak, Director, JLBC Staff
Jack Brown, Principal Fiscal Analyst, JLBC Staff
John Arnold, Director, OSPB
Ken Matthews, Fiscal Analyst, OSPB
Judy Lowe, Commissioner, ADRE
Clarence Carter, Director ADES
Paul Shannon, Assistant Director, ADOA
William Hernandez, Assistant Director, ADOA/GSD
Nola Barnes, General Manager, ADOA/GSD