

JOINT COMMITTEE ON CAPITAL REVIEW

Tuesday, June 13, 2023

9:45 a.m. or Upon Adjournment of the JLBC Meeting

House Hearing Room 1



STATE OF ARIZONA

Joint Committee on Capital Review

STATE
SENATE

JOHN KAVANAGH
CHAIRMAN
LELA ALSTON
KEN BENNETT
SONNY BORRELLI
EVA DIAZ
DENISE "MITZI" EPSTEIN
JAKE HOFFMAN

1716 WEST ADAMS
PHOENIX, ARIZONA 85007

(602) 926-5491

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HOUSE OF
REPRESENTATIVES

DAVID LIVINGSTON
VICE-CHAIRMAN
LORENA AUSTIN
LEO BIASIUCCI
ANDRÉS CANO
JOSEPH CHAPLIK
MATT GRESS
ATHENA SALMAN

JOINT COMMITTEE ON CAPITAL REVIEW
Tuesday, June 13, 2023
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House Hearing Room 1

MEETING NOTICE

- Call to Order
- [Approval of Minutes of May 4, 2023.](#)
- 1. ARIZONA DEPARTMENT OF ADMINISTRATION
 - [A. Review of 1616 and 1688 West Adams Building Renovation Plan \(For Discussion Only\).](#)
 - [B. Review of 1624 West Adams Demolition Plan.](#)
 - [*C. Review of FY 2024 Building Renewal Allocation Plan.](#)
- 2. ARIZONA DEPARTMENT OF ADMINISTRATION and ARIZONA DEPARTMENT OF TRANSPORTATION - [Review of Electric Vehicle Charging Station Projects \(For Discussion Only\).](#)
- 3. [*ARIZONA GAME AND FISH DEPARTMENT - Review of FY 2024 Capital Projects.](#)
- 4. ARIZONA STATE PARKS BOARD
 - [A. Review of Verde River State Park \(For Discussion Only\).](#)
 - [*B. Review of FY 2024 Capital Improvement Projects - State Parks Revenue Fund.](#)
- 5. [*ARIZONA DEPARTMENT OF TRANSPORTATION - Review of ADOT Capital Projects.](#)
- 6. ARIZONA STATE UNIVERSITY
 - [*A. Review of Interdisciplinary Science and Technology Building 12 Project.](#)
 - [*B. Review of Student Housing, Dining and Academic Building Project.](#)

- * Consent Agenda - These items will be considered in one motion and no testimony will be taken.

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

06/07/2023

JB

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

May 4, 2023

The Chairman called the meeting to order at 11:26 a.m., Thursday, May 4, 2023 in House Hearing Room

1. The following were present:

Members:	Senator Kavanagh, Chairman	Representative Livingston, Vice-Chairman
	Senator Alston	Representative Biasiucci
	Senator Bennett	Representative Chaplik
	Senator Borrelli	Representative Gress
	Senator Diaz	Representative Salman
	Senator Epstein	

Absent:	Senator Hoffman	Representative Austin
		Representative Cano

APPROVAL OF MINUTES

Representative Livingston moved that the Committee approve the minutes of December 13, 2022. The motion carried.

CONSENT AGENDA

The following items were considered without discussion:

1. ADOPTION OF COMMITTEE RULES AND REGULATIONS.

The rules are the same as in the prior session, with one exception. A.R.S § 41-1252 requires JCCR review of agency capital projects that have a total estimated cost of more than \$250,000. Rule 6.5, regarding Committee review, has been clarified to match the existing statutory threshold.

(Continued)

2. ARIZONA EXPOSITION AND STATE FAIR BOARD (AESF) - Review of Capital Projects.

A.R.S. § 14-1252 requires the Committee to review expenditure plans for capital projects exceeding \$250,000. The Arizona Exposition and State Fair Board (AESF) requested Committee review of 6 capital projects totaling \$2,300,000 from the board's FY 2023 appropriation listed below.

- \$2,000,000 to repave portions of the North and South parking lots.
- \$25,000 to reseal the Administration Office windows.
- \$20,000 to repair the North Block Wall fence.
- \$50,000 to refloor the Administration Office.
- \$135,000 for installation of new exit doors for the Plaza and Home Arts buildings.
- \$70,000 for repair and installation of insulation in the Agriculture Center.

The JLBC Staff provided options.

3. DEPARTMENT OF JUVENILE CORRECTIONS (DJC) - Review of Water and Waste Chase Closet Replacement Capital Project.

A.R.S. § 41-1252 requires Committee review of the expenditure of monies appropriated for land acquisition, capital projects and building renewal. The Department of Juvenile Corrections (DJC) requested review of its plan to spend \$400,000 to replumb water and waste chase closets at the Adobe Mountain School Facility. The JLBC Staff provided options.

4. ARIZONA GAME AND FISH DEPARTMENT - Reallocation of FY 2022 Building Renewal Monies.

A.R.S. § 41-1252 requires Committee review of expenditure plans for all monies appropriated for building renewal. The Arizona Game and Fish Department (AGFD) requested Committee review of a reallocation of \$152,000 in unused monies from the agency's FY 2022 building renewal appropriation. The funding would allow AGFD to complete the repaving of their Flagstaff regional office visitor parking lot. The JLBC Staff provided options.

Representative Livingston moved that the Committee adopt the committee rules and regulations as outlined in consent agenda item 1 and give a favorable review of the agency requests in consent agenda items 2, 3, and 4. The motion carried.

Without objection, the meeting adjourned at 11:27 a.m.

Respectfully submitted:



Jennifer Burns, Secretary



Rebecca Perrera, Assistant Director



Senator John Kavanagh, Chairman

NOTE: A full audio recording of this meeting is available at the JLBC Staff Office, 1716 W. Adams. A full video recording of this meeting is available at <http://www.azleg.gov/jlbc/meeting.htm>



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DATE: June 8, 2023

TO: Members of the Joint Committee on Capital Review

FROM: Rebecca Perrera, Assistant Director

SUBJECT: Arizona Department of Administration – Review of 1616 and 1688 West Adams Building Renovation Plan (For Discussion Only)

Request

A.R.S. § 41-1252 requires Committee review of the expenditure of monies appropriated for land acquisition, capital projects and building renewal. The Arizona Department of Administration (ADOA) requests the Committee review of \$45,027,000 to renovate the state office buildings at 1616 West Adams and 1688 West Adams. These monies would be paid from the agency's \$52,274,000 FY 2023 General Fund appropriation for the renovation of the 1600 West Adams Block of the Capitol Mall.

Committee Options

The Committee has at least the following 2 options:

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

Under either option, the Committee may also consider the following provision:

- A. On or before February 1, 2024, ADOA shall report to the Committee members on their plans to occupy 1688 West Adams and 1600 West Monroe (after the Department of Revenue moves to 1616 West Adams).

Key Points

- 1) ADOA was appropriated \$52.3 million from the General Fund in FY 2023 for 3 West Adams projects. All 3 buildings are currently vacant.
- 2) 1616 W. Adams will be renovated at a cost of \$35.6 million. The Department of Revenue will move into this renovated space.
- 3) 1688 W. Adams will be renovated at a cost of \$9.5 million. ADOA does not have a new tenant but is considering leasing to a private entity.
- 4) The 9-story DOR building with 200,000 square feet at 1600 W. Monroe will become vacant with no apparent plan for filling that space.

(Continued)

Analysis

The FY 2023 Capital Outlay Bill appropriated \$47.3 million from the General Fund to ADOA renovate 2 buildings on the West Adams Street at the Capitol Mall and to demolish a third building. In addition, the FY 2024 Capital Outlay Bill appropriated \$5.0 million as an FY 2023 supplemental for the project for a total project cost of \$52.3 million. These 3 buildings are currently vacant. This memo addresses ADOA's request to renovate the 2 buildings as outlined in *Table 1*. A second agenda item addresses the building demolition project at 1624 West Adams.

Table 1					
1600 W. Adams Block Renovation					
<u>Location</u>	<u>Prior Tenant</u>	<u>New Tenant</u>	<u>Year Built</u>	<u>Sq. Ft.</u>	<u>Cost</u>
1616 W. Adams St.	Land Department	Dept. of Revenue	1961	90,000	\$ 35,570,800
1688 W. Adams St.	Agriculture	To Be Determined	1927	43,600	<u>9,456,200</u>
Total					\$45,027,000

Renovate 1616 W. Adams St. for Department of Revenue

ADOA plans to renovate the former Land Department building located at 1616 West Adams Street. The building consists of 90,000 square feet and was built in 1961. The cost for renovation is \$35.6 million, or \$395 per square foot, inclusive of Architecture and Engineering, Project Management, and Fixtures, Furniture, and Equipment (FF&E).

ADOA reports that the Department of Revenue (DOR) will relocate to the renovated space. DOR currently occupies 1600 West Monroe which is located on the corner of 17th Avenue and Van Buren Street. DOR's current building is 201,800 square feet and was built in 1988. The relocation of DOR to a smaller building will reduce the agency's rent payments to ADOA by \$(1.5) million annually – which reduces revenue to ADOA's Capital Outlay Stabilization Fund (COSF) that pays for maintenance and utilities costs at most state office buildings.

ADOA has not reported on their plans for the vacated DOR building.

Renovate 1688 W. Adams St.

ADOA plans to renovate the former Department of Agriculture building located at 1688 West Adams Street. The historic building consists of 43,600 square feet and was built in 1927. The cost for renovation is \$9.5 million, or \$217 per square foot. The plan includes restoration of the exterior facade, lobby, staircase, and historic interior finishes and building a new egress staircase on the east side of the building. ADOA has not yet determined a tenant for the building but the agency reports they are consider leasing to a private entity if there is interest.

Given the lack of tenants for 1688 West Adams and 1600 West Monroe (after DOR moves), the Committee may consider a provision requiring ADOA to report to Committee members by February 1, 2024 on their plans to occupy both buildings.

RP:kp

Katie Hobbs
Governor



Elizabeth
Alvarado-Thorson
Director

ARIZONA DEPARTMENT OF ADMINISTRATION

OFFICE OF THE DIRECTOR
100 NORTH FIFTEENTH AVENUE • SUITE 302
PHOENIX, ARIZONA 85007
(602) 542-1500

June 2, 2023

The Honorable John Kavanagh, Chairman
Joint Committee on Capital Review
Arizona State Senate
1700 West Washington Street
Phoenix, Arizona 85007

The Honorable David Livingston, Vice Chairman
Joint Committee on Capital Review
Arizona House of Representatives
1700 West Washington Street
Phoenix, Arizona 85007



Dear Senator Kavanagh and Representative Livingston:

Laws 2022, Second Regular Session, Chapter 30 (HB 2858) and Laws 2023, First Regular Session, Chapter 135 (SB 1722) appropriated \$52,274,000 to the Arizona Department of Administration (ADOA) for the renovation of 1616 West Adams Street, restoration of 1688 West Adams Street and demolition of 1624 West Adams Street in the Governmental Mall. A.R.S. § 41-1252 requires ADOA to submit the scope, purpose, and estimated costs to the Joint Committee on Capital Review (JCCR).

1616 West Adams Street - Renovate Former State Land Building

Estimated Costs: \$35,570,800

The 1616 West Adams Street office building is vacant after the relocation of several State Agencies/Boards including the State Land Department, Pharmacy Board, Charter Schools, and Clean Elections Commission. ADOA will complete a full building renovation, including exterior improvements, to accommodate the Arizona Department of Revenue (ADOR). This renovation will eliminate approximately \$11.5 M of deferred building maintenance liability. The building will be developed into a hybrid-ready, flexible and right-sized next generation workplace for ADOR and will result in an overall space reduction of 50% and approximately \$1.5 M in annual rental savings for the department.

1624 West Adams Street - Demolition of Vacant ADJC Building and Exterior Plaza

Estimated Costs: \$7,247,000

The 1624 West Adams Street office building is vacant after the relocation of the Arizona Department of Juvenile Corrections (ADJC) administrative staff. Due to the age, deteriorated building systems, \$7.3 M in deferred maintenance, and smaller footprint of approximately 44,000 SF, ADOA will be demolishing the building and providing a new public plaza between the 1616 West Adams Street and 1688 West Adams Street office buildings. The plaza will provide a new shaded public gathering space and improved user experience for visitors to the new adjacent Department of Revenue building. The landscape will focus on native species, water conservation and incorporation of the five C's of Arizona (Copper, Cattle, Cotton, Citrus and Climate). The plaza will provide a variety of uses including event space, seating, space for food trucks, and structured shade for comfort.

1688 West Adams Street - Restoration of Former Agriculture Building

Estimated Costs: \$9,456,200

The 1688 West Adams Street office building is vacant after the relocation of the Department of Agriculture to the natural resources building at 1110 West Washington Street. ADOA will be restoring the State's first and oldest administrative office building while respecting its important history. The restoration will focus on rehabilitation of the exterior facade as well as key interior elements such as the interior lobby, staircase, decorative lighting, flooring, wall finishes, woodwork, and other key historical elements. In addition, ADOA will remove the existing connection to the 1624 West Adams Street office building upon demolition of the adjacent structure. This will require the replacement of the existing code-required egress staircase on the east end of the building, as well as several other code-related upgrades to the building elevator and restrooms to accommodate current accessibility and building codes where possible.

If you have any questions regarding ADOA's FY 2023 1600 West Adams Block appropriation, please contact Nola Barnes, Assistant Director, ADOA General Services Division (GSD), at 602-361-1636.

Sincerely,



Elizabeth Alvarado-Thorson
Director

Attachments (1)

cc: Richard Stavneak, Director, JLBC Staff
Rebecca Perrera, Assistant Director, JLBC Staff
Sarah Brown, Director, OSPB
Rebecca Dial, Deputy Director, OSPB
Duncan Spilbury, Budget Analyst, OSPB
Sean Price, Deputy Director, ADOA

Senator Kavanagh and Representative Livingston

June 2, 2023

Page 3

Michael Wishart, Deputy Director, ADOA

Nola Barnes, Assistant Director, ADOA/GSD

Jacob Wingate, Chief Financial Officer, ADOA

Jimmy Arwood, Legislative Liaison, ADOA

John Hauptman, Deputy Assistant Director, ADOA/GSD

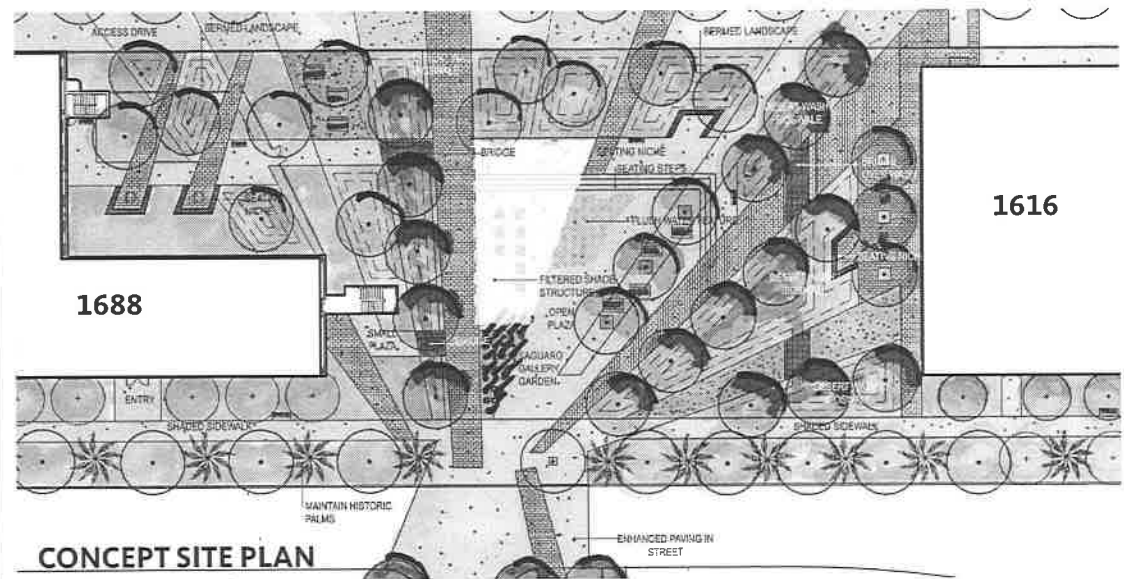
1600 Block | 1616 W. Adams St,

- Development of a hybrid-ready, flexible and right-sized next generation workplace for the Arizona Department of Revenue. This will result in an overall space reduction of approx. 50% going from 201,000 sf to 101,000 sf.
- Full renovation of the existing building to accommodate the Arizona Department of Revenue workplace, eliminating over \$11.5M in deferred building maintenance costs.
- Connection of the 1616 W Adams building to the existing central plant at 1740 W Adams.
- Accommodation for new electrical service from APS and backup generator.
- Pedestrian connection to the existing and possible future mass transit stop on Adams St.
- Pedestrian connection to Wesley Bolin Plaza to the south.
- Building façade restoration/ replacement for energy and daylighting improvement.
- Accommodation for new delivery/ dock to support the functions of the Arizona Department of Revenue.
- Updated / new restroom cores throughout the building to accommodate current codes and user needs.
- New public entry and lobby from the new plaza to accommodate the citizens of Arizona.
- New employee and secure entry points for separation of functions and safety.



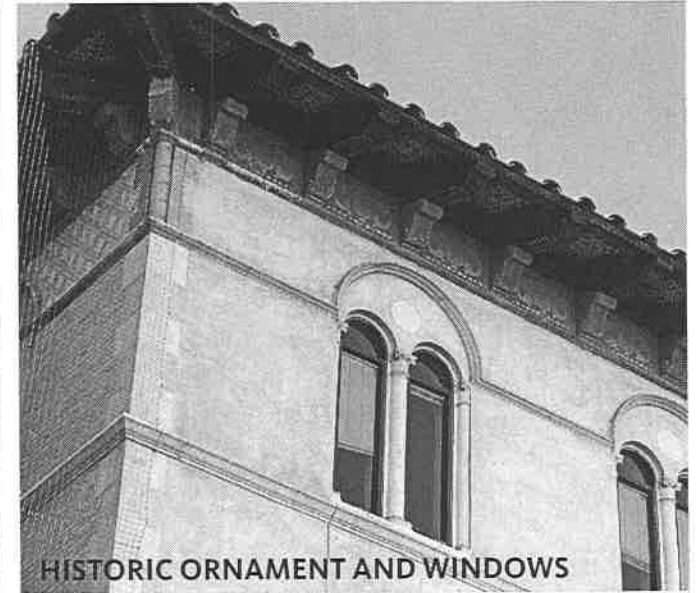
1600 Block | 1624 W. Adams Demolition + Plaza

- Fulfill a need on the Government Mall for a flexible, comfortable, wellness oriented and active plaza that serves the whole community.
- Demolition and removal of the entire existing 1624 W Adams St building, eliminating over \$7.3 Million in deferred building maintenance
- Safe off and cap / abandon existing utilities to the building including power and chilled water.
- Accommodations for new public plaza to serve the citizens of Arizona.
- Plaza will provide connection to Wesley Bolin Plaza and transit.
- Plaza will provide for new user experience for the visitors to the Department of Revenue and to the future tenants in the 1688 West Adams building.
- Landscape to focus on native species, water conservation and incorporation of the five C's of Arizona (Copper, Cattle, Cotton, Citrus and Climate).
- Plaza to provide for a variety of uses including events, seating, space for food trucks and structured shade for comfort.



1600 Block | 1688 W. Adams St,

- Giving new life to Arizona's oldest state office building while respecting its important history.
- Restoration of this historic State of Arizona office building to preserve and make ready for future tenants
- Introduction of a new elevator to replace the outdated an non-code compliant elevator.
- Removal of the 1624 property will require addition of a new egress stair at the east (the existing egress stair will be demolished as it exists in the 1624 building.)
- Renovation of the existing north stair to meet current accessibility and egress codes.
- New restroom cores to accommodate current accessibility and codes.
- Restoration for the façade with possible window replacement for energy and daylighting.
- New connection from the building to the new north plaza with an exterior ground level door.
- Restoration of key interior elements including the interior entry lobby, lobby stairs, decorative lighting, flooring, wall finishes, woodwork and other key historic elements including the interior connecting stair from second floor to the roof.



5/21/2023

Conceptual Design Estimate

Arizona Department of Administration 1600 Adams Block
Phoenix, AZ

Item	Description Of Work		1624 W Adams Demolition and Exterior Plaza	1616 W Adams Building Renovation	1688 W Adams Building Restoration	Total Conceptual Design Estimate
DIVISION 01 - GENERAL REQUIREMENTS						\$2,219,835
1	General Conditions		\$318,660	\$1,274,640	\$318,660	\$1,911,960
2	Material Testing / Structural Steel		\$22,000	\$14,000		\$36,000
3	Layout & Surveying		\$21,875			\$21,875
4	Sustainability Benchmarking -			\$250,000		\$250,000
DIVISION 02 - EXISTING CONDITIONS						\$2,328,136
5	Demolition		\$783,109	\$1,188,833	\$356,194	\$2,328,136
DIVISION 03 - CONCRETE						\$1,219,430
6	Concrete		\$636,440	\$309,351	\$258,889	\$1,204,680
7	Sealed Concrete			\$14,750		\$14,750
DIVISION 04 - MASONRY						\$1,110,005
8	Masonry		\$72,000	\$173,280	\$100,800	\$346,080
9	Masonry - Existing Masonry Cleaning / Repointing				\$209,280	\$209,280
10	Perimeter Exterior Screen Wall			\$554,645		\$554,645
DIVISION 05 - METALS						\$1,751,884
11	Structural Steel		\$68,500	\$938,650	\$496,460	\$1,503,610
12	Decorative Steel Canopy			\$248,274		\$248,274
DIVISION 06 - WOODS & PLASTICS						\$678,527
13	Rough Carpentry - Blocking & Backing Protections			\$166,822	\$34,955	\$201,777
14	Millwork			\$375,000	\$20,000	\$395,000
15	Finish Carpentry - Elevator Cab			\$75,000	\$6,750	\$81,750
DIVISION 07 - THERMAL & MOISTURE PROTECTION						\$1,313,853
16	Building Insulation			\$170,196	\$45,994	\$216,190
17	Roofing - Remove & Replace			\$280,458		\$280,458
18	Aluminum Louvers Screen			\$426,720		\$426,720
20	Metal Wall Panel			\$227,479		\$227,479
21	Fire Sealants & Caulking / Expansion		\$27,000	\$107,798	\$28,208	\$163,006
DIVISION 08 - DOORS & WINDOWS						\$3,697,299
22	Doors, Frames & Hardware- SUPPLY			\$525,000	\$208,000	\$733,000
23	Doors, Frames & Hardware- INSTALL			\$48,750	\$2,600	\$51,350
24	Overhead Coiling Doors & Grilles			\$37,000		\$37,000
25	Glass & Glazing			\$1,900,333	\$975,616	\$2,875,949
DIVISION 09 - FINISHES						\$4,750,822
26	Misc. Exterior Surface - Clean/Repair			\$158,568	\$64,391	\$222,959
27	EIFs / Stucco System			\$337,498		\$337,498
28	Metal Stud Framing & Drywall			\$2,135,243	\$231,774	\$2,367,017
29	Ceramic Tile			\$462,994	\$163,652	\$626,646
30	Acoustical Ceiling Tile			\$386,392		\$386,392

31	Carpeting & Resilient Flooring			\$418,525	\$25,000	\$443,525
32	Painting			\$238,196	\$128,589	\$366,785
DIVISION 10 - SPECIALTIES						\$653,050
33	Fire Extinguishers			\$24,000	\$5,000	\$29,000
34	Wall Protection			\$31,250	\$18,750	\$50,000
35	Signage - Interior Sign - Allowance			\$75,000	\$7,500	\$82,500
36	Signage - Exterior Sign Allowance			\$300,000	\$45,000	\$345,000
37	Toilet Partitions & Accessories			\$124,197	\$22,353	\$146,550
DIVISION 11 - EQUIPMENT						\$150,000
38	Pigeon Control - Allowance				\$150,000	\$150,000
DIVISION 12 - FURNISHINGS						\$356,479
39	Window Treatments			\$241,495	\$114,984	\$356,479
DIVISION 14 - CONVEYING SYSTEMS						\$345,000
40	Elevator			\$125,000	\$220,000	\$345,000
DIVISION 21 - FIRE PROTECTION						\$522,575
41	Fire Sprinklers			\$390,992	\$131,583	\$522,575
DIVISION 22 - PLUMBING						\$1,397,827
42	Plumbing		\$25,500	\$985,979	\$386,348	\$1,397,827
DIVISION 23 - HVAC						\$3,584,696
43	HVAC		\$20,000	\$2,943,936	\$350,760	\$3,314,696
44	Chiller Piping Extension			\$135,000	\$135,000	\$270,000
DIVISION 26 - ELECTRICAL						\$4,161,156
45	Electrical		\$185,250	\$2,986,186	\$989,720	\$4,161,156
DIVISION 28 - ELECTRONIC SAFETY & SECURITY						\$327,985
46	Fire Alarm			\$262,194	\$65,791	\$327,985
DIVISION 31 - EARTHWORK & PAVING						\$911,274
47	Earthwork & Paving		\$788,324			\$788,324
48	Pavement Markings & Parking Lot Signage		\$18,360			\$18,360
49	Termite Control			\$3,250	\$1,040	\$4,290
50	SWPPP		\$31,250			\$31,250
51	Dust Control		\$69,050			\$69,050
DIVISION 32 - EXTERIOR IMPROVEMENTS						\$803,110
52	Landscaping		\$492,919			\$492,919
53	Pavers		\$217,911			\$217,911
54	Fencing - Temp Fence & Barricade		\$62,730	\$14,775	\$14,775	\$92,280
DIVISION 33 - SITE UTILITIES						\$525,000
55	Site Utilities - Underground Retention		\$525,000			\$525,000
OWNER'S FFE ALLOWANCE & SPECIALTIES						\$5,616,891
56	Abatement Demolition		\$153,955	\$141,775	\$187,239	\$482,969
57	Oversight and Air Quality Service		\$21,760	\$14,640	\$18,200	\$54,600
58	Audio Visual			\$350,000		\$350,000
59	Super Graphic			\$50,000		\$50,000
60	Owner FF&E - (Interior and Exterior Furnitures)		\$50,000	\$2,000,000		\$2,050,000
61	Solar System / Carport		\$697,008			\$697,008
62	Voice & Data			\$574,988	\$234,969	\$809,957
63	Security			\$574,988	\$86,468	\$661,456
64	Access Control			\$381,792	\$79,109	\$460,901

65	Construction Subtotal 1		\$5,308,601	\$26,175,832	\$6,940,401	\$38,424,834
66	Performance & Payment Bond		\$80,275	\$331,600	\$96,031	\$507,906
67	General Liability Insurance	1.0%	\$67,151	\$330,380	\$87,691	\$485,222
68	Builders Risk Insurance	0.3%	\$20,145	\$99,114	\$26,307	\$145,566
69	Contingency	10.0%	\$530,861	\$2,617,583	\$694,040	\$3,842,484
70	Contractors Fee	5.25%	\$352,542	\$1,734,498	\$460,377	\$2,547,417
71	Construction Subtotal 2		\$6,359,575	\$31,289,007	\$8,304,847	\$45,953,429
72	Sales Tax - (Phoenix, AZ)	5.59%	\$355,500	\$1,749,055	\$464,241	\$2,568,797
73	CONSTRUCTION TOTAL		\$6,715,075	\$33,038,062	\$8,769,088	\$48,522,226
PRE-CONSTRUCTION SERVICES/FEES/CONTINGENCY						\$3,751,774
74	Architect/Engineer Design Fees		\$479,692	\$2,360,077	\$625,421	\$3,466,190
75	CMAR Pre-Construction Services		\$30,848	\$151,769	\$40,283	\$222,900
76	Environmental Testing		\$8,780	\$8,349	\$7,813	\$24,942
77	Abatement Specifications		\$2,160	\$2,160	\$2,160	\$6,480
78	Additional Testing/Investigation		\$10,421	\$10,421	\$10,421	\$31,262
79	PROJECT TOTAL		\$7,246,975	\$35,570,838	\$9,456,186	\$52,274,000

Appropriation \$52,274,000



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DATE: June 8, 2023

TO: Members of the Joint Committee on Capital Review

FROM: Rebecca Perrera, Assistant Director

SUBJECT: Arizona Department of Administration – Review of 1624 West Adams Demolition Plan

Request

A.R.S. § 41-1252 requires Committee review of the expenditure of monies appropriated for land acquisition, capital projects and building renewal. The Arizona Department of Administration (ADOA) requests the Committee review \$7,247,000 to demolish 1624 West Adams and install a public plaza. These monies would be paid from the agency's \$52,274,000 FY 2023 General Fund appropriation for the renovation of the 1600 West Adams Block of the Capitol Mall.

Committee Options

The Committee has at least the following 2 options:

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

Key Points

- 1) ADOA was appropriated \$52.3 million from the General Fund in FY 2023 to renovate buildings on the 1600 West Adams Block of the Capitol Mall.
- 2) ADOA proposes spending \$7.3 million of its allocation to demolish the former Department of Juvenile Corrections building at 1624 West Adams and to install a public plaza in its place.
- 3) The plaza would include trees, a shade canopy, seating, native plants and space for events.

(Continued)

Analysis

The FY 2023 Capital Outlay Bill appropriated \$47.3 million from the General Fund to ADOA to renovate 2 buildings on West Adams Street at the Capitol Mall and to demolish a third building. In addition, the FY 2024 Capital Outlay Bill appropriated \$5.0 million from the General Fund as an FY 2023 supplemental for the project. These 3 buildings are currently vacant.

ADOA plans to demolish the former Department of Juvenile Corrections Building at 1624 W. Adams. This 44,300 square foot building was built in 1961 and sits in between the 2 buildings proposed for renovation. ADOA plans to install a new public plaza with trees, a shade canopy, seating, native plants, and space for events (such as hosting food trucks).

Total costs are \$7.3 million to demolish the existing building and build a new public plaza. ADOA's request does not clearly delineate between building demolition costs and plaza construction costs. Based on prior Capitol building demolitions and our interpretation of ADOA's cost projections for this building, the actual demolition appears to cost approximately \$2 million.

Vice-Chairman Livingston plans to offer a provision concerning the public plaza when the Committee considers its review of this agenda item.

RP:kp

See Agenda 1A for the Agency Submission



STATE OF ARIZONA

Joint Committee on Capital Review

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DATE: June 8, 2023

TO: Members of the Joint Committee on Capital Review

FROM: Maggie Rocker, Senior Fiscal Analyst

SUBJECT: Arizona Department of Administration - Review of FY 2024 Building Renewal Allocation Plan

Request

A.R.S. § 41-1252 requires Committee review of expenditure plans for building renewal monies. The Arizona Department of Administration (ADOA) requests the Committee review its FY 2024 Building Renewal Allocation Plan. The FY 2024 budget appropriates a total of \$39,124,700 for building renewal. Of this amount, \$25,124,700 is from the General Fund and \$14,000,000 is from the Capital Outlay Stabilization Fund (COSF).

Committee Options

The Committee has at least the following 2 options:

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

Under either option, the Committee may also consider the following provision:

- A. Prior to expending the emergency contingency allocation of \$971,200, ADOA shall report the use of the funds to JLBC Staff.

(Continued)

Key Points

- 1) The FY 2024 budget included \$39.1 million for ADOA building renewal.
- 2) Of the \$39.1 million, ADOA will spend \$6.0 million to complete space consolidations and relocations.
- 3) ADOA proposes allocating \$33.1 million for general building renewal projects as follows:
 - Fire system replacements, \$1.8 million
 - Roof, window, paint, and other exterior upgrades, \$4.1 million
 - HVAC, elevator, plumbing, and electrical upgrades, \$13.8 million
 - Service entrance, parking lot/road, security, sewer, and water supply upgrades, \$5.8 million
 - Flooring, paint, and other interior finish repairs, \$1.7 million
 - Preventative maintenance, ADA compliance, project management costs, and an emergency contingency, \$5.9 million.

Analysis

Space Consolidation Plan

The FY 2024 capital budget allows ADOA to spend its FY 2024 building renewal appropriation on projects related to retrofitting facilities for space consolidation initiatives. ADOA has allocated \$6.0 million of its total appropriation to complete consolidation efforts for multiple state agencies, including renovation of the Arizona Health Care Cost Containment System's office building on 801 E. Jefferson St. to permit further consolidation.

Building Renewal

Building renewal appropriations provide for the major maintenance and repair of state-owned buildings. The building renewal formula considers the replacement value, age, and life cycle of all structures in the ADOA building system. ADOA is proposing to allocate a total of \$33.1 million for building renewal; this amount excludes ADC's facilities, as they receive their own building renewal appropriation. See *Table 1* for the list of projects included in ADOA's FY 2024 Building Renewal Allocation Plan.

The following provides an overview of the amounts allocated to different categories of projects. Project categories include Fire and Life Safety, Building Shell, Major Building Services, Infrastructure, Building Interiors, ADA compliance, and Preventative Maintenance. Additionally, ADOA has allocated funding for project management and contingencies.

The ADOA Building Renewal Allocation Plan lists potential projects within each category. Projects that are currently listed are not guaranteed funding, and new projects may be added as necessary.

Fire and Life Safety Projects

A total of \$1.8 million will be allocated to fire and life safety system replacements. ADOA has identified 3 priorities, including the Department of Economic Security (DES) Arizona Training Program at Coolidge, Department of Public Safety (DPS) district offices in Sierra Vista and Prescott, and buildings used by the Courts.

Building Shell Projects

A total of \$4.1 million will be allocated to building shell projects, which will include roof, window, paint and other building exterior upgrades. ADOA has identified 11 building priorities, including 1 building on the Capitol Mall and buildings used by the Arizona State School for the Deaf and the Blind (ASDB), the Department of Veteran' Services (DVS), DES Coolidge, the Department of Emergency and Military Affairs (DEMA), the Arizona State Hospital (ASH), Arizona Historical Society (AHS), and Prescott Historical Society.

(Continued)

Major Building Services Projects

A total of \$13.8 million will be allocated to 25 different projects. Building priorities include various HVAC, plumbing, electrical and elevator upgrades in buildings on the Capitol Mall and Tucson Complex, ASDB Tucson and Phoenix, DVS Tucson, DES, DEMA Glendale, ASH, the Prescott Historical Society, and DPS.

Infrastructure Projects

A total of \$5.8 million will be allocated to infrastructure projects. This amount will be used to relocate service entrance sections and replace generators and backflow prevention systems on the Capitol Mall. In addition, ADOA identified other sewer, road, security, and water supply priority projects at buildings used by DES Flagstaff, Prescott Historical Society, ASH, DPS, and ASDB Tucson.

Building Interior Projects

A total of \$1.7 million will be allocated to Capitol Mall interior upgrades and ASDB Phoenix/Tucson flooring replacements.

ADA Compliance Projects

A total of \$776,300 is allocated for statewide ADA compliance projects, including bathroom retrofits at DHS ASH Cholla and Mesquite units.

Preventative Maintenance Projects

A total of \$1.9 million is allocated for planned electrical, mechanical, fire, and plumbing maintenance on the Capitol Mall and Tucson Complex. As permitted by A.R.S. § 41-793.01D, ADOA may set aside up to 8% of its FY 2024 building renewal appropriation for preventative maintenance. This amount reflects 4.9% of the appropriation.

Other Projects

The sum of \$3.3 million will be allocated to cover project management costs for FY 2024 building renewal projects. The FY 2024 Capital Outlay bill includes a footnote allowing ADOA to allocate up to 5% of its capital appropriations for project management. ADOA's FY 2024 allocation represents 4.9% of its total FY 2024 building renewal appropriation.

Because some of the project costs listed above were based solely on agency estimates, \$250,000 will be spent on contractors to better develop detailed scopes of work to implement projects in a cost-effective manner. An amount of \$126,400 will be allocated for a Construction Insurance Premium, and \$971,200 will be allocated for a contingency.

Some of the amounts above are based on agency estimated scope and project costs while some amounts are based on estimates from ADOA engineering studies, audits, and historical costs.

Reasonableness of Estimates

The allocation plan represents ADOA's estimated cost of the proposed projects. ADOA estimates these costs based on past projects and project scoping services. ADOA uses state contracts and issues requests for quotes (RFQs) as necessary to procure vendors for each project. As a result, the project costs may change as the procurement process occurs.

Pursuant to A.R.S. § 41-794, ADOA is required to submit quarterly reports to JLBC Staff on the status of all capital projects and capital expenditures for which monies are appropriated. These reports are intended to track each agency's actual expenditures.

(Continued)

Table 1	
FY 2024 Building Renewal Allocation Plan	
<u>Fire & Life Safety Projects</u>	\$ 1,794,000
Courts Fire Alarm Replacement	
DES Coolidge Wiring Replacement	
DPS Sierra Vista/Prescott Fire System Upgrades	
<u>Building Shell Projects</u>	\$ 4,076,800
ADOA Capitol Mall Exterior Repairs	
ASDB Phoenix Roof Replacement	
DVS Phoenix Roof Repairs	
DES Roof Replacements and Reshingling	
DEMA Flagstaff Roof Replacements	
ASH Exterior Repairs and Roof Replacement	
Historical Societies Exterior Repainting and Roof Replacement	
<u>Major Building Services Projects</u>	\$13,831,400
ADOA Statewide HVAC, Plumbing, Electrical, and Elevator Upgrades	
ASDB Phoenix/Tucson HVAC Replacements and Thermostat Upgrades	
DVS Tucson HVAC and Control System Feasibility and Design	
DES HVAC Upgrades and Cooling Tower/Evaporative Cooling Replacements	
DEMA Glendale Electrical Upgrades	
ASH Air Handler Unit/HVAC Replacements and Control Upgrades	
Historical Societies Humidifier Unit Replacement	
DPS HVAC and AC Unit Replacements	
<u>Infrastructure Projects</u>	\$ 5,775,000
ADOA Statewide Service Entrance Section Relocation and Generator Replacement	
DES Flagstaff Parking Lot Repaving	
Historical Society Erosion Control	
ASH Water Isolation Valve Upgrades	
DPS Security Entrance Section and Vault Equipment Replacements	
ASDB Tucson Electrical Switchgear Upgrades	
<u>Building Interior Projects</u>	\$ 1,667,500
Flooring, Paint, and other Interior Repairs in ADOA Capitol Mall Buildings and ASDB Phoenix/Tucson	
<u>ADA Compliance</u>	\$ 776,300
DHS ASH Cholla and Mesquite Bathroom Retrofits	
<u>Preventative Maintenance Projects</u>	\$ 1,900,000
ADOA Capitol Mall and Tucson Complex Preventative Maintenance	
<u>Other Projects</u>	
Project Management	\$ 1,956,200
Building Renewal Project Scoping	250,000
Risk Management Insurance Premium	126,400
Emergency Contingency	971,200
<i>Subtotal</i>	\$ 3,303,800
TOTAL	\$33,124,800

Katie Hobbs
Governor



Elizabeth
Alvarado-Thorson
Director

ARIZONA DEPARTMENT OF ADMINISTRATION

OFFICE OF THE DIRECTOR
100 NORTH FIFTEENTH AVENUE • SUITE 302
PHOENIX, ARIZONA 85007
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June 2, 2023

The Honorable John Kavanagh, Chairman
Joint Committee on Capital Review
Arizona State Senate
1700 West Washington Street
Phoenix, Arizona 85007

The Honorable David Livingston, Vice Chairman
Joint Committee on Capital Review
Arizona House of Representatives
1700 West Washington Street
Phoenix, Arizona 85007

Dear Senator Kavanagh and Representative Livingston:

Arizona Revised Statutes, Title 41, Section 1252, requires the Joint Committee on Capital Review (JCCR) to review the expenditure of all monies appropriated for building renewal. Laws 2023, First Regular Session, Chapter 135, (SB 1722) appropriated \$39,124,700 to the Arizona Department of Administration (ADOA) to allocate to the ADOA Building System for building renewal projects.

ADOA requests placement on JCCR's June 13, 2023, agenda for favorable review of ADOA's FY 2024 Building Renewal Allocation Plan for \$39,124,700 to the ADOA Building System.

To the extent possible, ADOA completes major maintenance and replacements to the building systems before failures occur. Given the years of deferred major maintenance of an aging building infrastructure, it is difficult, if not impossible, to anticipate the timing and nature of building component failure. In the event of one or more unexpected critical breakdowns or imminent failures, ADOA may redirect all or some monies from an allocation to address critical priorities.

If you have any questions regarding ADOA's FY 2024 ADOA Building System Building Renewal Allocation Plan, please contact Nola Barnes, Assistant Director, ADOA General Services Division (GSD), at 602-361-1636.



Senator Kavanagh and Representative Livingston
June 2, 2023
Page 2

Sincerely,

A handwritten signature in black ink, appearing to read 'Elizabeth Alvarado-Thorson', with a long horizontal flourish extending to the right.

Elizabeth Alvarado-Thorson
Director

Attachments (1)

cc: Richard Stavneak, Director, JLBC Staff
Rebecca Perrera, Assistant Director, JLBC Staff
Sarah Brown, Director, OSPB
Rebecca Dial, Deputy Director, OSPB
Duncan Spilbury, Budget Analyst, OSPB
Sean Price, Deputy Director, ADOA
Michael Wischart, Deputy Director, ADOA
Nola Barnes, Assistant Director, ADOA/GSD
Jacob Wingate, Chief Financial Officer, ADOA
Jimmy Arwood, Legislative Liaison, ADOA
John Hauptman, Deputy Assistant Director, ADOA/GSD

Arizona Department of Administration (ADOA) Building System
FY 2024 Building Renewal Appropriation Allocation Plan

Laws 2023, First Regular Session, Chapter 135, (SB 1722)
\$39,124,700

FY 2024 Building Renewal Allocation Plan

Project Category	Allocation
Fire & Life Safety	\$ 1,794,000
Building Shell (Asset Preservation)	\$ 4,076,750
Major Building Services	\$ 13,831,355
Infrastructure	\$ 5,775,000
Building Interior Projects	\$ 1,667,500
ADA Accessibility	\$ 776,250
Project Scoping/Professional Services	\$ 250,000
Preventive Maintenance	\$ 1,900,000
Construction Services Project Management	\$ 1,956,235
Risk Management Insurance Premium	\$ 126,372
Relocation & Renovation	\$ 6,000,000
Building Renewal Emergency & Contingency Allocation	\$ 971,238
Total FY 2024 Building Renewal Allocation Plan	\$ 39,124,700

Arizona Department of Administration (ADOA) Building System
FY 2024 Building Renewal Appropriation Allocation Plan

Laws 2023, First Regular Session, Chapter 135, (SB 1722)
\$39,124,700

\$ 1,794,000 FIRE AND LIFE SAFETY SYSTEMS

The purpose of these projects is to improve or eliminate an impending condition that threatens life or property within the ADOA Building System. A.R.S. § 41-793.D. requires that the Arizona Department of Administration (ADOA) should give priority to fire and life safety projects. When fire alarm systems are out of commission for extended repair times, agencies must employ 24-hour fire watch personnel, usually on an overtime basis, to achieve fire and life safety standards. ADOA has been using Building Renewal allocations to upgrade fire alarm and suppression systems in the ADOA Building System that have exceeded their life expectancy, are functionally obsolete and in various stages of failure. This project will upgrade remaining fire alarm and suppression systems as necessary to bring state facilities into compliance with Federal, State, and local fire and life safety regulations.

Project deficiencies include:

- Courts/Judiciary Fire Alarm Replacement
- DES Fire Alarm Wiring Replacement- ATP Coolidge
- DPS Fire System Upgrades Sierra Vista, Prescott

\$ 4,076,750 BUILDING SHELL

Building Shell improvements are to address deficiencies in existing roofs, exterior enclosures, walls, windows and/or doors. The deficiencies addressed here represent a small portion of the deteriorating exterior systems where continuing maintenance-based repairs are not cost effective nor prevent leaks. Neglect of exterior roofs, walls, windows and doors escalates deterioration of building structural systems, leads to potential mold growth, and increases the risk of damage to interior contents. Further, the costs of structure damage and mold abatement can often exceed the cost of replacing a roof membrane. This project category is dedicated to proactively replacing failing roof and exterior systems throughout the ADOA Building System to mitigate negative impacts of interruption to mission critical functions and expensive "crisis-mode" abatements, emergency repairs, and replacements.

Project deficiencies include:

- ASDB Phoenix SPAC Dome Roof Replacement
- DVS Phoenix Veterans Home Roof Repairs
- DES Phoenix 3013 W. Lincoln St Office Roof Replacement
- DES ATP Coolidge Ann C Dew Building Reroof (shingle)
- DES ATP Coolidge Reshingle Commissary Building
- DEMA Flagstaff RC Roof Replacement (State Match)
- AHS Statewide Shell Repairs

Arizona Department of Administration (ADOA) Building System
FY 2024 Building Renewal Appropriation Allocation Plan

Laws 2023, First Regular Session, Chapter 135, (SB 1722)
\$39,124,700

- PHS Exterior Paint for Bashford Building
- PHS Shake Roof Replacement (School House, Ft. Misery, Ranch House)
- DHS ASH Civil Campus Roof Repair/Replace
- ADOA 1535 W Jefferson St - Exterior Shell Repairs

\$ 13,831,355 MAJOR BUILDING SERVICES

The deficiencies in the Major Building Services category reflect worsening conditions of HVAC, electrical, plumbing, and elevator components across the ADOA Building System.

Many of the HVAC systems include failing chillers, air handler units (AHUs), and cooling towers that are original to building construction. These systems have surpassed their useful lives and can no longer meet the cooling demands of the structures they support. Many systems are so weakened that unpredictable and imminent failure conditions threaten mission critical functions of public safety and institutional operations. Replacing aged and inefficient systems with new and more efficient systems will generate energy savings, protect assets, and provide comfortable climate control in Arizona's extreme environment.

HVAC and energy management system (EMS) controls throughout the ADOA Building System are lacking and/or equipped with disparate "front-ends," requiring multiple computers, workstations, and hardware to control HVAC systems. Some current HVAC system components are inefficient, lack interconnectivity, and are failing. Replacing and integrating multiple EMS into a single processing source will provide a centralized control of HVAC systems, reduce energy consumption, decrease equipment downtimes, and improve allocation of personnel resources. Failure to address aging and disparate systems may result in a shutdown of mission critical State services and expensive emergency basis procurements.

Plumbing systems throughout the ADOA Building System are original to building construction. These aging systems, in particular, the waste and vent piping, are failing at an increasing rate. Failure to replace deteriorating piping, especially the waste lines, will result in further damage to ceilings, walls, flooring and mechanical and electrical building systems.

Elevator control systems in the ADOA Building System are obsolete and replacement parts are not available. Failure of elevator controls will leave buildings without passenger or freight elevator services, creating out of compliance conditions for ADA requirements, increase emergency repair costs, and have a detrimental effect on operations.

Project deficiencies include:

- ASDB Tucson HVAC System Replacements
- ASDB Tucson and Phoenix T-Stat / EMS Upgrade
- DVS Veterans' Home Tucson HVAC ERV and Control System Feasibility & Design
- DES HVAC EMS- Sierra Vista, Casa Grande, Yuma MSCs

Arizona Department of Administration (ADOA) Building System
FY 2024 Building Renewal Appropriation Allocation Plan

Laws 2023, First Regular Session, Chapter 135, (SB 1722)
\$39,124,700

- DES Phoenix 4635 S. Central Ave. Replace Cooling Towers
- DES Phoenix 3013 W. Lincoln Replace Evaporative Coolers
- DEMA Glendale RC Electrical Upgrade (State match)
- AHS Brown House AHU Replacement
- PHS Replace Humidifier Units
- DHS ASH HVAC to ACPTC Emergency Circuits
- DHS ASH AHU Replacement- Agave/Indigo
- DHS ASH HVAC Hot and Cold Pump Replacement
- DHS ASH Pump House Controls Upgrade
- DPS Tucson DO HVAC Replacement
- DPS Phoenix Print Shop AC Unit Replacement
- DPS Gila Bend Residential HVAC System Replacement
- DPS Facilities Maintenance AC Unit Replacement
- DPS Phoenix Power Vault / Security Tower AC Replacement
- DPS Painted Desert Residential HVAC System Replacement
- ADOA 701 E Jefferson St Elevator Rehabilitation
- ADOA 1919 W Jefferson St HVAC/Plumbing
- ADOA 416 W Congress AHU
- ADOA 1535 W Jefferson Sump Pump Replacement
- ADOA 1700 W Washington Restroom Upgrades
- ADOA 400 W Congress Restroom Upgrades

\$ 5,775,000 INFRASTRUCTURE

This project can include existing roadways, parking lots, sidewalks and walkways, electrical service entrances (SES) and mechanical utilities, water supply and distribution, sanitary and storm sewers, waste treatment, electrical distribution, site lighting, fencing, communications, and security systems such as access control, locks, and camera devices. Many of these type systems have been in a “deferred indefinitely” status for many years and are in an exhausted state of deterioration. Parking lot surfaces have succumbed to long-term erosion, shifting, and settling caused by water penetration of the pavement base and extreme weather conditions exacerbated by the weight of passing traffic. Underground infrastructure for buildings can often be overlooked, however failure of these systems can shut down entire facilities and often require expensive reactive repairs.. The proposed allocation will address critical infrastructure needs throughout the ADOA Building System.

Project deficiencies include:

- DES Repave Flagstaff Parking Lot
- PHS Mercantile Public Space Erosion Control
- DHS - ASH Domestic Waterline Isolation Valves Campuswide

Arizona Department of Administration (ADOA) Building System
FY 2024 Building Renewal Appropriation Allocation Plan

Laws 2023, First Regular Session, Chapter 135, (SB 1722)
\$39,124,700

- DPS HQ Compound Replace SES & Vault Equipment Phase 1
- ASDB Upgrade Electrical Switchgear, Tucson Elementary School
- ADOA 1200 W Washington Generator Replacement
- ADOA 1300 W Washington Generator Replacement
- ADOA 1535 W Jefferson Generator Replacement
- ADOA 801 E Jefferson Domestic Backflow Replacement, Separate Meters
- ADOA 1700 W Washington St, Senate Service Entrance Section Relocate

\$ 1,667,500 BUILDING INTERIOR PROJECTS

Replacement of worn interior flooring, stairway treading, and wall finishes have been in a “deferred indefinitely” status for many years. Many floor coverings, some as old as 20 years, have long been in a deferred status and are in such poor condition they require immediate attention to avert or eliminate safety hazards. Conditions inside State buildings include floor coverings completely worn through, ongoing patch maintenance, extensive damage to common hallway walls, missing or damaged ceiling tiles, stains, unraveling seams and tears, delaminating stairway treads, unsuccessful duct tape repairs, and extensive rippling. ADOA will use these funds to provide a safe and presentable work environment for all State employees and visitors.

Project deficiencies include:

- ASDB Phoenix and Tucson Flooring
- ADOA Capitol Mall Interiors

\$ 776,250 ADA COMPLIANCE

There are numerous ADA deficiencies in the ADOA Building System that require remedy. Deficiencies include building access ramps, sidewalks, bathroom fixtures, drinking fountains, handrails, parking spaces, sites/amenities, and general reconfigurations of entrances and other areas in buildings to facilitate access to services and workplaces for persons with disabilities.

Project deficiencies include:

- DHS - ADA Patient Restrooms Cholla
- DHS - ADA Patient Restrooms Mesquite 1 & 2

\$ 250,000 PROJECT SCOPING/PROFESSIONAL SERVICES

This allocation is for scoping and design services for potential and emergency building renewal projects. Some of the building renewal requests ADOA receives for funding consideration have deficient, vague, or very broad scopes of work, no supporting documentation, and insufficient, unreliable, or aged cost estimates. The proposed allocation supports ADOA in the development and implementation of detailed

Arizona Department of Administration (ADOA) Building System
FY 2024 Building Renewal Appropriation Allocation Plan

Laws 2023, First Regular Session, Chapter 135, (SB 1722)
\$39,124,700

scopes of work that adequately and cost effectively address the requirements of an agency project request.

\$1,900,000 PREVENTATIVE MAINTENANCE

ADOA plans to spend this allocation over two years on preventative maintenance for planned electrical, mechanical, fire, and plumbing maintenance for ADOA-managed facilities on the Capitol Mall and Tucson Complex.

\$ 1,956,235 BUILDING RENEWAL PROJECT MANAGEMENT EXPENSES

This allocation is to pay for personnel services and employee related expenses (ERE) and other project management related expenses associated with managing building renewal projects. Of the amount appropriated to ADOA for FY 2024 Building Renewal, ADOA may allocate up to five percent for project management related expenses. ADOA is allocating five percent (5%) of the appropriated amount for building renewal project management expenses.

\$ 126,372 RISK MANAGEMENT CONSTRUCTION INSURANCE PREMIUM

The ADOA General Services Division (GSD) pays a 0.34% Construction Insurance Premium from each fiscal year's building renewal appropriation to ADOA State Risk Management for Errors and Omissions (E&O) insurance premiums associated with Construction, Engineering and Architectural (A&E) services contracts.

\$ 6,000,000 RELOCATION & RENOVATION

ADOA will expend monies from this allocation to facilitate ADOA's on-going multi-year compression planning and renovation efforts. This is a collaborative effort between ADOA and several state agencies to prioritize the backfill of larger and better maintained assets and eliminate inefficient, underutilized and decrepit facilities. Overarching goals for the program are to reduce the state's physical footprint, reduce deferred maintenance, create hoteling & collaborative workspace opportunities, and sustain the Capital Outlay Stabilization Fund (COSF).

To date, planning efforts have resulted in a reduction of over 740,000 square feet, \$10.1 Million in reduced rental obligations, and the reduction of over \$47 Million in deferred maintenance liability through demolition and renovation of ADOA facilities. These funds will support completion of agency/board relocations including, but not limited to the consolidation and renovation of the AHCCCS building at 801 E Jefferson St.

\$ 971,238 BUILDING RENEWAL EMERGENCY/CONTINGENCY ALLOCATION

ADOA will expend monies from this allocation to repair or replace failed or failing fire and life safety, HVAC, plumbing, electrical, and other building systems in mission critical structures as the need arises.



STATE OF ARIZONA

Joint Committee on Capital Review

STATE
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DATE: June 8, 2023

TO: Members of the Joint Committee on Capital Review

FROM: Rebecca Perrera, Assistant Director
Jordan Johnston, Senior Fiscal Analyst

SUBJECT: Arizona Department of Administration and Arizona Department of Transportation –
Review of Electric Vehicle Charging Station Projects (For Discussion Only)

Request

A.R.S. § 41-1252 requires Committee review of the expenditure of monies appropriated for land acquisition, capital projects and building renewal. The Arizona Department of Administration (ADOA) and the Arizona Department of Transportation (ADOT) were appropriated \$5,000,000 and \$7,500,000, respectively in FY 2024 for the installation of Electric Vehicle (EV) charging stations. ADOA and ADOT request the Committee review the following projects: 1) \$5,000,000 from the General Fund public use EV charging stations at ADOA facilities statewide; 2) \$2,500,000 from the State Highway Fund for public use EV charging stations at MVD and other ADOT facilities; and 3) \$5,000,000 from the State Highway Fund for EV charging stations at ADOT fleet facilities for official state use only.

Committee Options

The Committee has at least the following 2 options:

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

Under either option, the Committee may also consider the following provision:

- A. Upon completion of the planning study, ADOA and ADOT shall report to the Committee members on the final locations of EV chargers, including the total number of units to be installed at each location and the installation costs per site.

(Continued)

Key Points

- 1) The FY 2024 budget included \$12.5 million for EV charging stations including \$5.0 million from the General Fund and \$7.5 million from the State Highway Fund.
- 2) ADOA's \$5.0 million would construct stations at state facilities such as Capitol Mall buildings, State Parks and DES field offices. These stations would be available to the public.
- 3) ADOT's \$2.5 million would construct stations at MVD and other ADOT facilities and would be available to the public.
- 4) ADOT's \$5.0 million would construct stations at ADOT fleet facilities, which would be for official state use only.
- 5) The state also has \$14.6 million in Federal Funds to be used between ADOA and ADOT for these projects.
- 6) Neither ADOT nor ADOA has specified the sites of the projects nor the number of charging stations at each site.

Analysis

Background

The FY 2024 budget included a total of \$12.5 million to ADOA and ADOT to install EV charging stations. This amount included \$5.0 million from the General Fund to ADOA and \$12.5 million from the State Highway Fund to ADOT. The agencies report that these appropriations will be matched by approximately \$14.6 million in Federal Funds. ADOT will be responsible for managing the entire project, including the funding allocated for ADOA. ADOT plans to contract out the construction, operation and maintenance of the EV stations.

Neither agency has provided the final locations of the stations, the number of units per station, nor the costs per charging station. Instead, ADOT intends to finalize these plans after conducting a planning study. Therefore, the Committee may consider a provision requiring ADOA and ADOT to report to Committee members, upon completion of the planning study, on the final locations of the EV charging stations including the total number of units to be installed at each location and the installation costs per site.

ADOA has identified 24 potential statewide locations for their \$5.0 million appropriation (*see Table 1*). The public would be allowed to use these stations.

ADOT is proposing to spend \$2.5 million from the State Highway Fund to install the EV charging stations at up to 15 MVD facilities and other department facilities accessible to the public (excluding rest areas). The public would be allowed to use these stations.

For the publicly accessible EV charging stations, ADOA/ADOT have indicated that customers would be responsible for paying charging costs. The charging costs would be established by the private vendor selected to operate the EV stations, with the intent that customer charges offset any electricity costs paid by the vendor to the location's utility provider. Under Corporation Commission rules, the state itself is not allowed to sell electricity directly to customers using the EV chargers.

(Continued)

Table 1

Possible Locations for ADOA-Funded Electric Vehicle Charging Stations

Capitol Mall

100 N 15th Avenue (ADOA)
1010 W Washington St (Department of Environmental Quality)
1700 W Washington (Executive Tower)
701/801 E Jefferson (AHCCCS/Department of Corrections)
Wesley Bolin Plaza

Lottery Commission

4740 East University (Phoenix)

Department of Economic Security (DES)

2981 East Tacoma St (Sierra Vista)
4635 S Central Ave (Phoenix)
605 S 7th St (Globe)
9801 N 7th St (Phoenix)
3406 N 51st Ave (Phoenix)

State Parks

Kartchner Caverns State Park
Slide Rock State Park
Fort Verde State Park
Picacho Peak State Park
Jerome State Historic Park
Yuma Territorial Prison State Historic Park
Colorado River State Historic Park
Tubac Presidio State Historic Park
Riordan Mansion State Historic Park
Red Rock State Park
Tonto Natural Bridge State Park
Rockin' River Ranch State Park
Oracle State Park

ADOT is proposing to spend \$5.0 million from the State Highway Fund to install EV charging stations at up to 17 ADOT fleet facilities. Although ADOT has selected 17 potential sites, the department estimates that the appropriation will cover the installation of charging stations at 7-8 sites. These EV charging stations will be open only for state vehicle use. *Table 2* below breaks down the cost of the new fleet facility electric vehicle charging stations by category.

Table 2

Fleet Facility Electric Vehicle Charging Stations Expenditure Plan

<u>Item</u>	<u>Cost Estimate</u>
Planning Study	\$ 280,000
Design and Administration	566,400
Construction	3,738,200
Contingency	<u>415,400</u>
Total Appropriated Budget	\$5,000,000

RP/JJ:kp

Katie Hobbs
Governor



Elizabeth
Alvarado-Thorson
Director

ARIZONA DEPARTMENT OF ADMINISTRATION

OFFICE OF THE DIRECTOR
100 NORTH FIFTEENTH AVENUE • SUITE 302
PHOENIX, ARIZONA 85007
(602) 542-1500

June 2, 2023

The Honorable John Kavanagh, Chairman
Joint Committee on Capital Review
Arizona State Senate
1700 West Washington Street
Phoenix, Arizona 85007

The Honorable David Livingston, Vice Chairman
Joint Committee on Capital Review
Arizona House of Representatives
1700 West Washington Street
Phoenix, Arizona 85007



Dear Senator Kavanagh and Representative Livingston:

Laws 2023, First Regular Session, Chapter 135 (SB 1722) appropriated the Arizona Department of Administration (ADOA) \$5,000,000 to install Electric Vehicle (EV) charging stations. ADOA, in conjunction with the Arizona Department of Transportation (ADOT), has identified approximately \$14.6 Million in Federal Grant funding that can be leveraged. ADOT will be taking the lead in pursuing a Public, Private, Partnership with a 3rd party to construct, operate and maintain the electric vehicle charging stations.

ADOA has identified the following 24 locations for investigation:

100 N 15th Avenue	Slide Rock State Park
1010 W Washington St	Fort Verde State Park
1700 W Washington	Picacho Peak State Park
Wesley Bolin	Jerome State Historic Park
701/801 E Jefferson	Yuma Territorial Prison State Historic Park
4740 East University	Colorado River State Historic Park

2981 East Tacoma St	Tubac Presidio State Historic Park
4635 S Central Ave	Riordan Mansion State Historic Park
605 S 7th St	Red Rock State Park
9801 N 7th St	Tonto Natural Bridge State Park
3406 N 51st Ave	Rockin' River Ranch State Park
Kartchner Caverns State Park	Oracle State Park

A detailed planning study will be conducted at each of the proposed sites to validate supportability and viability which may change some locations. ADOT and ADOA will independently determine final site selections and manage installations at respective locations with ADOT administratively managing the Grant Funding.

If you have any questions regarding ADOA's FY 2024 EV Charging appropriation please contact Nola Barnes, Assistant Director, ADOA General Services Division (GSD), at 602-361-1636.

Sincerely,



Elizabeth Alvarado-Thorson
Director

Attachments (1)

cc: Richard Stavneak, Director, JLBC Staff
Rebecca Perrera, Assistant Director, JLBC Staff
Sarah Brown, Director, OSPB
Rebecca Dial, Deputy Director, OSPB
Duncan Spilbury, Budget Analyst, OSPB
Jennifer Toth, Director, ADOT
Sean Price, Deputy Director, ADOA
Michael Wischart, ADOA
Nola Barnes, Assistant Director, ADOA/GSD
Jacob Wingate, Chief Financial Officer, ADOA/DBF
Jimmy Arwood, Legislative Liaison, ADOA
John Hauptman, Deputy Assistant Director, ADOA/GSD

See Agenda 5 for the ADOT Agency Submission



STATE OF ARIZONA

Joint Committee on Capital Review

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MATT GRESS
ATHENA SALMAN

DATE: June 8, 2023

TO: Members of the Joint Committee on Capital Review

FROM: Nate Belcher, Fiscal Analyst

SUBJECT: Arizona Game and Fish Department - Review of FY 2024 Capital Projects

Request

A.R.S. § 41-1252 requires Committee review of expenditure plans for monies appropriated for building renewal and capital projects. The Arizona Game and Fish Department (AGFD) requests Committee review of \$3,126,400 of FY 2024 funding, of which \$1,776,400 is for 31 building renewal projects and \$1,350,000 is for capital projects

Committee Options

The Committee has at least the following 2 options:

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

Key Points

The Arizona Game and Fish Department (AGFD) is seeking review of the following funding for capital projects totaling \$3.1 million in FY 2024:

- 1) \$1,776,400 from the Game and Fish Fund for 31 building renewal projects.
- 2) \$500,000 from the Game and Fish Fund for water conservation projects.
- 3) \$850,000 from the Capital Improvement Fund for capital projects as follows:
 - a. \$150,000 for dam maintenance.
 - b. \$300,000 for property maintenance.
 - c. \$400,000 for hatchery maintenance.

(Continued)

Analysis

Building Renewal Allocation Plan

The FY 2024 Capital Outlay Bill appropriated a total of \$1.8 million from the Game and Fish Fund for building renewal, which provides for the major maintenance and repair of state-owned buildings.

Cluff Ranch Projects

AGFD proposes spending \$187,000 of its building renewal appropriation on 3 projects at Cluff Ranch. These projects would repair the ranch's equipment storage building, which has cracks in the ceiling and floor; various minor repairs to the bunkhouse building; and the removal of a tripping hazard at the entrance to the storage building.

Pinetop Projects

AGFD proposes spending \$60,000 of its building renewal appropriation on 2 projects in Pinetop. One project would repair the Pinetop hatchery building, which currently has broken windows and needs repainting. The remaining monies would be used to replace light fixtures in the Pinetop warehouse building with more efficient ones.

PS Ranch Cabin

AGFD proposes spending \$10,000 of its building renewal appropriation to repair the cabin at PS Ranch, which AGFD staff use as a remote work site. Since the cabin's construction in 2011, its logs have dried out and shrunk, leading to the stretching and cracking of the sealant between them. This project would focus on repairing these seals and treating the logs of the cabin against further deterioration.

Vincent Ranch

AGFD proposes spending \$7,000 of its building renewal appropriation to fix the vault toilet at Vincent Ranch. The seal between the water tank and the upper section is currently broken in areas, leading to occasional flooding of the facility, which is the only toilet at the ranch.

Flagstaff Administrative Building Projects

AGFD proposes spending \$288,000 of its building renewal appropriation on 2 projects at its Flagstaff Administrative Building. The first project is the next phase in an ongoing replacement of the building's parking lot and the second project consists of upgrades to the building's security cameras.

Raymond Wildlife Area Projects

AGFD proposes spending \$55,000 of its building renewal appropriation on 3 projects in the Raymond Wildlife Area. These projects would address the area's alfalfa shed, which currently has rotting upright beams; the retaining wall behind the Wildlife Area Manager's residence, which currently erodes after each rainfall and is unsafe to traverse; and the bunkhouse's plumbing, drywall, mattresses, and appliances.

Whitewater Draw Wildlife Area Projects

AGFD proposes spending \$525,000 of its building renewal appropriation on 4 projects at Whitewater Draw Wildlife Area. The projects would cover repairs to the motor pool storage building, visitors center and vault bathroom, ranch house, and general storage building that ADOA identified in its April 2022 inspections.

(Continued)

Mesa Administrative Building Projects

AGFD proposes spending \$52,000 of its building renewal appropriation on 2 projects at its Administrative Building in Mesa. One project would assess the building's HVAC system and the other would be focused on repairs to the building's roof and gutters.

Horseshoe Ranch

AGFD proposes spending \$61,000 of its building renewal appropriation on repairs to the main house at Horseshoe Ranch. These repairs would cover drywall, the settlement of the foundation, faulty flooring, and unsealed entrance points.

Phoenix HQ Repairs

AGFD proposes spending \$2,600 of its building renewal appropriation to install gutters on the East Yard Operations building at its Phoenix headquarters.

Page Springs Hatchery Projects

AGFD proposes spending \$87,000 of its building renewal appropriation on 2 projects at its Page Springs Hatchery. One project would see the replacement of building hardware and lighting.

Silver Creek Hatchery Projects

AGFD proposes spending \$102,500 of its building renewal appropriation on 3 projects at its Silver Creek Hatchery. The first 2 projects would address issues with the residence buildings' siding, windows, and swamp coolers, with the third project focused on renovation of the hatchery's wellhouse, which currently suffers from a rodent infestation.

Canyon Creek Hatchery Projects

AGFD proposes spending \$50,000 of its building renewal appropriation on 2 projects at its Canyon Creek Hatchery. The projects would address repairs to the hatchery's bunkhouse and residential sewer line.

Tonto Creek Hatchery

AGFD proposes spending \$20,000 of its building renewal appropriation at its Tonto Creek Hatchery to replace and relocate exhaust vents on the roof of the hatchery building.

Emergency Allocation

AGFD proposes reserving \$75,000 of its building renewal appropriation for potential emergency repairs.

Major Maintenance Fund

AGFD proposes reserving \$52,200 of its building renewal appropriation for deposit into a sinking fund established to help the department fund major cyclical maintenance projects such as resealing the Administration Building roof every 7 years.

Preventative Maintenance

AGFD proposes reserving \$142,100 of its building renewal appropriation for preventative maintenance to its various buildings.

Capital Projects

AGFD was appropriated \$850,000 from the Capital Improvement Fund and \$500,000 from the Game and Fish Fund for capital improvements in FY 2024.

(Continued)

Property Maintenance Allocation

The FY 2024 Capital Outlay Bill included \$300,000 for property maintenance from the Capital Improvement Fund. AGFD proposes using the funds to supplement maintenance needs at its 60 properties statewide including 3 designated wildlife areas.

Dam Repair Allocation

The FY 2024 Capital Outlay Bill included \$150,000 for Dam Repair from the Capital Improvement Fund. AGFD owns and operates 38 dams in the state. They routinely inspect the dams and identify maintenance activities such as vegetation removal, clearing debris from spillways, removing animal burrows, and ensuring monitoring systems are in working order. These annual maintenance needs exceed the base federal monies that they have for dam maintenance. The \$150,000 is used to supplement these costs and leverage federal dollars.

Hatchery Maintenance Allocation

The FY 2024 Capital Outlay Bill included \$400,000 for Hatchery Maintenance from the Capital Improvement Fund. The department plans to supplement operation and maintenance costs for 6 fish hatcheries.

Water Resiliency and Conservation Allocation

The FY 2024 Capital Outlay Bill included \$500,000 for Water Resiliency and Conservation projects from the Game and Fish Fund. AGFD plans to replace bathroom and kitchen water fixtures with low flow alternatives. In addition, the department will implement a water recirculation system at Bubbling Ponds Hatchery to loss of water during filtration.

NB:jb



June 1, 2023

Senator John Kavanagh, Chairman
Joint Committee on Capital Review
Capitol Complex
1700 W. Washington
Phoenix, AZ 85007-2890

Re: Request for Placement on Joint Committee on Capital Review Agenda

Honorable Senator Kavanagh:

In accordance with A.R.S. § 41-1252 A(4), the Arizona Game and Fish Department (AGFD) respectfully requests to be placed on the next scheduled agenda of the Joint Committee on Capital Review to review the Department's capital projects expenditure plan.

The following summary outlines AGFD's FY 2024 Building Renewal and Capital Projects by major category respectively:

Category	Building Renewal
CATEGORY 1 - FIRE & LIFE SAFETY	\$58,000.00
CATEGORY 2 - SHELL: SUPERSTRUCTURE; EXTERIOR WALL & ROOFING	\$784,230.00
CATEGORY 3 - MAJOR BUILDING SERVICES	\$142,112.00
CATEGORY 4 - INTERIORS: INTERIOR CONSTRUCTION; STAIRS; FINISHES	\$161,000.00
CATEGORY 7 - EMERGENCY ALLOCATION	\$75,000.00
CATEGORY 8 - INFRASTRUCTURE & BUILDING SITEWORK	\$551,058.00
CATEGORY 9 - ENERGY CONSERVATION	\$5,000.00
Total FY 2024 Building Renewal	\$1,776,400.00

azgfd.gov | 602.942.3000

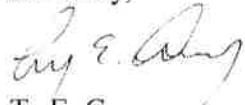
5000 W. CAREFREE HIGHWAY, PHOENIX AZ 85086

GOVERNOR: KATIE HOBBS **COMMISSIONERS:** CHAIRMAN JAMES E. GOUGHNOUR, PAYSON | TODD G. GEILER, PRESCOTT | CLAY HERNANDEZ, TUCSON
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Category	Capital Projects
DAM MAINTENANCE	\$150,000.00
PROPERTY MAINTENANCE	\$300,000.00
HATCHERY MAINTENANCE	\$400,000.00
WATER CONSERVATION	\$500,000.00
Total FY 2024 Capital Improvement	\$1,350,000.00

Attached is the listing of FY 2024 Building Renewal and Capital Projects in further detail.

Sincerely,



Ty E. Gray
Director

cc: Representative David Livingston, Vice Chair, JCCR
Richard Stavneak, Staff Director, JLBC
Sarah Brown, Director, OSPB

TEG:cjc

Attachment: AGFD FY24 Capital Expenditure Plan



Capital Project Descriptions:

Project: Dam Maintenance

Funding Source: AGFD Capital Improvement Fund

Category: Fire & Life Safety

Need: AGFD owns and operates 36 dams statewide and is responsible for more jurisdictional dams than any other single entity in the state. These dams were constructed to create freshwater biomes and aquatic habitat that provide an array of recreational opportunities including fishing, boating, camping and wildlife viewing. Seven dams have a hazard potential rating of “high”, meaning that a dam failure could result in loss of life and significant impact to property. The Arizona Department of Water Resources (ADWR) requires both high hazard and significant hazard dams to have current Emergency Action Plans, which outline procedures for severe events. AGFD has implemented Automated Local Evaluation in Real Time (ALERT) systems on all its high and significant hazard dams. This remote sensing equipment transmits real time data that helps trigger an emergency response. ADWR inspections are performed every year on AGFD high hazard dams, every three years on significant hazard dams and every five years on low hazard dams. These inspections routinely identify maintenance requirements that can include vegetation removal, erosion control, exercising control structures/valves, concrete restoration, debris clearing from spillways, removing animal burrows, seepage monitoring and ALERT system maintenance. These annual maintenance needs exceed AGFD’s base federal budget for dam maintenance.

Solution: The AGFD proposes to use the \$150,000 from the Capital Improvement Fund property maintenance appropriation to supplement operation and maintenance costs at its 36 dams across the State.

Cost Estimate: \$150,000 to be allocated across AGFD’s 36 dams. NOTE: Expenditures of this funding will be leveraged by the AGFD to receive and utilize additional federal monies.

Impact of Not Approving this Request: AGFD is committed to providing a productive and safe work environment for its employees and to the active conservation work and the continued management of habitat to conserve and protect Arizona’s wildlife. Not approving this capital expenditure will compromise the AGFD’s ability to comply with dam safety regulations. These activities are critical in ensuring public safety, preventing potential loss of life and property, and preserving the ongoing availability of numerous fishery and recreational resources for the citizens of Arizona.

Arizona Game and Fish Department
Building Renewal and Capital Projects Expenditure Plan
Fiscal Year 2024



Project: Property Maintenance

Funding Source: AGFD Capital Improvement Fund

Category: Infrastructure & Building Sitework

Need: The AGFD Commission owns and manages property and water rights to enhance fish and wildlife species populations and habitats, reduce and/or prevent species listing and extinction, conserve connected functional habitats across the landscape, and provide for recreational opportunities. In addition, the AGFD Commission may also own and manage lands expressly to provide for the functional needs of the Department to fulfill its mission. Of the over sixty properties statewide, thirty-six are designated as wildlife areas. Several are actively managed with resident managers. Additionally, while most activities implemented on wildlife areas relate directly to the operation and maintenance of the property, others may focus on restoration or enhancements that “compete” for base operation and maintenance needs. The funding will achieve restoration objectives and/or supplement base operation and maintenance funding on existing properties.

Solution: AGFD was appropriated \$300,000 from its Capital Improvement Fund to supplement operation and maintenance funding of Commission owned or operated properties. Per ARS 17-292 monies in the Capital Improvement Fund may be expended by the Department for constructing, acquiring, converting, renovating or improving existing facilities.

Cost Estimate: \$300,000 to be allocated across all AGFD’s properties and assets.

Impact of Not Approving this Request: AGFD is committed to providing a productive and safe work environment for its employees and to the active conservation work and the continued management of habitat to conserve and protect Arizona’s wildlife. Not approving this capital expenditure will compromise AGFD’s ability to adequately maintain facility infrastructure and restore, maintain, or enhance wildlife habitat on Department properties consistent with the purpose for which they were acquired, and meet specific management objectives for the property.



Project: Hatchery Maintenance

Funding Source: AGFD Capital Improvement Fund

Category: Infrastructure & Building Sitework

Need: The Department maintains six fish hatcheries within the State, each of which has a dedicated source of natural spring water. The primary funding source for the Department's operating and maintenance expenses at these hatcheries are federal grant monies derived from an excise tax on angler sporting goods. Over the past decade this funding has essentially remained flat, while costs steadily increase. As a result, critical maintenance activities are being deferred, impacting productivity of the hatcheries.

Solution: The Department proposes to use the \$400,000 from the Capital Improvement Fund property maintenance appropriation to supplement operation and maintenance costs at its six fish hatcheries.

Cost Estimate: \$400,000

Impact of Not Approving this Request: AGFD is committed to providing a productive and safe work environment for its employees and to the active conservation work and the continued management of habitat to conserve and protect Arizona's wildlife. Not approving this capital expenditure will compromise the Department's ability to adequately maintain hatchery infrastructure in order to sustain or enhance fish production rates. This in turn will have a negative impact on recreational opportunities for Arizona's anglers and reduce the economic benefit to the state.



Project: Water Resiliency and Conservation

Funding Source: AGFD Capital Improvement Fund

Category: Infrastructure & Building Sitework

Need: The AGFD Commission owns and operates six regional offices and six fish hatcheries across the state. The regional offices are typically occupied by 25 to 35 permanent staff and acts as a base station for law enforcement officers and other field personnel. They are also AGFD's primary customer service location across the state providing hunting and fishing license sales, boating registration and a variety of information and resources regarding Arizona's wildlife. The water fixtures at these regional offices are old and not water efficient. The FY2024 Executive Budget includes an increase in one time funding to enhance Arizona's water resilience across the State enterprise. This initiative will emphasize replacing water-thirsty fixtures with low-flow fixtures and modifying existing landscapes by adopting xeriscaping principles that include native plant species. AGFD needs to replace old water fixtures with new low flow fixtures. The prioritization was based on high use facilities including the public restrooms, employee restrooms, and kitchens. AGFD needs to replace 45 toilets; 11 urinals; 52 sinks; 10 showers; and one washer/dryer within the six regions. In addition, AGFD plans to implement a water recirculation system at Bubbling Ponds Hatchery fish culture building and ponds. This recirculation system would greatly reduce the amount of water used to raise fish. Installation of a liner at Bubbling Ponds Hatchery will prevent loss of water by percolation or filtration, increasing water conservation by significantly reducing the water needed to maintain the pond. This request aligns with the intent of the Governor's office building a resilient Arizona plan related to the water and environment or ADWR's water conservation tips for water conservation.

Solution: AGFD proposes to use the \$500,000 from the Capital Improvement Fund to hire contractors to replace old water fixtures with new low flow fixtures and to implement the water recirculation system at Bubbling Ponds Hatchery.

Cost Estimate: \$500,000 to be allocated across all Regions and Bubbling Ponds Hatchery.

Impact of Not Approving this Request: AGFD is committed to providing a productive and safe work environment for its employees and to the active conservation work and the continued management of habitat to conserve and protect Arizona's wildlife. If the project is not approved, the fixtures will continue using water at a higher rate and in some cases resulting in water damage to the building's infrastructure and eventually the loss of residential and facility functionality.

Arizona Game and Fish Department
Building Renewal and Capital Projects Expenditure Plan
Fiscal Year 2024



Fiscal Year 2024-2025 Building Renewal and Capital Projects Expenditure Plan	
Project	Cost Estimate
Building renewal Projects Total:	\$1,776,400.00
Region 5 Cluff Ranch Equipment Storage Building - Electrical, Plumbing and Structural	\$50,000.00
Region 5 Cluff Ranch Bunkhouse Building Repairs - Windows frames, Evaporative coolers, Flooring and Electrical	\$37,000.00
Region 5 Cluff Ranch - Storage and Shop Building Repairs	\$100,000.00
Region 1 Pinetop Hatchery Building - Windows and Internal Wall Repairs	\$55,000.00
Region 1 Pinetop Warehouse - Lighting Replacement	\$5,000.00
Region 1 PS Ranch Cabin - Reapply Chinking and Oil	\$10,000.00
Region 1 Vincent Ranch - Vault Toilet Sealing	\$7,000.00
Region 2 Administrative Building Parking Lot - Resurfacing and NW Security Gate Replacement (Phased 2)	\$250,000.00
Region 2 Flagstaff Administrative Building - Security Camera and System Upgrade	\$38,000.00
Region 2 Raymond Wildlife Area Alfalfa Shed Repairs and Improvements	\$15,000.00
Region 2 Raymond Wildlife Area Manager's Residence Retaining Wall	\$20,000.00
Region 2 Raymond Wildlife Area - Bunkhouse Repairs and Improvements	\$20,000.00
Region 5 Whitewater Draw Wildlife Area - Motorpool Storage Building Repairs	\$150,000.00
Region 5 Whitewater Draw Wildlife Area - Visitor Center and Vault Bathroom Repairs	\$100,000.00
Region 5 Whitewater Draw Wildlife Area Ranch - Ranch House Upgrades and Repairs	\$100,000.00
Region 5 Whitewater Draw Wildlife Area - Storage Building Repairs	\$175,000.00
Region 6 Mesa Office - Administrative Building Heating and Cooling Repair	\$15,000.00
Region 6 Mesa Office Administrative Building - Metal Roof, Canopy, Rain Gutters and Fence Maintenance and Repairs	\$37,000.00
Region 6 Horseshoe Ranch - Main House Interior and Exterior Repairs and Replace Water Heaters	\$61,000.00
Phoenix HQ - East Yard Operations Building	\$2,558.00
Page Springs Hatchery - Replace Doors/Locks	\$37,000.00
Page Springs Hatchery - Repair Electrical Issues	\$50,000.00
Silver Creek Hatchery - Residence #1 and #2 window and siding replacement	\$75,000.00
Silver Creek Hatchery - Residence #1 and #2 Swamp Cooler Replacements	\$7,500.00
Silver Creek Hatchery - Well House Repair/Replacement	\$20,000.00

Arizona Game and Fish Department
 Building Renewal and Capital Projects Expenditure Plan
 Fiscal Year 2024



Canyon Creek Hatchery - Bunkhouse Renovation	\$25,000.00
Canyon Creek Hatchery - Residential Sewer Line Repair/Replacement	\$25,000.00
Tonto Creek Hatchery - Hatchery Roof Exhaust Vents Repair and Relocation	\$20,000.00
AGFD Building Renewal - Emergency Allocation	\$75,000.00
State Headquarters – Major Maintenance Fund	\$52,230.00
AGFD Building Renewal - Preventive Maintenance	\$142,112.00
Capital Project Descriptions Total:	\$1,350,000.00
Dam Maintenance	\$150,000
Property Maintenance	\$300,000
Hatchery Maintenance	\$400,000
Water Resiliency and Conservation	\$500,000

**Arizona Game and Fish Department
Building Renewal and Capital Projects Expenditure Plan
Fiscal Year 2024**



STATE OF ARIZONA

Joint Committee on Capital Review

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ATHENA SALMAN

DATE: June 8, 2023

TO: Members of the Joint Committee on Capital Review

FROM: Nate Belcher, Fiscal Analyst

SUBJECT: Arizona State Parks Board - Review of Verde River State Park (For Discussion Only)

Request

A.R.S. § 41-1252 requires Committee review of expenditure plans for monies appropriated for land acquisition, capital projects and building renewal. The Arizona State Parks Board (ASPB) requests Committee review of \$7,000,000 of FY 2024 funding from the General Fund for the establishment of a new state park at the Verde River headwaters near Chino Valley.

Committee Options

The Committee has at least the following 2 options:

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

Under either option, the Committee may also consider the following provision:

- A. Any contractual agreement with the Trust for Public Land shall require the transfer of the land parcel to state ownership upon completion of the purchase process.
- B. Within 90 days after acquiring land for a Verde River Headwaters state park, the Arizona State Parks Board shall submit a report to the JLBC Staff detailing the total cost of land acquisition, including matching funds, and the anticipated costs associated with developing the park for public use.

(Continued)

Key Points

- 1) The Arizona State Parks Board (ASPB) is seeking review of \$7.0 million from the General Fund in FY 2024 to establish a new state park at the headwaters of the Verde River near Chino Valley.
- 2) ASPB will use \$6.0 million for land acquisition and \$1.0 million to begin park development.
- 3) The total land cost is expected to be \$10 million.
- 4) A private entity, The Trust for Public Land, will contribute \$4 million for the purchase.
- 5) ASPB will send the \$6.0 million to the Trust and that entity would purchase the land.
- 6) The Trust would then convey the land title to the state.
- 7) We do not have an estimate of the overall cost to develop the new state park.

Analysis

ASPB was appropriated \$7.0 million in FY 2024 to establish a new state park at the Verde River headwaters near Chino Valley. Of this amount, \$6.0 million would be used to acquire land for the park and \$1.0 million would go toward the development of the park's facilities for public use.

The proposed park would be located on a land parcel currently known as the Del Rio Springs Ranch, which is approximately 5 miles north of Chino Valley. The park would be located adjacent to the Upper Verde River Wildlife Area and Prescott National Forest, allowing for recreational access to the Verde River.

ASPB reports that the total cost for land acquisition is \$10.0 million. A private entity, Trust for Public Land, has secured an option agreement from the owners of the Del Rio Springs Ranch parcel to purchase the parcel at the \$10 million amount. ASPB would contribute \$6.0 million to the purchase from the FY 2024 appropriation, with the remaining funds being secured by the Trust for Public Land from federal and local sources. ASPB will send the \$6.0 million to the Trust, who would acquire the land. ASPB would enter into a contract with the Trust to transfer the parcel to state ownership upon completion of the purchase process. The Committee may consider a provision requiring the transaction to result in state ownership of the land as described above.

The remaining \$1.0 million from the FY 2024 appropriation would be used for development and would only cover construction of some of the anticipated facilities. ASPB anticipates requiring future appropriations to complete development of the park for public use.

The Committee may consider a provision that within 90 days of acquiring land for a state park at the Verde River headwaters, the Arizona State Parks Board shall submit a report to the JLBC Staff detailing the total cost of land acquisition, including matching funds, and the anticipated costs associated with developing the park for public use.

NB:jb



Katie Hobbs
Governor

ARIZONA STATE PARKS & TRAILS

Bob Broscheid
Executive Director



June 5, 2023

The Honorable Senator John Kavanagh
Chairman, Joint Committee on Capital Review
Arizona State House of Representatives
1700 West Washington Street
Phoenix, Arizona 85007



RE: Arizona State Parks Board FY24 Capital Projects for the Joint Committee on Capital Review

Dear Senator Kavanagh:

The Arizona State Parks Board (Arizona State Parks & Trails - ASPT) respectfully requests to be placed on the agenda of the next Joint Committee on Capital Review (JCCR) meeting being held June 2023 for review of funding to complete the projects outlined in the tables on the following pages.

ASPT is requesting Committee review on these capital projects pursuant to A.R.S § 41-1252(A)(4) & (C). Upon such review, ASPT will proceed with construction activities for these projects.

Thank you for your consideration of this request. If you have any questions or need additional information, please contact Tom Kmetz, Chief of Development, at 602-542-6920.

Sincerely,

Sarah Rose Webber
Deputy Director
Arizona State Parks Board

cc: The Honorable Representative David Livingston, Chairman, JLBC
Sarah Brown, Director, Office of Strategic Planning and Budgeting
Richard Stavneak, JLBC Director
Nate Belcher, JLBC Analyst
Zachary Harris, OSPB Budget Manager
Mark Weise, Assistant Director Operations & Development
Kevin Brock, Assistant Director Chief Financial Officer



Katie Hobbs
Governor

ARIZONA

STATE PARKS & TRAILS

Bob Broscheid
Executive Director



Arizona State Parks & Trails
Capital Improvement Projects Appropriations
Brief project descriptions follow below

CIP Project	FY24
New Park at headwater of Verde River	\$7,000,000
Capital Improvements - Major Maintenance	\$3,034,000

New Park at Headwater of Verde River

Laws 2023, First Regular Session, Chapter 135 (SB 1722) appropriated \$7,000,000 in FY 2024 for the Arizona State Parks Board to establish a state park at the headwaters of the Verde River. ASPT's understanding is that \$6M is for acquisition and \$1M is for development of the park.

Capital Improvements- Major Maintenance

CATAGORY CODES	
Fire & Life Safety	\$ 100,000
Shell: Superstructure; Exterior Walls & Roofing	\$ 500,000
Major Building Services	\$ 450,000
Interiors: Interior Construction Stairs; Finishes	\$ 450,000
Special Construction & controls; Hazardous Abatement	\$ 250,000
ADA accessibility	\$ 400,000
Infrastructure & Building Sitework	\$ 500,000
Preventative maintenance	\$ 242,752
Other Projects	\$ 141,648
Total	\$ 3,034,400

Fire and Life Safety Projects

The purpose of these projects is to improve or eliminate an impending condition that threatens life or property within the ASPT Building System or infrastructure statewide. ASPT utilizes the ADOA Quadrennial reports, State Fire Marshall Report, and Risk Management assessments to help priorities improvement; in addition to self-identification of areas of concern. Types of projects can include, but not limited to: Fire alarm systems, fire suppression systems, security alarm systems, air quality systems, water supply for fire suppression and potable quality, wastewater treatment and compliance, security systems such as access control, locks, and camera devices and footage storage systems, and building egress routes.



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Joint Committee on Capital Review

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ATHENA SALMAN

DATE: June 8, 2023

TO: Members of the Joint Committee on Capital Review

FROM: Nate Belcher, Fiscal Analyst

SUBJECT: Arizona State Parks Board - Review of FY 2024 Capital Improvement Projects - State Parks Revenue Fund

Request

A.R.S. § 41-1252 requires Committee review of expenditure plans for monies appropriated for building renewal and capital projects. The Arizona State Parks Board (ASPB) requests Committee review of \$3,034,400 of FY 2024 funding from the State Parks Revenue Fund for capital projects and statewide building renewal.

Committee Options

The Committee has at least the following 2 options:

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

Key Points

- 1) The Arizona State Parks Board (ASPB) is seeking review of \$3.0 million from the State Parks Revenue Fund for various capital projects and statewide building renewal in FY 2024.

Analysis

ASPB was appropriated \$3,034,400 for capital improvements in FY 2024 which funds 100% of the ASPB agency specific building renewal formula. Statewide capital improvements may include new capital projects such as camping sites, restroom buildings, shop buildings, or outdoor areas (ramadas, tables and grills). In addition, ASPB may use the funding for major maintenance and building renewal, including projects for water/wastewater facilities, septic tanks, roofing repairs and structural stabilization.

(Continued)

ASPB's FY 2024 funds would be allocated to the following project categories:

- Fire and Life Safety – \$100,000
- Building Shell (Exterior Wall Repairs, Roofing) – \$500,000,
- Major Building Services (HVAC, Electrical, Plumbing) – \$450,000
- Building Interior (Flooring, Paint) – \$450,000
- Special Construction and Hazard Abatement – \$250,000
- ADA Compliance – \$400,000
- Infrastructure (Utilities, Roads/Parking/Sidewalks, Fencing) – \$500,000
- Preventative Maintenance – \$242,800
- Other Funding (Project Scoping and Design) – \$141,600.

NB:jb



Katie Hobbs
Governor

ARIZONA STATE PARKS & TRAILS

Bob Broscheid
Executive Director



June 5, 2023

The Honorable Senator John Kavanagh
Chairman, Joint Committee on Capital Review
Arizona State House of Representatives
1700 West Washington Street
Phoenix, Arizona 85007



RE: Arizona State Parks Board FY24 Capital Projects for the Joint Committee on Capital Review

Dear Senator Kavanagh:

The Arizona State Parks Board (Arizona State Parks & Trails - ASPT) respectfully requests to be placed on the agenda of the next Joint Committee on Capital Review (JCCR) meeting being held June 2023 for review of funding to complete the projects outlined in the tables on the following pages.

ASPT is requesting Committee review on these capital projects pursuant to A.R.S § 41-1252(A)(4) & (C). Upon such review, ASPT will proceed with construction activities for these projects.

Thank you for your consideration of this request. If you have any questions or need additional information, please contact Tom Kmetz, Chief of Development, at 602-542-6920.

Sincerely,

Sarah Rose Webber
Deputy Director
Arizona State Parks Board

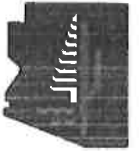
cc: The Honorable Representative David Livingston, Chairman, JLBC
Sarah Brown, Director, Office of Strategic Planning and Budgeting
Richard Stavneak, JLBC Director
Nate Belcher, JLBC Analyst
Zachary Harris, OSPB Budget Manager
Mark Weise, Assistant Director Operations & Development
Kevin Brock, Assistant Director Chief Financial Officer



Katie Hobbs
Governor

ARIZONA STATE PARKS & TRAILS

Bob Broscheid
Executive Director



Arizona State Parks & Trails
Capital Improvement Projects Appropriations
Brief project descriptions follow below

CIP Project	FY24
New Park at headwater of Verde River	\$7,000,000
Capital Improvements - Major Maintenance	\$3,034,000

New Park at Headwater of Verde River

Laws 2023, First Regular Session, Chapter 135 (SB 1722) appropriated \$7,000,000 in FY 2024 for the Arizona State Parks Board to establish a state park at the headwaters of the Verde River. ASPT's understanding is that \$6M is for acquisition and \$1M is for development of the park.

Capital Improvements- Major Maintenance

CATAGORY CODES	
Fire & Life Safety	\$ 100,000
Shell: Superstructure; Exterior Walls & Roofing	\$ 500,000
Major Building Services	\$ 450,000
Interiors: Interior Construction Stairs; Finishes	\$ 450,000
Special Construction & controls; Hazardous Abatement	\$ 250,000
ADA accessibility	\$ 400,000
Infrastructure & Building Sitework	\$ 500,000
Preventative maintenance	\$ 242,752
Other Projects	\$ 141,648
Total	\$ 3,034,400

Fire and Life Safety Projects

The purpose of these projects is to improve or eliminate an impending condition that threatens life or property within the ASPT Building System or infrastructure statewide. ASPT utilizes the ADOA Quadrennial reports, State Fire Marshall Report, and Risk Management assessments to help priorities improvement; in addition to self-identification of areas of concern. Types of projects can include, but not limited to: Fire alarm systems, fire suppression systems, security alarm systems, air quality systems, water supply for fire suppression and potable quality, wastewater treatment and compliance, security systems such as access control, locks, and camera devices and footage storage systems, and building egress routes.



Katie Hobbs
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Executive Director



Building Shell Projects

Building Shell improvements are to address deficiencies in existing roofs, exterior enclosures, walls, windows and/or doors. The deficiencies addressed here represent a small portion of the deteriorating exterior systems where continuing maintenance-based repairs are not cost effective nor prevent leaks. Neglect of exterior roofs, walls, windows and doors escalates deterioration of building structural systems, leads to potential mold growth, and increases the risk of damage to interior contents. Further, the costs of structure damage and mold abatement can often exceed the cost of replacing a roof membrane. This project category is dedicated to proactively replacing failing roof and exterior systems throughout the ASPT Building System to mitigate negative impacts of interruption to mission critical functions and expensive "crisis-mode" abatements, emergency repairs, and replacements.

Major Building Services Projects

The deficiencies in the Major Building Services category reflect worsening conditions of HVAC, electrical, plumbing, and structural components across the ASPT Building System. Many of the systems are original to building construction. These systems have surpassed their useful lives and can no longer meet the demands of the facilities they support. Many systems are so weakened that unpredictable and imminent failure conditions threaten mission critical functions of public safety and institutional operations. Replacing aged and inefficient systems with new and more efficient systems will generate energy savings, protect assets, and provide comfortable climate control in Arizona's extreme environment. Failure to address aging and dilapidating systems may result in a shutdown of mission critical State services and expensive emergency basis procurements. Numerous systems throughout the ASPT Building System are original to building construction. These aging systems, in particular, the waste and vent piping, are failing at an increasing rate. Failure to replace deteriorating piping, especially the waste lines, will result in further damage to ceilings, walls, flooring and mechanical and electrical building systems.

Building Interior Projects

Replacement of worn interior flooring, stairway treading, and wall finishes have been in a "deferred indefinitely" status for many years. Many floor coverings, many over 20 years old, have long been in a deferred status and are in such poor condition they require immediate attention to avert or eliminate safety hazards. Conditions inside ASPT buildings include floor coverings completely worn through, ongoing patch maintenance, extensive damage to common hallway walls, missing or damaged ceiling tiles, stains, unraveling seams and tears, delaminating stairway treads, unsuccessful duct tape repairs, and extensive rippling. Paint is not matching and faded, as well as, wall marked and scrapped. ASPT will use these funds to provide a safe and presentable work environment for all ASPT employees and visitors.

Infrastructure Projects

Projects can include existing roadways, parking lots, sidewalks and walkways, electrical service entrances (SES) and mechanical utilities, water supply and distribution, sanitary and storm sewers, waste treatment, electrical distribution, site lighting, fencing, and communications. Many of these type systems have been in a "deferred indefinitely" status for many years and are in an exhausted state of deterioration. Water and Wastewater infrastructure systems throughout the ASPT park's system are original to construction. These aging systems are failing at an increasing rate. Failure to replace deteriorating piping, will result in further damage to State property and may create an environmental impact or reporting condition. Many areas are

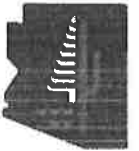


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not properly light to provide safe routes for park customers and staff since many of ASPT parks have overnight park occupancy.

Special Construction & controls; Hazardous Abatement

This will be for special construction and hazardous abatement priority projects. This can include, but not limited to, design and implementation of shoreline stabilization efforts to prevent continued erosion at ASPT's water parks; marina repair for maintenance for break walls and or dredging efforts; as well as repairing and/or replacing dilapidated boat docks causing safety, liability, or long-term maintenance issues; repair or replacement of boat ramps. This also consists of building/infrastructure or special construction and hazardous abatement mitigation effort of existing sites.

ADA Accessibility Projects

There are numerous ADA deficiencies in the ASPT Park's System that require remedy. Deficiencies include building access ramps, sidewalks, bathroom fixtures, drinking fountains, handrails, parking spaces, sites/amenities, and general reconfigurations of entrances and other areas in buildings to allow facilitate access to services and workplaces for persons with disabilities. In addition, many recreational areas within the ASPT system need to be ADA compliant. ASPT has been allocated \$5 million from the American Recovery Plan Act (ARPA) by Governor's Office to address ADA improvements, ASPT is allocating a small portion for items that may not meet the federal ARPA eligibility requirements.

Preventative Maintenance Projects

Preventive maintenance which can include preventive maintenance contracts for HVAC, backup power generators, pavement maintenance (small repairs), wastewater pump stations, septic systems, Termite treatment, etc.

Other Projects - Building Renewal Project Scoping

This is for scoping and design services for potential and emergency projects. Some of the requests received for funding consideration have deficient, vague, or very broad scopes of work, no supporting documentation, and insufficient, unreliable, or aged cost estimates. The proposed allocation supports ASPT in the development and implementation of detailed scopes of work that adequately and cost effectively address the requirements of current and future project request.



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DATE: June 8, 2023

TO: Members of the Joint Committee on Capital Review

FROM: Jordan Johnston, Senior Fiscal Analyst

SUBJECT: Arizona Department of Transportation - Review of ADOT Capital Projects

A.R.S. § 41-1252 requires Committee review of expenditure plans for monies appropriated for capital projects. The Arizona Department of Transportation (ADOT) requests review of 4 different capital projects that were funded in the FY 2024 Capital Outlay Bill.

A total of \$12,600,000 of State Highway Fund appropriations would be allocated as follows:

- \$3,400,000 for the new maintenance facility in Keams Canyon,
- \$2,600,000 for vehicle fueling facilities replacement (Springerville, Holbrook and Chambers),
- \$4,100,000 for the North Tucson MVD renovation, and
- \$2,500,000 for water conservation projects.

The department also requested review of \$7,500,000 for 2 separate projects regarding electric vehicle charging. Those projects are addressed in a separate agenda item.

Committee Options

The Committee has at least the following 2 options:

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

(Continued)

Key Points

The Arizona Department of Transportation (ADOT) is seeking review of the following \$12.6 million in State Highway Fund appropriations:

- 1) \$3.4 million for the construction of a new maintenance facility in Keams Canyon.
- 2) \$2.6 million for the replacement of vehicle fueling facilities located in Springerville, Holbrook, and Chambers.
- 3) \$4.1 million for the renovation of a MVD facility in North Tucson.
- 4) \$2.5 million for the implementation of water conservation projects located throughout the state.

Analysis

The department has requested review of the following projects pursuant to statutory provisions requiring JCCR review of any capital project with an estimated cost over \$250,000:

Maintenance Facility in Keams Canyon

ADOT utilizes approximately 45 maintenance buildings throughout the state. Constructed in 1962, the department reports that the maintenance facility in Keams Canyon is too small for modern snow removal equipment to be enclosed during the winter months. In addition, the current office space and crew area is a double-wide trailer that lacks adequate functions and ADA accessibility.

ADOT is proposing to spend \$3.4 million to construct a new 5,425 square foot indoor storage enclosure as well as a new office space and crew area, resulting in a construction cost per square foot of \$442. The new indoor storage space will be able to hold the modern snow removal equipment while smaller equipment will continue to be stored in the existing truck barn. The new office space and crew area will provide employees with ADA-compliant restrooms, a locker room, and a conference room. *Table 1* below breaks down the cost of the new Keams Canyon facility by category.

Table 1	
Keams Canyon Maintenance Facility Expenditure Plan	
Item	Cost Estimate
Construction	\$ 2,400,000
Design and Administration	300,000
Information Technology	96,500
Furniture, Fixtures, and Equipment	100,000
Contingency	503,500
Total Appropriated Budget	\$3,400,000

Vehicle Fueling Facilities Replacement (Springerville, Holbrook, and Chambers)

ADOT manages 57 vehicle fueling facilities located throughout the state. The department reports that the average lifecycle for a typical fueling system is 30 years. Prior to FY 2021, ADOT reported 16 of 57 fuel facilities had fueling equipment more than 30 years old with single wall tanks. In FY 2021, ADOT received funding to replace the first 3 of 16 vehicle fueling facilities in need of replacement. In FY 2023, ADOT received funding to replace an additional 4 vehicle fueling facilities. The FY 2024 appropriation will bring the current replacement total to 10 facilities.

ADOT is proposing to spend \$2.6 million to replace the vehicle fueling facilities located at in Springerville, Holbrook, and Chambers. These fueling facilities will provide conventional types of fuel (e.g. unleaded gasoline and diesel) to state-owned vehicles. *Table 2* below breaks down the cost of replacing the vehicle fueling facilities by category.

(Continued)

Table 2

Vehicle Fueling Facilities Replacement Expenditure Plan

<u>Item</u>	<u>Cost Estimate</u>
Construction and Fuel Equipment	\$ 1,630,000
Demolition Work	360,000
Design and Construction Administration	100,000
Information Technology	10,000
Contingency	<u>500,000</u>
Total Appropriated Budget	\$2,600,000

MVD Facility in North Tucson

Originally constructed in the 1970s, the MVD facility located in north Tucson has an inefficient layout. In addition, the facility lacks ADA compliant access and restrooms.

ADOT is proposing to spend \$4.1 million to renovate the MVD facility in north Tucson. The renovated facility will make it easier for customers to navigate the facility. The renovations will include replacement of roof beams; structural reconfiguration to create open space; renovation of electrical, mechanical and plumbing systems; and interior finishes. *Table 3* below breaks down the cost of the new Tucson MVD facility by category.

Table 3

North Tucson MVD Facility Expenditure Plan

<u>Item</u>	<u>Cost Estimate</u>
Construction	\$ 2,500,000
Design and Administration	300,000
Furniture, Fixtures, and Equipment	400,000
Temporary Office Space	300,000
Contingency	<u>600,000</u>
Total Appropriated Budget	\$4,100,000

Water Conservation Projects

ADOT is proposing to spend \$2.5 million on projects to implement water conservation efforts and technologies at their facilities. Specifically, ADOT has identified the following 3 general project areas: convert 97,000 square feet of lawn, trees, and shrubs to Xeriscape at 8 ADOT owned sites statewide, replace water fixtures at ADOT facilities to low-flow fixtures, and increase the number of Water Well and Distribution Secondary Control and Data Acquisition (SCADA) systems across ADOT's 135 water wells to reduce water wastage. *Table 4* below breaks down the cost of the water conservation projects by category.

Table 4

Water Conservation Projects Expenditure Plan

<u>Item</u>	<u>Cost Estimate</u>
Design and Engineering	\$ 250,000
Water Conservation Projects	<u>2,250,000</u>
Total Appropriated Budget	\$2,500,000

June 2, 2023

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



Dear Senator Kavanagh:

Laws 2023, First Regular Session, Chapter 135 (SB 1722), Section 8 appropriates the Arizona Department of Transportation (ADOT) \$21,100,000 for six Capital Improvement Projects (CIP). ADOT respectfully requests to be placed on the agenda of the next Joint Committee on Capital Review (JCCR) meeting for review of the following projects:

Capital Improvement Projects	FY 2024 CIP Approp.
Construct New Maintenance Facility in Keams Canyon	\$3,400,000
Replace Vehicle Fueling Facilities in Springerville, Holbrook, and Chambers	\$2,600,000
Electric Vehicle Charging and Advance Fuel Infrastructure at Department Facilities Open and Accessible to the Public, Excluding Rest Areas.	\$2,500,000
Electric Vehicle Charging and Advance Fuel Infrastructure at Department Fleet Facilities	\$5,000,000
Renovate Motor Vehicle Division in North Tucson	\$4,100,000
Water Conservation Project	\$2,500,000
Total	\$20,100,000

Construct New Maintenance Facility in Keams Canyon

In FY 2024, \$3,400,000 is appropriated to construct a new truck barn with attached office, crew area, and training room to replace the existing structure constructed in 1962. The size of the current facility is too small for modern snow removal equipment to be enclosed in the winter months. This leads to difficulty starting the equipment in cold weather, increases the chance of damage to the expensive equipment, and results in delayed responses to incidents. The office facility and crew areas being used by the unit are in an older repurposed residential double-wide trailer, and are lacking required functions and ADA accessibility.

The new 5,425 square foot building will include properly sized indoor storage for snow-removal equipment during winter conditions, and will also provide Equipment Services personnel with a safe area to service and repair equipment when needed. Incorporating the crew areas into the truck barn construction will allow the removal of the aging office trailer on the site, and will greatly reduce energy costs for the operation of these spaces. The new office and crew areas will provide modern, updated work areas for the supervisor and the crew. The area will also provide employees with ADA compliant restrooms, a locker room, and a ready/conference room. The current and smaller existing truck barn will continue to be utilized for smaller equipment.

The itemized project costs are shown below:

Item	Amount
Construction	\$2,400,000
Design and Construction Administration	\$300,000
Information Technology/Security	\$96,500
Furniture, Fixtures & Equipment	\$100,000
Contingency	\$600,000
FY 2024 Appropriation Total	\$3,400,000

Replace Vehicle Fueling Facilities in Springerville, Holbrook, and Chambers

In FY 2024, \$2,600,000 is appropriated to replace fueling facilities at ADOT's Springerville, Holbrook, and Chambers maintenance yards.

The itemized project costs for the four facilities are shown below:

Item	Amount
Construction and Fuel Equipment	\$1,630,000
Demo of Existing Underground Tanks and Equipment	\$360,000
Design and Construction Administration	\$100,000
Information Technology	\$10,000
Contingency	\$500,000
FY 2024 Appropriation Total	\$2,600,000

ADOT's Equipment Services, Fuel Systems Management Group manages 57 fueling facilities located throughout the State, dispensing over 4 million gallons of diesel, unleaded, and E-85 fuel, annually. The average lifecycle for a typical fueling system is 30 years. Currently, 16 of the 57 fuel facilities have fueling equipment that is in excess of 30 years in age with single wall tanks. In FY 2021, ADOT received funding for the first 3 of the 16 facilities, and in FY 2023, was provided funding for 4 additional facilities. The FY 2024 appropriation will bring the current replacement total to 10 facilities.

Electric Vehicle Charging and Advance Fuel Infrastructure at Department Facilities Open and Accessible to the Public, Excluding Rest Areas.

This is a collaborative effort between ADOA and ADOT with ADOT taking the administrative lead on the grant submission and subsequent management of grant funding. The FY 2024 Capital Outlay appropriation includes \$2,500,000 to install Electric Vehicle Charging Stations (EVSE) for public use at ADOT locations. ADOA was also appropriated \$5,000,000 to install EVSE for public use at State facilities. These appropriations will be used in conjunction with a \$14,626,400 federal grant to complete the installation at up to 15 Motor Vehicle Division (MVD) locations, 24 State Parks, the Department of Economic Security (DES), Grand Canyon National Airport and within the Capital Complex.

The itemized project costs for ADOT are shown below:

Item	Amount
Construction	\$2,500,000
FY 2024 Appropriation Total	\$2,500,000

A detailed planning study will be conducted at each of the proposed sites to validate supportability and viability of the proposed locations. ADOT's proposed sites were chosen because the property is owned, not leased, and has a high volume of MVD Customers. ADOT and ADOA will determine final site selections and manage installations at the respective locations.

Electric Vehicle Charging and Advance Fuel Infrastructure at Department Fleet Facilities

In FY 2024, \$5,000,000 was appropriated to install Electric Vehicle Charging Stations (EVSE) at fleet facilities. ADOT has identified 17 sites in the urban central corridors with the potential to install EVSE for the fleet; however, ADOT estimates that 7-8 sites could be completed within the current appropriation after accounting for design, construction, and contingency.

The itemized ADOT project costs are shown below:

Item	Amount
Planning Study	\$280,000
Design and Construction Administration	\$566,400
Construction (~\$473,000 per site)	\$3,738,240
Contingency	\$415,360
FY 2024 Appropriation Total	\$5,000,000

A detailed planning study will be conducted at each of the proposed sites to validate supportability and viability of the proposed locations. Level II chargers are anticipated to be sufficient as the targeted vehicles typically drive less than 250 miles per day and return to the same location each night.

Renovate Motor Vehicle Division in North Tucson

In FY 2024, \$4,100,000 was appropriated to renovate and reconstruct the North Tucson MVD facility to current ADA and infrastructure codes. The project will also create an open customer service area that will make it easier for customers to navigate services and ADOT staff to monitor customer progress; this will also allow modern MVD operations to be implemented.

The building was constructed in the 1970s and an addition was constructed in the 1990s. The current ADOT Tucson North MVD facility is an inefficient and operationally cumbersome facility for employees and the public to perform and receive services due to the dated layout, and awkwardness of the later expansion. Lobby and staging areas are difficult and confusing to navigate for customers, and impossible for staff to effectively queue and oversee customer positioning, and control wait times. The building lacks ADA compliant access and restrooms, and interior operational areas do not respond well to modern MVD programs.

The renovations will include replacement of roof beams and structural reconfiguration to create open space, renovation of all electrical, mechanical and plumbing systems, and upgrade of roofing and interior finishes to modern and maintainable levels. Exterior renovations will include parking lot repaving and exterior updating for a new, easier to use entrance and better ADA accommodations. The modernization of this facility will provide a more effective and efficient customer experience, will modernize aging systems and finishes throughout the building, and will accommodate the programmatic functions of the current MVD practices. The renewal of this facility will provide 30 to 40 years of extended life expectancy for the facility, and greatly reduce maintenance costs and efforts.

The itemized project costs are shown below:

Item	Amount
Construction	\$2,500,000
Design & Construction Administration Services	\$300,000
Furniture, Fixtures, and Equipment	\$400,000
Temporary Office Space	\$300,000
Contingency	\$600,000
FY 2024 Appropriation Total	\$4,100,000

Water Conservation Project

In FY 2024, \$2,500,000 was appropriated for projects intended to increase water resiliency in State facilities and properties by implementing water conservation efforts/technology. ADOT has prioritized three primary areas for improvement:

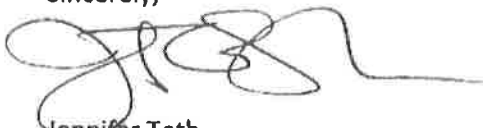
- Convert approximately 97,000 square feet of irrigated lawn, trees, and shrubs to Xeriscape at eight ADOT owned sites across the state,
- Replace fixtures (toilets, urinals, and faucets) to low-flow in ADOT buildings, and,
- Increase the number of Water Well and Distribution Secondary Control and Data Acquisition (SCADA) systems across ADOT's 135 Water Wells, to reduce water wastage.

The itemized project costs are shown below:

Item	Amount
Design and Engineering	\$250,000
Water Conservation Project	\$2,250,000
FY 2024 Appropriation Total	\$2,500,000

Thank you for your consideration of this request. If you have any questions or need additional information, please contact David Bolter, Interim ADOT Budget Manager, at (602) 712-8917.

Sincerely,



Jennifer Toth
Director

Cc: The Honorable David Livingston, Vice-Chairman, JCCR
 Sarah Brown, Director, Office of Strategic Planning and Budgeting
 Richard Stavneak, Director, Joint Legislative Budget Committee (JLBC)
 Jordan Johnston, JLBC Analyst
 Zachary Harris, OSPB Budget Manager
 Teri Kennedy, ADOT Administrative Services Director
 John Hetzel, ADOT Facilities Manager
jlbwebmaster@azleg.gov



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DATE: June 8, 2023

TO: Members of the Joint Committee on Capital Review

FROM: Morgan Dorcheus, Principal Fiscal Analyst

SUBJECT: Arizona State University - Review of Interdisciplinary Science and Technology Building 12 Project

Request

A.R.S. § 15-1683 requires Committee review of any university projects financed with system revenue bonds. A FY 2023 General Appropriations Act footnote also requires Committee review of any capital projects funded by a one-time General Fund appropriation. Arizona State University (ASU) requests Committee review of \$187,000,000 to construct a new Interdisciplinary Science and Technology Building (ISTB) 12 on the Polytechnic (East) Campus. Of this amount, \$156,000,000 will be funded by system revenue bonds and \$31,000,000 will be funded with cash from the university's FY 2023 one-time General Fund appropriation.

Committee Options

The Committee has at least the following 2 options:

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

Under either option, the Committee may also consider the following standard university financing provisions:

Standard University Financing Provisions

- A. 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.

(Continued)

- B. ASU shall provide the final debt service schedule and interest rate for the project as soon as they are available.
- C. On or before October 15 of each year until completion of the project, ASU shall report to the JLBC Staff on the status and expenditures of the project. The report shall include the project expenditures to date, any changes to the planned construction timeline, the expected completion date, and any change to the scope of the project.

Key Points

- 1) ASU plans to construct a 180,000 square foot facility on the Polytechnic (East) campus to provide academic and lab space for the School of Manufacturing Systems and Networks.
- 2) ASU will finance the project with \$103.6 million of lottery revenue bonds, \$52.4 million of system revenue bonds, and \$31.0 million in cash from a one-time FY 2023 General Fund appropriation, for total project costs of \$187.0 million.
- 3) Annual debt service costs of approximately \$9.7 million will be paid by a combination of lottery revenues (\$5.2 million) and tuition revenues (\$4.5 million).

Analysis

ASU intends to construct a new 3-story, 180,000 square foot building on the Polytechnic (East) Campus, located on Innovation Way West between Unity Avenue and Innovation Way South. The facility will support the School of Manufacturing Systems and Networks and include research and lab spaces for programs in additive manufacturing, robotics and industry automation, cyber manufacturing, semiconductor manufacturing, and energy systems.

To fund the project, ASU plans to issue \$156.0 million in system revenue bonds. Of this amount:

- \$103.6 million will be financed with the lottery revenue (SPEED) bond program. Statute allows the universities to enter into bond transactions of up to \$800 million to pay for building renewal costs and new construction projects. Annual debt payments are funded 80% by lottery revenues and 20% by other revenue generated by the university. Any lottery revenue used for debt service payments would otherwise be deposited to the General Fund. The universities have issued \$684.1 million in bonds under the SPEED program. The ISTB 12 project would use up most of the remaining \$115.9 million in program capacity.
- \$52.4 million will be financed with standard university system revenue bonds, with annual debt payments funded by tuition revenues.

The remaining \$31.0 million in project costs will be funded by a FY 2023 one-time General Fund appropriation, for total project costs of \$187.0 million.

Financing

ASU intends to issue a total of \$156.0 million in system revenue bonds in April 2024 and April 2025. ASU anticipates a rating of Aa2 (Moody's)/AA (S&P) and interest rates of 4.59% and 4.37% over 30-year terms. In addition to project costs, issuance costs are projected to be \$1,552,000. ASU will begin construction prior to bond issuance and will use their operating balances to cover costs until the bond proceeds are received.

The annual debt service will be approximately \$9.7 million, of which \$5.2 million will be funded by lottery revenues and \$4.5 million will be funded by tuition revenues. (See Table 1)

(Continued)

SPEED bonds are excluded from each university's statutory debt ratio. The debt service on this project increases ASU's current debt ratio by 0.15% (excluding SPEED bonds), from 4.70% to 4.85%. Including other ASU projects on the agenda, the debt ratio would increase to 4.89%.

Construction Costs

Construction of the ISTB 12 building is estimated to begin in September 2023 and is scheduled for completion in July 2025. The university reports that the building will be completed through the Construction Manager at Risk (CMAR) delivery method. Of the total \$187.0 million project costs for construction of the building, \$148.8 million are direct construction costs. Total projects costs per square foot are \$1,039, while direct construction costs per square foot are \$827 (see *Table 2*).

The most recent ASU construction project for a new academic building was reviewed by the Committee in December 2022. The 128,000 square foot project included retail space and instructional space for Herberger Institute for Design and the Arts programs on the Tempe Campus. The project was estimated to cost a total of \$88.0 million, or \$688 per square foot.

ASU also recently completed 2 academic/research facility projects similar to ISTB 12 (ISTB 7 and Bidesign C) and reports costs per square foot were \$682 and \$622, respectively.

Operations and Maintenance Costs

ASU estimates that annual operation and maintenance costs will increase by \$2.4 million, which will be paid by tuition revenues.

Table 1	
ISTB 12 Financing Terms	
Construction Timeframe	September 2023 – July 2025
Issuance Amount	\$156.0 million
Issuance Date	April 2024 / April 2025
Issuance Transaction Fees	\$1,552,000
Rating	Aa2 (Moody's)/AA (S&P)
Interest Rate	4.59% / 4.37%
Term	30 years
Total Debt Costs	\$292.0 million
Debt Service Payments	\$6.5 million (FY 2025) \$9.7 million (FY 2026 – FY 2054) \$3.2 million (FY 2055)
Payment Source	Lottery Revenues (\$156.5 million) Tuition (\$135.5 million)
Debt Ratio Increase	0.15% (Excluding SPEED Bonds) 0.21% (Including SPEED Bonds)

(Continued)

Table 2

ISTB 12 Construction Costs

Total Square Footage	180,000
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Funding

SPEED Bonds	\$103,600,000
System Revenue Bonds	52,400,000
Cash (General Fund)	<u>31,000,000</u>
Total	\$187,000,000

Costs

Direct Construction Costs	\$148,840,100	(\$827 per sq. ft.)
Other Costs ^{1/}	<u>38,159,900</u>	<u>(\$212 per sq. ft.)</u>
Total	\$187,000,000	(\$1,039 per sq. ft.)

Operations & Maintenance	\$2,438,600
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^{1/} Includes equipment, furniture, project design and management fees, and other costs.

MD:jb



June 1, 2023

The Honorable John Kavanagh, Chairman
Joint Committee on Capital Review
Arizona State Senate
1700 West Washington Street
Phoenix, AZ 85007



Dear Senator Kavanagh:

In accordance with ARS Sections 15-1683 and 15-1682.02, the Arizona Board of Regents requests that the following Arizona State University bond-financed projects be placed on the next Joint Committee on Capital Review agenda:

- Interdisciplinary Science and Technology Building 12
- Mill Avenue Student Housing, Dining and Academic Space

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,

A handwritten signature in black ink, appearing to read "Morgan R. Olsen".

Morgan R. Olsen
Executive Vice President, Treasurer and CFO

Enclosures

c: Richard Stavneak, Director, JLBC
John Arnold, Executive Director, Arizona Board of Regents, ABOR
Bradley Kendrex, Vice President, Finance and Administration, ABOR
Adam C. Deguire, Vice President, Government and Community Engagement, ASU
Kendra Burton, Executive Director, State Relations, ASU
Alex Kohnen, Vice President, Facilities Development and Management, ASU
Morgan Dorcheus, Senior Fiscal Analyst, JLBC



Interdisciplinary Science and Technology Building 12 (ISTB12)

Project Description

This project, formerly known as the Polytechnic Research and Education Building, will construct a new, multi-level research and education building to provide a centralized location for ASU's School of Manufacturing Systems and Networks at the Polytechnic campus, building on the Polytechnic School's longstanding reputation as a solutions-focused hub for engineering and technology education, research and collaboration.

The approximately 180,000 gross-square-foot building will consist of three floors and approximately 128,828 programmable square feet for office, meeting, instructional, research and collaboration spaces to prepare students contributing to engineering solutions for societal challenges. The building will be located east of Innovation Way West between Unity Avenue and Innovation Way South.

ISTB12 will support the needs of up to 50 faculty members and 3,000 students within the School of Manufacturing Systems and Networks while also providing specialized spaces and labs for research and programs pertaining to Additive Manufacturing, Robotics for Smart Manufacturing and Industry Automation, Cyber Manufacturing and Operations Research, Semiconductor Manufacturing, and Manufacturing Systems for the Energy Sector.

This project will be delivered through the Construction Manager at Risk (CMAR) delivery method. ASU has selected McCarthy Building Companies as the CMAR and SmithGroup as the Design Professional for this project. The selection process included 14 responses and 8 teams were interviewed.

The budget for this project is \$187 million.

Of the \$187 million project budget, \$103.6 million will be debt-financed with ASU SPEED revenue bonds, \$52.4 million debt-financed with ASU system revenue bonds, and the balance of \$31 million funded by a one-time State appropriation in accordance with Chapter 313, Laws 2022. The bonds will be amortized over an approximately thirty-year term. Up to 80 percent of the SPEED Bonds debt service will be paid from state lottery revenue committed by the legislature as part of the SPEED authorization. The balance of the annual debt service will be funded by tuition and is included in current budget planning. The debt ratio impact for this project is 0.15 percent excluding SPEED Bonds and 0.21 percent including SPEED Bonds.

The estimated annual O&M costs associated with this project of \$2,438,617 will be funded by tuition.

An Arizona Board of Regents (ABOR) executive summary for this project is attached, which outlines the project description and other relevant information. ABOR approval of the project is anticipated to occur at the June 15, 2023 meeting.

Project Budget:

Total Project Cost	\$ 187,000,000
Total Project Construction Cost	\$ 148,840,140
Total Project Cost per GSF	\$ 1,039
Construction Cost per GSF	\$ 827



Project Summary – Revenue Bonds

<u>Projects:</u>	<u>Funding Sources:</u>	<u>Amount:</u>
Interdisciplinary Science & Technology Building 12	Lottery Revenue, Tuition, One-time State Appropriation	\$187,000,000
Mill Avenue Student Housing Academic, Dining & Office Space	Tuition, Auxiliary Revenue	27,000,000
		<hr/>
		<u>\$214,000,000</u>

Financing Information

SPEED and System Revenue Bonds:

Project Costs Financed	\$183,000,000
Estimated Costs of Issuance	\$1,782,000
Anticipated Bond Rating	Aa2 (Moody's) and AA (S&P)
Assumed Interest Rate	4.29% to 4.60%
Term	30 years

Estimated Debt Service Information:

FY 2025	\$6,523,937
FY 2026 to FY 2054	\$11,456,520
FY2055	\$4,937,867
Total Estimated Debt Service	\$343,700,871

Debt Ratio

Debt Ratio on Existing Debt	4.7%
Incremental Debt Ratio	.3%
Project Debt Ratio	5.0%



Arizona State University

Interdisciplinary Science & Technology Building 12

SPEED Revenue Bonds

Fiscal Year	Estimated Issuance April 2024		
	Principal	Interest	Total
2025	\$962,000	\$5,561,937	\$6,523,937
2026	1,794,000	4,724,506	6,518,506
2027	1,879,000	4,643,450	6,522,450
2028	1,963,000	4,558,500	6,521,500
2029	2,053,000	4,469,708	6,522,708
2030	2,148,000	4,376,810	6,524,810
2031	2,242,000	4,279,591	6,521,591
2032	2,347,000	4,178,050	6,525,050
2033	2,447,000	4,071,710	6,518,710
2034	2,561,000	3,960,835	6,521,835
2035	2,676,000	3,844,732	6,520,732
2036	2,795,000	3,723,349	6,518,349
2037	2,925,000	3,596,525	6,521,525
2038	3,060,000	3,463,728	6,523,728
2039	3,194,000	3,324,796	6,518,796
2040	3,339,000	3,179,678	6,518,678
2041	3,493,000	3,027,946	6,520,946
2042	3,652,000	2,869,121	6,521,121
2043	3,817,000	2,702,988	6,519,988
2044	3,991,000	2,529,282	6,520,282
2045	4,176,000	2,347,576	6,523,576
2046	4,360,000	2,157,391	6,517,391
2047	4,559,000	1,958,726	6,517,726
2048	4,774,000	1,750,888	6,524,888
2049	4,988,000	1,533,184	6,521,184
2050	5,217,000	1,305,614	6,522,614
2051	5,456,000	1,067,485	6,523,485
2052	5,700,000	818,318	6,518,318
2053	5,965,000	557,899	6,522,899
2054	6,239,000	285,269	6,524,269
Total	\$104,772,000	\$90,869,590	\$195,641,590



Arizona State University

Interdisciplinary Science & Technology Building 12

System Revenue Bonds

Fiscal Year	Estimated Issuance April 2025		
	Principal	Interest	Total
2026	\$350,000	\$2,864,634	\$3,214,634
2027	935,000	2,276,511	3,211,512
2028	975,000	2,235,913	3,210,914
2029	1,020,000	2,193,578	3,213,578
2030	1,065,000	2,149,290	3,214,290
2031	1,110,000	2,103,048	3,213,048
2032	1,160,000	2,054,852	3,214,852
2033	1,210,000	2,004,484	3,214,484
2034	1,260,000	1,951,946	3,211,946
2035	1,315,000	1,897,237	3,211,237
2036	1,375,000	1,840,140	3,215,140
2037	1,435,000	1,780,437	3,215,437
2038	1,495,000	1,718,129	3,213,129
2039	1,560,000	1,653,217	3,213,217
2040	1,630,000	1,585,481	3,215,481
2041	1,700,000	1,514,707	3,214,707
2042	1,770,000	1,440,893	3,210,893
2043	1,850,000	1,364,039	3,214,039
2044	1,930,000	1,283,712	3,213,712
2045	2,015,000	1,199,912	3,214,912
2046	2,100,000	1,112,420	3,212,420
2047	2,190,000	1,021,238	3,211,238
2048	2,285,000	926,149	3,211,149
2049	2,385,000	826,934	3,211,934
2050	2,490,000	723,377	3,213,377
2051	2,600,000	615,261	3,215,261
2052	2,710,000	502,369	3,212,369
2053	2,830,000	384,701	3,214,701
2054	2,950,000	261,823	3,211,823
2055	3,080,000	133,734	3,213,734
Total	\$52,780,000	\$43,620,166	\$96,400,166

EXECUTIVE SUMMARY

Item Name: Review of Individual Project and Financing for Interdisciplinary Science and Technology Building 12 (ASU)

☒ Action Item

Requested Action: Arizona State University asks the board to approve individual project and financing for the Interdisciplinary Science and Technology Building 12 (ISTB12) project, as described in this executive summary. The approximately 180,000-square-foot, \$187,000,000 capital project will be debt-financed with SPEED revenue bonds totaling \$103.6 million, system revenue bonds totaling \$52.4 million, and the balance of \$31 million funded by a one-time state appropriation. The balance of the annual debt service will be paid over an approximate thirty-year term and funded by tuition.

Previous Board Action

- FY 2023–2025 Capital Improvement Plan
- Annual Capital Plan

October 2021
September 2022

Project Justification/Description/Scope

- This project, formerly known as the Polytechnic Research and Education Building, will construct a new, multi-level research and education building to provide a centralized location for ASU's School of Manufacturing Systems and Networks at the Polytechnic campus, building on the Polytechnic School's longstanding reputation as a solutions-focused hub for engineering and technology education, research and collaboration.
- The approximately 180,000 gross-square-foot building will consist of three floors and 128,828 programmable SF for office, meeting, instructional, research and collaboration spaces to prepare students to contribute to engineering solutions for societal challenges. The facility will be located east of Innovation Way West between Unity Avenue and Innovation Way South, as depicted on the attached map as Exhibit A.
- ISTB12 will support the needs of up to 50 faculty members and 3,000 students within the School of Manufacturing Systems and Networks while also providing specialized spaces and labs for research and programs pertaining to Additive Manufacturing, Robotics for Smart Manufacturing and Industry Automation, Cyber Manufacturing and Operations Research, Semiconductor Manufacturing, and Manufacturing Systems for the Energy Sector.
- The building will support ASU's mission to become a leading global center for interdisciplinary research, discovery, innovation, entrepreneurship and development

Contact Information:

Morgan R. Olsen, ASU

Morgan.R.Olsen@asu.edu

480-727-9920

EXECUTIVE SUMMARY

by 2026. The facility also will strengthen regional economic competitiveness for jobs through research, discovery and value-added programs. The education and innovations produced in will serve the growing demand for engineering talent at companies like Intel and Taiwan Semiconductor Manufacturing Company, which both recently announced billions of dollars of investments into Arizona semiconductor manufacturing operations.

Project Delivery Method and Process

- This project will be delivered through the Construction Manager at Risk (CMAR) delivery method. This approach was selected to facilitate a coordinated design with constant contractor input and guidance throughout the project development and costing phases.
- The project delivery work plan maximizes value through creating efficiencies in both the design phase and construction phase as a team, while ensuring complete alignment with ASU standards.
- ASU has selected McCarthy Building Companies as the CMAR and SmithGroup as the Design Professional for this project. The selection process included 14 responses and 8 teams were interviewed.

Project Status and Schedule

- The project is scheduled to begin construction in September 2023. The project is scheduled for completion in July 2025.

Project Cost

- The budget for this approximately 180,000 gross-square-foot project is \$187 million. This is an increase of \$12 million from the previously-approved project budget to address cost increases resulting from accelerating inflation, global supply chain issues, and local market conditions.
- The budget represents an estimated construction cost of approximately \$827 per gross square foot. The estimated total project cost is approximately \$1,039 per gross square foot.
- The Design-Builder will be at risk to provide the completed project within the agreed-upon guaranteed maximum price (GMP).

EXECUTIVE SUMMARY

- Comparable Projects:

Project	Description	Location	Project Size GSF	Total Project Cost/GSF	Year Completed
ISTB7	Five-story, high-performance research facility	Tempe	281,378	\$682	2022
Biodesign C	Five-story, state-of-the-art research facility	Tempe	193,000	\$622	2021
Average Comparable Total Project Cost				\$652	

Fiscal Impact and Financing Plan

- Of the \$187 million project budget, \$103.6 million will be debt-financed with SPEED revenue bonds, \$52.4 million debt-financed with system revenue bonds, and the balance of \$31 million funded by a one-time State appropriation in accordance with Chapter 313, Laws 2022. The bonds will be amortized over an approximately thirty-year term. Up to 80 percent of the SPEED Bonds debt service will be paid from state lottery revenue committed by the legislature as part of the SPEED authorization. The balance of the annual debt service will be funded by tuition and is included in current budget planning.
- The estimated average annual debt service for this project is \$9,734,600, with the SPEED Bonds debt service estimated at \$6,521,300 and the system revenue bonds debt service estimated at \$3,213,300.
- ASU will:
 - issue one or more series of system revenue bonds to finance the project, costs of issuance of the bonds and payments to a bond insurer or other credit enhancer, provided such payments result in a benefit that exceeds the amount of such payments;
 - issue bonds at a price at, above or below par, on a tax-exempt or taxable basis, in one or more series, at a fixed or variable rate of interest;
 - enter into necessary agreements, including those related to bond insurance or other credit enhancement agreements, if any; and
 - utilize a financial advisor, bond counsel, and bond trustee for the financing. The system revenue bonds will be marketed and sold on a negotiated basis, either to one or more investment banking firms currently in a pool of bond underwriters procured by the three state universities or by the State of Arizona or by a direct sale to a bank or banks or other financial institutions.

EXECUTIVE SUMMARY

- Debt Ratio Impact: The debt ratio impact for this project is 0.15 percent excluding SPEED Bonds and 0.21 percent including SPEED Bonds.
- The estimated annual O&M costs associated with this project of \$2,438,617 will be funded by tuition.

Occupancy Plan

- This new facility will provide a centralized location at the Polytechnic campus for ASU's School of Manufacturing Systems and Networks to support the needs of up to 50 faculty members and 3,000 students.

Statutory/Policy Requirements

- Pursuant to ABOR Policy 7-102.A, all Major Capital Projects require committee review and board approval.
- Pursuant to ABOR Policy 7-102.B.4, Major Capital Projects that are included in an approved ACP must be submitted for individual project and financing review by the Finance, Capital and Resources Committee and approval by the board, based upon the budget, schedule, scope, and other considerations as warranted.
- Pursuant to ABOR Policy 7-102.B.4.a.1, individual project and financing approval authorizes a university to proceed with financing and execution of construction contracts for an approved project.

EXECUTIVE SUMMARY

Capital Project Information Summary

University: Arizona State University **Project Name:** Interdisciplinary Science and Technology Building 12 (ISTB12)

Project Description and Location: This project will construct a multi-level facility designed to advance new university academic and research initiatives and programs focused on manufacturing systems and networks. The facility will include office, meeting, instructional, research and collaboration space to provide academic and research opportunities that prepare students to contribute engineering solutions for emerging societal challenges. The facility will be located east of Innovation Way West between Unity Avenue and Innovation Way South, as depicted on the attached map as Exhibit A.

Project Schedule:

Planning	August	2021
Design Start	August	2022
Construction Start	September	2023
Construction Completion	July	2025

Project Budget:

Total Project Cost	\$ 187,000,000
Total Project Construction Cost	\$ 148,840,140
Total Project Cost per GSF	\$ 1,039
Construction Cost per GSF	\$ 827

Estimated Annual O&M Cost:

Utilities	\$ 1,003,273
Personnel	475,424
All Other Operations	116,643
Subtotal	\$ 2,438,617

Funding Source:

A: SPEED and System Revenue Bonds	\$ 156,000,000
Debt Service Funding Sources: Lottery Revenue and Tuition	
B: One-Time State Appropriation	\$ 31,000,000
Operation/Maintenance	\$ 2,438,617
Funding Source:	Tuition

EXECUTIVE SUMMARY

Capital Project Budget Summary

University: Arizona State University

Project: Interdisciplinary Science and Technology Building 12

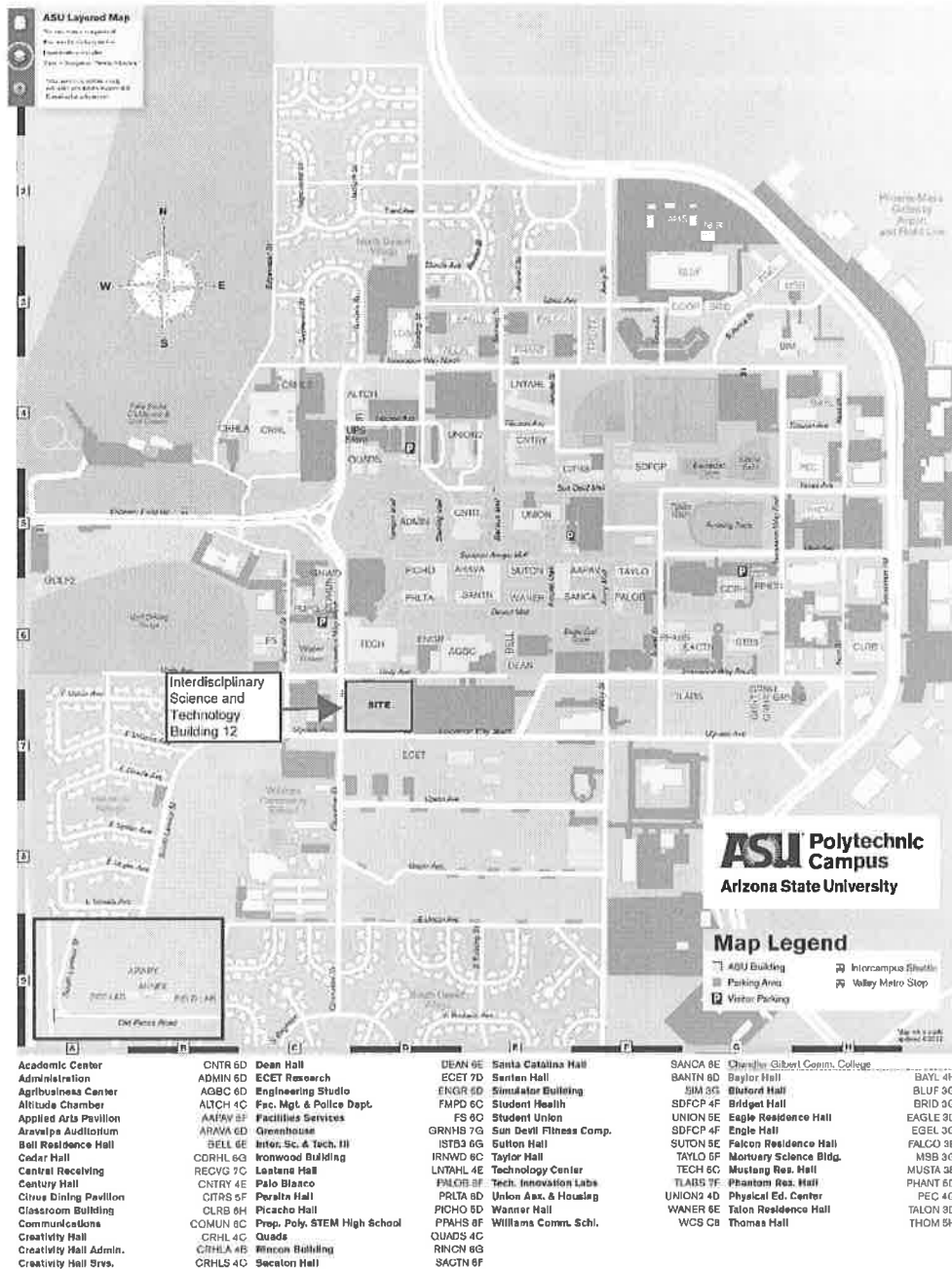
	<u>Annual Capital Plan</u>	<u>Project Approval</u>
Capital Costs		
1. Land Acquisition		
2. Construction Cost		
A. New Construction	\$ 126,500,000	\$136,352,000
B. Tenant Improvement	\$ 1,600,000	5,500,000
C. Special Fixed Equipment	100,000	400,000
D. Site Development (excl. 2.E.)	-	2,500,000
E. Parking and Landscaping	450,000	600,000
F. Utilities Extensions	8,500,000	2,000,000
G. Other* (Demolition/abatement)	-	1,488,140
Subtotal Construction Cost	<u>\$ 137,150,000</u>	<u>\$148,840,140</u>
3. Fees		
A. CMAR Pre-Construction	\$ 1,799,491	1,799,491
B. Architect/Engineer	13,217,325	\$13,214,325
C. Other	617,000	762,755
Subtotal Consultant Fees	<u>\$ 15,633,816</u>	<u>\$15,776,571</u>
4. FF&E Movable	\$ 2,572,056	\$2,942,260
5. Contingency, Design Phase	450,305	725,000
6. Contingency, Constr. Phase	8,000,000	7,941,467
7. Parking Reserve	5,000	-
8. Telecommunications Equipment	5,366,732	4,152,960
Subtotal Items 4-8	<u>\$ 16,394,093</u>	<u>\$15,761,687</u>
9. Additional University Costs		
A. Surveys, Tests, Haz. Mat. Abatement	\$ 475,000	\$485,000
B. Move-in Costs	200,000	300,000
C. Printing Advertisement	30,000	20,000
D. Keying, signage, facilities support	20,000	370,000
E. Project Management Cost	5,043,615	4,810,802
F. State Risk Mgt. Ins. (.0034 **)	53,476	635,800
Subtotal Addl. Univ. Costs	<u>\$ 5,822,091</u>	<u>\$6,621,602</u>
Total Capital Cost	<u><u>\$ 175,000,000</u></u>	<u><u>\$187,000,000</u></u>

* Universities shall identify items included in this category.

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

EXECUTIVE SUMMARY

Exhibit A
Interdisciplinary Science and Technology Building 12
Site Location Map





STATE OF ARIZONA

Joint Committee on Capital Review

STATE
SENATE

JOHN KAVANAGH
CHAIRMAN
LELA ALSTON
KEN BENNETT
SONNY BORRELLI
EVA DIAZ
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1716 WEST ADAMS
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MATT GRESS
ATHENA SALMAN

DATE: June 8, 2023

TO: Members of the Joint Committee on Capital Review

FROM: Morgan Dorcheus, Principal Fiscal Analyst

SUBJECT: Arizona State University - Review of Student Housing, Dining, and Academic Building Project

Request

A.R.S. § 15-1682.02 and A.R.S. § 15-1683 require Committee review of any university projects using indirect debt financing (also known as third-party financing) and any projects financed with system revenue bonds. Arizona State University (ASU) requests Committee review of a ground lease for the approximately \$140,000,000 student housing, dining, academic development on its Tempe Campus and \$27,000,000 in system revenue bonds issuances.

Committee Options

The Committee has at least the following 2 options:

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

Under either option, the Committee may also consider the following standard university financing provisions:

Standard University Financing Provisions

- A. 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.
- B. ASU shall provide the final debt service schedule and interest rate for the project as soon as they are available.

(Continued)

- C. On or before October 15 of each year until completion of the project, ASU shall report to the JLBC Staff on the status and expenditures of the project. The report shall include the project expenditures to date, any changes to the planned construction timeline, the expected completion date, and any change to the scope of the project.

Key Points

- 1) ASU plans to enter into a ground lease with a private vendor to construct a new 828-bed residence hall, dining hall, and academic space on its Tempe campus.
- 2) The vendor will operate the student housing portion of the facility and ASU will operate the dining and academic portion.
- 3) The vendor will pay \$140.0 million in total construction costs and ASU will reimburse \$25 million for the dining and academic space.
- 4) ASU will issue \$27.0 million of system revenue bonds to fund construction and \$2 million in furniture/equipment costs.
- 5) Annual debt service costs of approximately \$1.7 million will be funded by a combination of auxiliary revenues and tuition revenues.

Analysis

Under the proposed agreement, ASU would enter into a 65-year ground lease with a third party to construct a 7-story, 264,974 square foot facility on the Tempe campus, located on Myrtle Avenue and 10th Street. The project will include a 828-bed residence hall to house undergraduate students enrolled in the Herberger Institute of Design and the Arts (HIDA). The university reports that current housing facilities on the Tempe Campus are not sufficient to meet the demand of undergraduate students.

ASU's on-campus housing rates currently range between \$8,000 and \$20,000 per year on the Tempe Campus depending on certain factors, such as unit size, number of bedrooms and bathrooms, and building age. ASU's submission did not provide the expected housing rates for the new facility.

Approximately 31,196 square feet of building space will be excluded from the ground lease and used by ASU to provide additional classroom and academic space for HIDA programs and to operate a new dining hall.

Financing

The vendor would provide approximately \$140.0 million in upfront construction costs and be responsible for the ongoing cost of operating and maintaining the student housing portion of the facility. ASU would provide all programming and residential life staff, consistent with other on-campus housing facilities. The ground lease agreement would require the vendor to meet minimum standards of operation and agreed upon performance benchmarks.

For prior student housing projects, ASU received an annual fee for programming and staffing costs. ASU's submission did not provide specific details for this project's ground lease agreement or the estimated annual revenue. ASU and the vendor would establish a joint advisory committee to approve annual operating and capital budgets, staffing plans, and proposed changes to policies and procedures at the facility.

In addition, ASU intends to issue \$27.0 million in system revenue bonds in April 2025 to reimburse the

(Continued)

vendor for \$25.0 million in construction costs for the academic and dining hall portion of the facility and to fund \$2.0 million in furniture, fixture, and equipment costs. ASU anticipates a rating of Aa2 (Moody's)/AA (S&P) and an interest rate of 4.69% over a 30-year term. In addition to project costs, issuance costs are projected to be \$230,000.

The annual debt service will be approximately \$1.7 million, funded by a combination of auxiliary revenues (from the dining hall) and tuition revenues. (See Table 1)

The debt service on this project will increase ASU's current debt ratio by 0.04% from 4.70% to 4.74%. Including other ASU projects on the agenda, the debt ratio would increase to 4.89%.

Construction Costs

The facility is expected to begin construction by early fall of 2023 and be ready for occupancy by the fall 2025 semester. Of the total \$27.0 million in ASU's construction costs for the academic and dining space, \$25.0 million is for direct construction costs. Total project costs per square foot are \$865, while direct construction costs are \$801 per square foot.

The most recent ASU construction project for a new academic building was reviewed by the Committee in December 2022. The 128,000 square foot project included retail space and instructional space for HIDA programs on the Tempe Campus, but did not include a dining facility. The project was estimated to cost a total of \$88.0 million, or \$688 per square foot.

Operations and Maintenance Costs

ASU estimates that annual operation and maintenance costs of the academic space and dining hall will be \$173,000, which will be paid by auxiliary revenues and tuition revenues.

Table 1	
Dining Hall and Academic Space Financing Terms	
Construction Timeframe	Fall 2023 – Fall 2025
Issuance Amount	\$27.0 million
Issuance Date	April 2025
Issuance Transaction Fees	\$230,000
Rating	Aa2 (Moody's)/AA (S&P)
Interest Rate	4.69%
Term	30 years
Total Debt Costs	\$51.7 million
Debt Service Payments	\$1.7 million
Payment Source	Tuition & Auxiliary Revenues
Debt Ratio Increase	0.04%

(Continued)

Table 2

Dining Hall and Academic Space Construction Costs

Total Square Footage	31,196	
<u>Funding</u>		
System Revenue Bonds	27,000,000	
<u>Costs</u>		
Direct Construction Costs	\$25,000,000	(\$801 per sq. ft.)
Other Costs ^{1/}	<u>2,000,000</u>	<u>(\$64 per sq. ft.)</u>
Total	\$27,000,000	(\$865 per sq. ft.)
Operations & Maintenance	\$173,000	

^{1/} Includes equipment, furniture, project design and management fees, and other costs.

MD:jb



June 1, 2023

The Honorable John Kavanagh, Chairman
Joint Committee on Capital Review
Arizona State Senate
1700 West Washington Street
Phoenix, AZ 85007



Dear Senator Kavanagh:

In accordance with ARS Sections 15-1683 and 15-1682.02, the Arizona Board of Regents requests that the following Arizona State University bond-financed projects be placed on the next Joint Committee on Capital Review agenda:

- Interdisciplinary Science and Technology Building 12
- Mill Avenue Student Housing, Dining and Academic Space

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,

A handwritten signature in black ink, appearing to read "Morgan R. Olsen".

Morgan R. Olsen
Executive Vice President, Treasurer and CFO

Enclosures

- c: Richard Stavneak, Director, JLBC
John Arnold, Executive Director, Arizona Board of Regents, ABOR
Bradley Kendrex, Vice President, Finance and Administration, ABOR
Adam C. Deguire, Vice President, Government and Community Engagement, ASU
Kendra Burton, Executive Director, State Relations, ASU
Alex Kohnen, Vice President, Facilities Development and Management, ASU
Morgan Dorcheus, Senior Fiscal Analyst, JLBC



Mill Avenue Student Housing, Dining and Academic Space

Project Description

This seven-story, approximately 264,974 gross-square-foot facility is located off South Myrtle Avenue near the intersection of East 10th Street on the ASU Tempe campus. The project will consist of approximately 828 residence hall beds as well as an estimated 31,196 square feet of dining, classroom and office spaces and indoor/outdoor common areas (roughly 14,203 square feet of academic space and 16,993 square feet of dining/kitchen space).

ASU is not able to meet the demand for on-campus student housing at the Tempe campus with the existing number of resident hall beds due to strong enrollment growth.

The residence hall portion of this project is anticipated to house lower-division undergraduate students enrolled in the Herberger Institute of Design and the Arts (HIDA) on the ASU Tempe campus. The location is proximate to HIDA-related facilities, including Grady Gammage Memorial Auditorium, the Music Building, Nelson Fine Arts Center, Stauffer Community Arts and the Design School.

The academic space of this project will include instructional areas to support a variety of Herberger Institute of Design and the Arts (HIDA) programs as well as communal outdoor gathering spaces. It will facilitate ASU and ABOR goals for advancing student learning and empowering educational success by means of a safe, clean and affordable environment offering connections, engagement and collaboration through student programming opportunities. The dining hall will include a kitchen and offer plenty of space for students to eat, study and gather.

Through an agreement with ASU, American Campus Communities (ACC) will develop and construct the new facility. ACC is the nation's largest developer, owner and manager of high-quality student housing communities. The university has experience with ACC as the developer and operator of nine projects on ASU campuses, including a 507-bed project currently under development at the ASU West campus. ACC selected Okland Construction as the contractor and Solomon Cordwell Buenz as the architect for the project.

The anticipated cost to construct the new facility will be approximately \$140 million. Both the dining hall and academic space will be excluded from the ground lease with ACC and ASU will reimburse ACC for the capital costs of these facilities. The reimbursement amount will be based on final costs, but is anticipated to be approximately \$25 million. The academic space will require furniture, fixtures, and equipment in the amount of approximately \$2 million. ASU will issue system bonds totaling approximately \$27 million with a term of 30 years for this project. The annual debt service will be funded by auxiliary revenues and tuition. The auxiliary revenue portion of the debt service will be generated from the expansion of dining operations in the facility and the tuition portion is included in current budget planning. The projected incremental debt ratio impact for the academic and dining space is 0.04 percent.

ACC will be responsible for the operations and maintenance costs of the seven-story facility with the exception of the dining, classroom and office spaces. The dining, classroom and office spaces will be operated and maintained by ASU at an estimated cost of \$173,036 annually and will be funded by auxiliary revenues and tuition. Minimum standards of operation (both maintenance and staffing) will be comparable to similar ASU-owned and operated student housing.



Mill Avenue Student Housing – Dining and Academic Space Budget:

Total Project Cost	\$	27,000,000
Total Project Construction Cost	\$	25,000,000
Total Project Cost per GSF	\$	865
Construction Cost per GSF	\$	801

ASU has determined that, given its projected debt capacity, the priority of academic and research facility needs, and the existence of a private sector capability to develop student housing, it can best meet the housing needs of ASU Tempe campus through a public/private partnership.

An Arizona Board of Regents executive summary for this project is attached, which outlines the project description and other relevant information. Arizona Board of Regents approval of the ground lease is anticipated to occur at the June 15, 2023 meeting.



Project Summary – Revenue Bonds

<u>Projects:</u>	<u>Funding Sources:</u>	<u>Amount:</u>
Interdisciplinary Science & Technology Building 12	Lottery Revenue, Tuition, One-time State Appropriation	\$187,000,000
Mill Avenue Student Housing Academic, Dining & Office Space	Tuition, Auxiliary Revenue	27,000,000
		<hr/>
		<u>\$214,000,000</u>

Financing Information

SPEED and System Revenue Bonds:

Project Costs Financed	\$183,000,000
Estimated Costs of Issuance	\$1,782,000
Anticipated Bond Rating	Aa2 (Moody's) and AA (S&P)
Assumed Interest Rate	4.29% to 4.60%
Term	30 years

Estimated Debt Service Information:

FY 2025	\$6,523,937
FY 2026 to FY 2054	\$11,456,520
FY2055	\$4,937,867
Total Estimated Debt Service	\$343,700,871

Debt Ratio

Debt Ratio on Existing Debt	4.7%
Incremental Debt Ratio	.3%
Project Debt Ratio	5.0%



Arizona State University

Mill Avenue Student Housing Academic, Dining, and Office Space

System Revenue Bonds

Fiscal Year	Estimated Issuance April 2025		
	Principal	Interest	Total
2026	142,000	1,583,293	1,725,293
2027	460,000	1,260,407	1,720,407
2028	480,000	1,239,220	1,719,220
2029	509,000	1,217,104	1,726,104
2030	528,000	1,193,604	1,721,604
2031	553,000	1,169,230	1,722,230
2032	582,000	1,143,708	1,725,708
2033	607,000	1,116,804	1,723,804
2034	636,000	1,088,752	1,724,752
2035	661,000	1,059,317	1,720,317
2036	694,000	1,028,734	1,722,734
2037	724,000	996,608	1,720,608
2038	758,000	963,054	1,721,054
2039	793,000	927,901	1,720,901
2040	832,000	891,105	1,723,105
2041	866,000	852,491	1,718,491
2042	910,000	812,289	1,722,289
2043	949,000	769,992	1,718,992
2044	999,000	725,877	1,724,877
2045	1,042,000	679,405	1,721,405
2046	1,091,000	630,893	1,721,893
2047	1,140,000	580,068	1,720,068
2048	1,193,000	526,929	1,719,929
2049	1,253,000	471,316	1,724,316
2050	1,311,000	412,850	1,723,850
2051	1,365,000	351,631	1,716,631
2052	1,433,000	287,881	1,720,881
2053	1,502,000	220,882	1,722,882
2054	1,570,000	150,638	1,720,638
2055	1,647,000	77,133	1,724,133
Total	\$27,230,000	\$24,429,116	\$51,659,116

EXECUTIVE SUMMARY

Item Name: **Ground Lease and Related Agreements for Development of New Student Housing, Dining and Academic Space at the Tempe campus (ASU)**

☒ Action Item

Requested Action:

Arizona State University asks the committee to review and recommend forwarding to the full board for approval a ground lease of approximately 1.73 acres of real property located off South Myrtle Avenue near the intersection of East 10th Street on the ASU Tempe campus (the "**Parcel**") with American Campus Communities or affiliates ("**ACC**") for the development of new third-party student housing, a dining facility, academic space, and the right to lease all or a portion of the facility at an annual cost exceeding

Background/History of Previous Board Action

- This ground lease will facilitate development of a seven-story, approximately 264,974 gross-square-foot building with approximately 828 residence hall beds as well as an estimated 31,196 square feet of dining, classroom and office spaces and indoor/outdoor common areas. The residence hall is anticipated to house lower-division undergraduate students enrolled in the Herberger Institute of Design and the Arts (HIDA) on the ASU Tempe campus.
- The academic spaces will include instructional areas to support a variety of HIDA programs as well as communal outdoor gathering spaces. The dining hall will include a kitchen and offer plenty of space for students to eat, study and gather.
- The location is proximate to HIDA-related facilities, including Grady Gammage Memorial Auditorium, the Music Building, Nelson Fine Arts Center, Stauffer Community Arts and the Design School.
- The university is not able to meet the demand for on-campus student housing at the Tempe campus with the existing number of residence hall beds. The proposed project will deliver 828 residence hall-style beds allowing ASU to address the unmet demand for student housing on the Tempe campus.
- American Campus Communities (ACC) is the nation's largest developer, owner and manager of high-quality student housing communities. The university has experience with ACC as the developer and operator of nine projects on ASU

Contact Information:

Morgan R. Olsen, ASU

Morgan.R.Olsen@asu.edu

480-727-9920

EXECUTIVE SUMMARY

campuses, including a 507-bed project currently under development at the ASU West campus.

- In May 2023, ASU entered into a Memorandum of Understanding (MOU) with ACC which outlined the development by ACC of an approximately 828-bed, third-party project on the ASU Tempe campus, as depicted on Exhibit A. Within the MOU, ACC agreed to undertake pre-development activities with the goal of making the project available by the fall semester of 2025.

Discussion

- University Housing exists to provide safe, clean, affordable student housing that encourages student success, connection, engagement and involvement through student programming opportunities. Student success and retention rates improve significantly when students reside on campus, particularly among first-time freshmen. Purposeful student programming and the relationship development that occurs through having staff living in and interacting directly with students has proven to increase student satisfaction, involvement and retention. The construction of a new living and learning facility at the ASU Tempe campus will support the university and ABOR goals of advancing student learning and empowering educational success.
- ACC will construct a 7-story, 264,974 gross-square-foot facility with approximately 828 beds, a dining hall, and academic space estimated at a total of 31,196 gross square feet.
- The project is targeted for first-year undergraduate students. As of Academic Year 2022-23, bed demand for first-year on-campus housing at the Tempe campus has outpaced supply and housing is fully subscribed.
- The parties will enter into a ground lease with a term of 65 years, with two ten-year renewal options. The project will begin construction in late summer/early fall of 2023 with an anticipated opening in fall 2025.
- ASU, at its sole discretion, will have the right, in any year, to master sublease all beds within the project through the execution of a separate Master Sublease Agreement. ASU annually will evaluate programmatic needs when deciding whether to master sublease. When master subleasing, ASU determines all rates charged to students and retains all revenues from the project.
- ASU will fund and operate approximately 31,196 SF of academic, office and dining space within the project. The planned 14,203 SF of academic and office space will support HIDA academic programs. The 16,993 SF of dining space will serve the

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project and the broader student population on the western part of the Tempe campus.

- ACC is responsible for all costs and expenses of operating and maintaining the student housing facility, with the exception of certain residence life and technology services, which will be provided by ASU. Minimum standards of operation (both maintenance and staffing) will be comparable to similar ASU-owned and operated student housing. ASU will be responsible for operating and maintaining the academic and dining space.
- ASU will provide appropriate residential life programming and staffing for the new facility at a level consistent with other comparable on-campus housing. ACC will employ a general manager and maintenance staff for the facility. ACC and ASU will establish a Joint Advisory Committee responsible for the day-to-day operations of the housing facility, including review and approval of the annual operating budget, capital budget, staffing plan and any proposed changes in programs, policies and procedures. ACC retains ultimate control of those decisions that result in a material economic consequence to ACC, provided that minimum standards of operation have been satisfied.
- Upon approval of this item, the following are each separately authorized in the name and on behalf of the Board to take all appropriate actions to finalize negotiations and to sign and deliver all documents and agreements necessary to consummate the transaction described in this Executive Summary on substantially the same or similar terms as described herein: the ASU President, ASU Executive Vice President, Treasurer and Chief Financial Officer, and the ASU Vice President for Real Estate Development, or any successor titles to such positions, each separately, to take all appropriate actions to enter into any and all necessary documents to ground lease and develop the subject Parcel and annually lease the Parcel, on substantially the terms described in this Executive Summary.

Fiscal Impact

- The anticipated cost to construct the new facility will be approximately \$140 million.
- The dining hall and academic space will be excluded from the leased premises and ASU will reimburse ACC for the capital costs of these facilities. The reimbursement amount will be based on final costs but is anticipated to be approximately \$25 million.
- ASU will issue system revenue bonds totaling approximately \$27 million with a term of 30 years. The bond proceeds will be used to reimburse ACC for the capital

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cost of the dining hall and academic space, approximately \$25 million, and provide approximately \$2 million for furniture, fixtures and equipment in the academic space.

- The University will receive ground lease payments if the project meets performance benchmarks in the pro forma negotiated with ACC.
- Any annual master sublease of the project would be funded from University Housing revenues.
- ASU has determined that, given its projected debt capacity, the priority of academic and research facility needs, and the existence of a private sector capability to develop student housing, it can best meet the housing needs of ASU Tempe campus through a public/private partnership.

Committee Review and Recommendation

Arizona State University requests committee review and recommendation to the full board for approval of authorization to enter into any and all documents necessary to ground lease and develop the Parcel, on substantially the same or similar terms described in this Executive Summary, including entering into annual lease agreements in excess of \$1,000,000.

Statutory/Policy Requirements

- ABOR Policy 7-102(A) requires Committee review and Board approval of all Major Capital Projects. Major Capital Projects are those capital projects with a total project cost of \$10,000,000 or greater, including New Construction, Renovation, Infrastructure, Information Technology or Third-Party Projects.
- ABOR Policy 7-102(A)(3) requires approval of major capital projects where the board and the university share with other entities (e.g., federal, state, local, development groups, public/private ventures, etc.) the control, financing, or ownership (current or future) of the project and/or its delivery process and that are for university use and are subject to review under ABOR Policy 7-207(A)(1).
- ABOR Policy 7-207(A) requires that all lease agreements and amendments of lease agreements of real property, including lease agreements in connection with any development of capital projects, as defined in ABOR Policy 7-102(A)(3), shall be reviewed by the Finance, Capital and Resources Committee and approved by the board before becoming effective.

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- ABOR Policy 7-207(A) requires Committee review and Board approval of leases with a university as a landlord in which the total annual base lease amount exceeds \$1,000,000.

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EXHIBIT "A"

LOCATION AND SITE MAP

